

# Cassa di Compensazione e Garanzia

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## New MIC Guarantee System Rules

9 June 2014

The Italian text of these Regulations shall prevail over the English version



**London**  
Stock Exchange Group

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# SECTION A GENERAL PROVISIONS

## PART A.1

### Article A.1.1.1 Definitions

1. In these *Regulations*, terms and expressions, whether in the singular or in the plural, in italics or in capital letters, shall have the meanings indicated below.

**Settlement Agent** indicates a member of the *Target2 System* appointed by a *Member* for the execution of payments and collection of funds related to contracts in Euro entered into on the *Market* and to *Default Fund* contribution, corresponding to the “Agent Bank” as per e-MID market Regulations.

**Annexes** indicates documents appended to the *Regulations* that govern operating and technical aspects of the *New MIC Guarantee System*.

**CC&G** indicates Cassa di Compensazione e Garanzia S.p.A.

**Notices** indicates general announcements to *Members* issued by CC&G in application of the provisions of the *Regulations* and the *Annexes*.

**PM Account** indicates a PM account held by a *Member* (or by a *Settlement Agent*) in the *Target2 System*, as defined in ECB guideline ECB/2007/2 of 26 April 2007.

**General Conditions** indicates the general conditions of contract and other documentation required for membership of the *New MIC Guarantee System*.

**Default Fund** indicates the guarantee fund made up with payments collected from *Members* of the *New MIC Guarantee System*, pursuant to Legislative Decree no. 170 of 21 May 2004.

**Total Net Exposure** indicates the sum of the *Net Daily Exposures* of the *Member*.

**Net Daily Exposure** indicates the net balance between funds that the *Member* must transfer and those that he must receive in a single day as a result of contracts entered into on the *Market*, calculated by the *Management Company* according to criteria established in the *Regulations* and in the *Annexes*.

**Guarantees** indicates financial instruments pledged to CC&G by each *Member*, as provided by Italian Legislative Decree No. 170 of 21 May 2004, in guarantee of the execution of contracts that the *Member* has concluded on the *Market*, according to the rules of the *New MIC Guarantee System*.

**CC&G open day** indicates any day in which the *Market* or the *Target2 System* is open.

**Group** indicates a banking group as defined by Article 60 of the T.U.B or a group as defined pursuant to Article 11 T.U.F. and the related implementing provisions.

**Technological Infrastructure** indicates the set of electronic applications that enables the *Member* to receive clearing information.

**Operating Limit** indicates, for each *Member*, the difference between the valuation of their *Guarantees*, as indicated at Article A.1.1.3, paragraph 1, letter b), and their *Total Net Exposure*.

**Market** indicates the “Anonymous Section Guaranteed in Euro” of the electronic trading system of multi-currency monetary deposits managed by e-MID SIM S.p.A.

**Member** indicates an entity that, operating or intending to operate in the Market, is admitted to the *New MIC Guarantee System*.

**Consolidated Supervisory Capital** indicates the consolidated assets of the *Member’s* parent company (if existing, otherwise the *Member’s* consolidated assets) determined according to criteria established in the supervisory provisions issued by the competent authorities in its country of origin.

**Contractual Position** indicates the set of obligations and rights arising from a contract stipulated in the *Market*.

**Deposit Contractual Position** indicates the set of obligations and rights arising from the execution of the deposit transaction related to a contract concluded on the *Market*, which is settled and guaranteed pursuant to the *Contractual Scheme* and the present *Regulations*.

**Repayment Contractual Position** indicates the set of obligations and rights arising from the execution of the repayment transaction related to a contract concluded on the *Market*, which is settled and guaranteed pursuant to the *Contractual Scheme* and the present *Regulations*.

**Regulations** indicates these Regulations, which govern the organisation and operation of the *New MIC Guarantee System* managed by CC&G.

**EMIR Regulation** indicates EU Regulation no. 648/212 of 4 July 2012 of the European Parliament and of the Council and Commission Delegated Regulation (EU) n. 153/2013 of 19 December 2012, as amended and supplemented.

**Contractual Scheme** indicates the contract specifications defined by the *Management Company*.

**Central Depository Service** indicates the central depository service for financial instruments managed by an entity, indicated in an appropriate *Notice*, with which CC&G has entered into the necessary agreements.

**New MIC Guarantee System** indicates the system specified in the *Regulations* in which CC&G assumes, vis-à-vis each *Member*, the credit or debit *Contractual Positions* of *Market* counterparties of the *Member*, including the clearing and guarantee mechanisms for their relative obligations, the forwarding of settlement instructions to the *Target2 System* and the use of the *Guarantees* and the *Default Fund* in the event of the default of a *Member* pursuant to Legislative Decree No. 170 of 21 May 2004.

**Ancillary System** indicates an ancillary system as provided by ECB guideline ECB/2007/2 of 26 April 2007.

**Target2 System** indicates the trans-European automated real-time gross settlement express transfer system pursuant to ECB guideline ECB/2007/2 of 26 April 2007.

**Management Company** indicates e-MID SIM S.p.A. as the *Market* management company.

**Ordinary Financial Instruments** indicates the financial instruments eligible for the deposit of *Guarantees*, whose features are indicated in the *Annexes*;

**Qualified Financial Instruments** indicates the financial instruments eligible for the deposit of the minimum percentage of *Guarantee* based on the total value of the *Guarantees* deposited by the *Member*, whose features are indicated in the *Annexes*.

**T.U.F.** indicates Legislative Decree No. 58 of 24 February 1998 (the Consolidated Law on Financial Intermediation) as amended.

**T.U.B.** indicates Legislative Decree No. 385 of 1 September 1993, (the Consolidated Law on Banking and Credit) as amended.

### **Article A.1.1.2 Subject of the Regulations**

1. These *Regulations* govern the operation of the *New MIC Guarantee System*, in particular:
  - a) membership procedures;
  - b) suspension, exclusion and withdrawal from the *New MIC Guarantee System*;
  - c) clearing and guarantee of contracts concluded on the market and methods of settlement of the contracts;
  - d) regulation of collateral and the *Default Fund*;
  - e) management of *Member* default procedures.
2. The *Regulations*, together with the membership contracts, govern relations between *CC&G* and *Members*. They have the value of, and constitute, financial collateral arrangements pursuant to Legislative Decree No. 170 of 21 May 2004. The *Regulations* also govern relations between *Members* and *Settlement Agents*. The *Annexes* and the *Notices* supplement the *Regulations* by defining operational methods and procedures.

### **Article A.1.1.3 New MIC Guarantee System**

1. In the context of the New MIC Guarantee System, *CC&G*:
  - a) acquires the *Guarantees* and currencies from each *Member*;
  - b) informs the *Management Company* of the valuation of the *Guarantees* on a daily basis. Valuations take account of the contribution obligations indicated in the *Regulations* and its *Annexes*;
  - c) receives information from the *Management Company* on the *Operating Limit* of each *Member*, calculated by the *Management Company* in real time, and on contracts concluded on the *Market*;

- d) verifies compliance with the limits indicated at Article A.1.1.4, paragraph 1, and that the *Total Net Exposure* of each *Member* is compatible with the value of the *Guarantee* deposited by that *Member*. If necessary, *CC&G* formulates a consequent request for cancellation and/or suspension from trading to the *Management Company*;
- e) intervenes in contracts, assuming vis-à-vis the *Member* the credit and debit *Contractual Positions* of the *Member's Market* counterparty;
- f) determines and sends to the *Target2 System* net balances relating to each *Member* for settlement of contracts stipulated on the *Market*;
- e) determines the part of contributions to the *Default Fund* due from each *Member*;
- g) manages any suspension, exclusion and *Member* default procedures.

#### **Article A.1.1.4 Limits of the New MIC Guarantee System**

1. The maximum guaranteed amount in the context of the *New MIC Guarantee System* is established as a total of €45 billion. This limit is calculated as the sum of the *Total Net Exposures* of each member. In the event that this limit is accidentally exceeded, *CC&G* may request the *Management Company* to cancel the contracts that have caused the limits to be exceeded and to suspend trading for the necessary period.
2. *Members* are required to maintain their *Total Net Exposure* below the value of the effective *Guarantee* that the *Management Company* communicates to them, always operating within their current *Operating Limit* at any given time. Contracts that lead to a *Total Net Exposure* of an amount exceeding the value of the *Guarantees* shall be cancelled, as provided by the *Regulations* and the rules of the *Market*.
3. Any breach of the obligation on *Members* indicated at paragraph 2, exposes them to the resulting liability to their market counterparty in application of Article B.1.1.1, paragraph 3.
4. The value of the effective *Guarantees* of each *Member* cannot exceed the lesser between the *Consolidated Supervisory Capital* in Euros and the sum of € 5 billion, excepts as provided by paragraphs 5 and 6.
5. The total value of the effective *Guarantees* of each *Member* belonging to the same *Group* cannot exceed the lesser between the *Consolidated Supervisory Capital* in Euros and the sum of € 5 billion.
6. The value of the effective *Guarantees* for each *Member* belonging to the same *Group* cannot exceed the percentage of the amount referred into paragraph 5, as communicated to *CC&G* according to Article A.1.2.2, paragraph 7.

#### **Article A.1.1.5                      Organisational principles**

1. CC&G exercises the activities provided for in the *Regulations* according to non-discriminatory methods and on the basis of generally defined procedures.
2. CC&G employs and maintains computerised and organisational procedures that permit the physical and virtual safeguarding of data relating to the *New MIC Guarantee System*, including the continuity and accuracy of processing.
3. CC&G employs and maintains recovery, re-activation, and restoration procedures for data processing that ensure the continuity of the service.

#### **Article A.1.1.6                      Method of communication and information exchange**

1. The *Regulations*, Membership contracts and the *Annexes* are available from the CC&G website ([www.ccg.it](http://www.ccg.it)).
2. CC&G issues *Notices* to *Members* through its website, including communications concerning amendments to the *Regulations* or the *Annexes* or contingent situations.
3. CC&G makes the information indicated in the *Annexes* available to *Members*, and insofar as necessary to *Settlement Agents*, through the *Technological Infrastructure*. Some information is also made available on the CC&G website. Where necessary, CC&G may send notices by fax or email.

#### **Article A.1.1.7                      Relations between CC&G and the Management Company**

1. CC&G shall enter into one or more agreements with the *Management Company* governing mutual relations and questions of common interest regarding the proper management of the *Market* and the *New MIC Guarantee System*.

### **PART A 1.2    Membership**

#### **Article A.1.2.1                      Entities admitted to the New MIC Guarantee System**

1. Entities that are members of the *Market* may be admitted as *Members* of the *New MIC Guarantee System*.
3. Membership of the *New MIC Guarantee System* by Treasury Administrations, National Central Banks, the European Central Bank and supranational financial institutions in which the said entities hold a stake and which take part in trading on the *Market*, is governed, in derogation of the *Regulations*, by appropriate resolutions of the Board of Directors of CC&G.



### **Article A.1.2.2 Requirements for membership of the New MIC Guarantee System**

1. In order to join the *New MIC Guarantee System*, a *Member* must:
  - a) be the holder of a *PM Account* in the *Target2 System*, or use the services of a *Settlement Agent* for the fulfilment, by the procedures established by the said *System* for *Ancillary Systems*, of obligations arising from contracts stipulated on the *Market* and from membership of the *New MIC Guarantee System*;
  - b) join the *Central Depository Service* or use a single intermediary which is a member of the service for the deposit and return of *Guarantees*.
  - c) apply for the *Technological Infrastructure* of *CC&G* in order to receive the communications required by the *Regulations* and by the *Annexes*.
2. If a *Member* uses the services of a *Settlement Agent*, the contract between them must have the minimum content indicated in the model approved by *CC&G*. *Members* are in all cases responsible for their obligations, even if they use the services of a *Settlement Agent* to fulfil them.
3. *Members* must possess an organisational structure and technological and information technology systems that guarantee the ordered, continuous, and efficient management of relations and activities arising from membership of the *New MIC Guarantee System*.
4. Where an entity intending to join the *New MIC Guarantee System* is subject to the national legislation of a non-European Union state, it must provide a legal opinion written by a lawyer qualified to practice in the country where the entity is resident. The legal opinion must attest that no obstacle exists for the substantive observance of the provisions of the *Regulations*, the *Annexes* and the laws and other regulations applicable to them in relation to obligations arising from membership of the *New MIC Guarantee System*, with particular reference to the provisions of Legislative Decree No. 170 of 21 May 2004, implementing Directive 2002/47/EC on financial collateral arrangements. *Members* must also maintain adequate data recovery, re-activation and restoration procedures.
5. *Members* must provide the name of contact persons competent to perform the activities indicated in the *Regulations* as provided in the *Annexes*. At least one of the said contact persons must always be available during the course of *each CC&G open day*.
6. If entities presenting an application for membership of the *New MIC Guarantee System* are already members of section of the *CC&G* central counterparty guarantee system, the requirements indicated at paragraph 1 are considered fulfilled.
7. Entities who submitted the application for membership, as well as *Members* belonging to the same *Group*, have to communicate with the procedures laid down in the *Annexes*, percentage set forth in Article A.1.1.4, paragraph 6. In the event of discrepancies between the percentage submitted, *CC&G* considers the membership application not complete.

### **Article A.1.2.3 Requirements for membership of the New MIC Guarantee System**

1. Entities applying for membership of the *New MIC Guarantee System* must forward the pre-prepared Application for Services to CC&G, duly signed and accompanied by the relevant membership documentation and the further information indicated in the *Annexes*.
2. CC&G shall notify the result of the application within one month of *CC&G open days* from the receipt of the complete documentation, stating the grounds for any rejected application. If further analysis is necessary, CC&G may extend the term not more than once and for a maximum period of one month, duly notifying the applicant and stating the grounds for the extension.
3. CC&G shall proceed to provide the *Management Company* with a preliminary report on the outcome of the application.
4. Membership of the *New MIC Guarantee System* entails the *Member's* complete acceptance of its consequent obligations, as established in the documents indicated at Article A.1.1.2, paragraph 2, with which it is required to comply.

### **Article A.1.2.4 Commencement of operations**

1. The commencement of the *Member's* operations on the *New MIC Guarantee System* is subject to the prior deposit of the *Guarantees* and the part of contributions to the *Default Fund* indicated at PART C 1.1.
2. CC&G shall give prior notification to the *Member* and the *Management Company* of the moment of conclusion of the activities indicated at paragraph 1. From that moment, CC&G shall commence to issue the notices indicated at Article A.1.1.3, paragraph 1, letter b) to the *Management Company*, without prejudice to the commencement times for the *Member's* operations on the *Market* which the *Management Company* will communicate to the *Member*.

### **Article A.1.2.5 Maintenance of membership requirements and Members' notification obligations**

1. The *Member* shall ensure the maintenance of all membership requirements indicated at Article A.1.2.2 and of an organisational structure and technological and information technology systems that guarantee the ordered, continuous, and efficient management of relations and activities arising from membership.
2. Each *Member* shall immediately notify CC&G of:
  - a) failure to maintain any of the membership requirements indicated at Article A.1.2.2 of the *Regulations*;
  - b) the loss of effect, for any reason, of any agreement with a *Settlement Agent*;

- c) any change in the appointed contact persons as indicated at Article A.1.2.2, paragraph 5.
3. Each *Member* of the *New MIC Guarantee System* must promptly provide any data, information or document requested of it for the purposes of management of the *New MIC Guarantee System* or verification that the *Member* continues to fulfil the membership requirements. In particular, *Members* are required to notify the value of their *Consolidated Supervisory Capital* every six months. For *Members* whose accounting data for the six-month period are not expressed in Euro, the exchange rate applicable on the *CC&G open day* following that on which *CC&G* receives the notification shall be applied for the application of the provisions of Article A.1.1.4, paragraph 4.
4. *Participants* belonging to the same *Group* shall notify promptly, with the procedures laid down in *Annexes*, changes in the percentage referred into Article A.1.1.4, paragraph 6. In the event of discrepancies between the percentages reported by the *Participants*, the percentages previously notified to *CC&G* by *Participants* shall be applied.

## **PART A 1.3            Failure to maintain requirements, suspension, exclusion and withdrawal**

### **Article A.1.3.1            Suspension from the New MIC Guarantee System**

1. *CC&G* shall suspend the *Member*, notifying the Bank of Italy, Consob and, except in the case set out at letter d), the *Management Company*:
- a) if the *Member* does not fulfil its *Target2 System* obligation to consign or return funds by the deadline established in the *Annexes* for fulfilment of this obligation, being responsible in all cases for the conduct of the *Settlement Agent* whose services it uses;
  - b) in the event that *CC&G* becomes aware of its gross default in another guarantee system, including the system managed by *CC&G* pursuant to Article 70 of the *T.U.F.*, and/or in ef-a settlement and/or in the *Target2 System*;
  - c) in the event of failure to maintain any one of the requirements established at Article A.1.2.2, unless the obligations to *CC&G* have, pending regularisation, been fulfilled on a *de facto* basis;
  - d) in the event that the *Management Company* informs it of the suspension of the *Member* from trading on the *Market*.
2. *CC&G* shall suspend the *Member*, notifying the Bank of Italy, Consob and the *Management Company*:
- a) in the event of a technical default as indicated at Article D.1.1.2;

- b) in the event that injunctive proceedings are issued pursuant to Articles 51 and 52 of the *T.U.F.* or equivalent provisions are issued by foreign supervisory authorities;
  - c) in the event that the *Member* fails to provide the information or documents required pursuant to Article A.1.2.3;
  - d) in the event of gross violation of instructions given by *CC&G*;
  - e) in the event of suspension from the guarantee system managed by *CC&G* pursuant to Article 70 of the *T.U.F.*, or a section of that system;
  - f) in the event that the *Operating Limit* applicable to the *Member* as established by the *Management Company* differs from the limit calculated by *CC&G* for control purposes as provided by Article A.1.1.3, paragraph 1, letter d);
  - g) after a reasonable period of time, in the event of failure to maintain the requirements as indicated paragraph 1, letter c).
3. In the above cases of suspension, *CC&G* shall duly request that the *Management Company* immediately suspend the *Member* from trading on the *Market*.
  4. The maximum duration of the said suspension is 120 calendar days from the notification by fax as provided at paragraph 5.
  5. The *Member* shall be served with the deed of suspension by fax, confirmed by registered letter with return receipt.

#### **Article A.1.3.2            Effects of suspension**

1. The *Member* is obliged, including during the period of suspension, to fulfil its obligations to *CC&G* arising from membership of the *New MIC Guarantee System*, including the execution of previously traded contracts in the *Target2 System* and the supplement of *Guarantees* when they become insufficient following daily valuation.
2. At the time of issue of the suspension order and/or during the period of suspension, *CC&G* may establish risk mitigation measures, including:
  - the increase in the minimum percentage of the *Qualified Financial Instruments* indicated at Article C.1.1.2, paragraph 3;
  - the variation of the limit parameters indicated at Article C.1.1.3;
  - the request for further *Guarantees* compared to those determined according to the valuation process indicated at Article C.1.1.4.
3. The suspension may not be revoked until the conditions that gave rise to it have been resolved.

### **Article A.1.3.3 Exclusion from the New MIC Guarantee System**

1. CC&G may also exclude a *Member* from the *New MIC Guarantee System*, with the effect of withdrawal without notice, from all contractual relationships existing with the *Member*, duly notifying the Bank of Italy, Consob and the *Management Company*:
  - a) subject to the provisions of Article 90, paragraph 3, second part, of the *T.U.B.*, in the event of revocation by the competent authorities of its authorisation to perform its activities, or the adoption of equivalent measures in the event that reciprocal arrangements are in force, or in any case in the event of cessation of its authorisation to perform its activities;
  - b) in the event of non-fulfilment pursuant to Article D.1.1.1, without prejudice to the provisions of Article D.1.1.2 of the *Regulations*.
2. CC&G may also exclude a *Member*, with the effect of withdrawal without notice from the contractual relationship existing with the *Member*, notifying the Bank of Italy, Consob and the *Management Company*, if, on the date of expiry of the suspension period indicated at Article A.1.3.1, paragraph 4, the conditions that caused the suspension have not been resolved. CC&G may proceed in the same manner if it receives a notification from the *Management Company* that the *Member* has been excluded from trading on the *Market*.
3. The *Member* shall be served with the deed of exclusion by fax, confirmed by registered letter with return receipt.

### **Article A.1.3.4 Effects of exclusion**

1. In the event of exclusion of a *Member* pursuant to Article A.1.3.3, paragraph 1, letters a) and b), the provisions for the default procedures indicated at Article D.1.1.3 shall be applied.
2. In the other cases of exclusion indicated at Article A.1.3.3, the exclusion of a *Member* shall have effect from the date in which the excluded *Member* no longer has *Contractual Positions* registered in the accounts indicated at Article B.1.1.2.
3. On conclusion of the procedures indicated in the preceding paragraphs, CC&G shall proceed to close the excluded *Member's* accounts, calculate any losses sustained and expenses incurred in the intervention, charging them by the method indicated at Article D.1.1.4, and proceeding to release any residual assets.

### **Article A.1.3.5 Withdrawal**

1. A *Member* may exercise its right of withdrawal from the *New MIC Guarantee System* at any time – by registered letter with return receipt, sent in advance by fax, which must be received by CC&G, on penalty of invalidity, with at least 30 calendar days' notice, unless CC&G gives its consent to a shorter term.
2. In derogation of paragraph 1, in the event of significant amendments to the *Regulations* that substantially reform the guarantee service provided and modify the

*Member's* interest in the service, the *Member* may exercise its right of withdrawal by the same method but with a shorter period of notice, which shall expire on the date on which the said regulatory amendments become effective.

3. In the case of amendments adopted in cases of emergency following orders issued by the competent authorities or made necessary for technical-operational reasons, the withdrawal may be notified by 13:00 hours on the business day before that in which the amendment takes effect.
4. On conclusion of the period of notice indicated in the preceding paragraphs, CC&G shall not register further *Contractual Positions* in the accounts indicated at Article B.1.1.2.
5. The withdrawal indicated in the preceding paragraphs shall have effect from the moment at which the *Member* no longer has *Contractual Positions* registered in the accounts indicated at Article B.1.1.2. Therefore, before the withdrawal becomes effective, the *Member* is obliged to fulfil its obligations to CC&G arising from membership of the *New MIC Guarantee System*, including the execution of previously traded contracts in the *Target2 System* and the supplement of *Guarantees* when they become insufficient following daily valuation.
6. Including for the effects indicated at paragraph 4, CC&G shall immediately inform the *Management Company* of the notice of withdrawal that it has received from the *Member*.

## **SECTION B                      Clearing and guarantee**

### **PART B 1.1    *Registration of operations and clearing of Contractual Positions***

#### **Article B.1.1.1                      Effects of concluded operations**

1. CC&G assumes as its own vis-à-vis the *Member* the credit and debit *Contractual Positions* of the *Member's Market* counterparty. This intervention by CC&G takes place:
  - at the moment of conclusion of contracts on the *Market*, if the settlement date of *Deposit Contractual Positions* defined by the *Contractual Scheme* follows the date on which the contract was concluded. By effect of this intervention CC&G guarantees both *Deposit and Repayment Contractual Positions*, assuming them as its own;
  - as soon as the *Deposit Contractual Position* is settled, if the settlement date of *Deposit Contractual Positions* defined by the *Contractual Scheme* corresponds to the date on which the contract was concluded. In this case CC&G intervenes only for *Repayment Contractual Positions*, assuming them as its own.
2. By virtue of its membership of the *New MIC Guarantee System*, and by effect of CC&G's intervention as indicated at paragraph 1, each *Member* may no longer seek fulfilment from *Market* counterparties of obligations arising from contracts stipulated with that counterparty on the *Market*, nor may it raise any objection with CC&G in relation to its relations with that counterparty, or any other objection arising from contracts entered into on the *Market*.
3. Any causes of invalidity or inefficacy of contracts concluded on the *Market* and related compensatory or restitution actions can be asserted only between *Market* counterparties.

#### **Article B.1.1.2                      Structure of accounts**

1. CC&G registers the *Contractual Positions* originating from transactions conducted by the *Member* on the *Market* in an account allocated for that purpose.

#### **Article B.1.1.3                      Clearing**

1. At the moment of their registration, *Deposit or Repayment Contractual Positions* to be settled following the date of conclusion of contracts are cleared with *Contractual Positions* already registered in the account of the same *Member* having the same date of settlement.
2. *Deposit Contractual Positions* to be settled on date of the conclusion of contract are not cleared.

#### **Article B.1.1.4 Error Management**

1. On the request and under the responsibility of the *Management Company*, CC&G carries out the instructions issued in pursuance of procedures and provided for in the rules of the *Market* for the management of cancellations and errors with the consequent registrations pursuant to Article B.1.1.2.

#### **Article B.1.1.5 Settlement of Contractual Positions**

1. The settlement of *Contractual Positions* takes place context of the *Target2 System* on the day provided for in the *Contractual Scheme*.
2. In compliance with this deadline, CC&G proceeds to forward to the *Target2 System*, including on behalf of the parties concerned, instructions bearing the amounts to be debited and credited to the *PM Accounts* of the *Member* (or of the *Settlement Agent* whose services it uses). The methods and timescales for forwarding instructions to the *Target2 System* are set out in the *Annexes*.
3. CC&G settles *Deposit or Repayment Contractual Positions*, which are not guaranteed as referred to in Article B.1.1.1, on behalf of its *Members* who are *Market* counterparties. In this case, CC&G does not assume debit or credit payment obligations deriving from the execution of the deposit and the *Members* remain obliged to fulfil payment obligation deriving from contracts stipulated with their counterparties on the *Market*.



## SECTION C Regulation of Guarantees

### PART C 1.1

### Collateral Guarantees

#### Article C.1.1.1 Deposit of Guarantees in favour of CC&G

1. *Members* are obliged to pledge appropriate financial instruments to *CC&G* through the *Central Depository Service* according to the criteria and by methods set out in this heading.
2. In the context of the *New MIC Guarantee System*, all the financial instruments credited to *CC&G* by the *Member* with the *Central Depository Service* shall be understood as deposited pursuant to Legislative Decree No. 170 of 21 May 2004, in guarantee of obligations in any manner assumed by the *Member* vis-à-vis *CC&G*, even if exceeding the *Total Net Exposure*.

#### Article C.1.1.2 Assets suitable for the deposit of Guarantees

1. The *Guarantees* that the *Member* may deposit with the *Central Depository Service* in guarantee of the *Market* operations shall consist exclusively of financial instruments whose features are indicated in the *Annexes*.
2. Financial instruments that may be deposited pursuant to paragraph 1 are classified as *Qualified Financial Instruments* and *Ordinary Financial Instruments* as indicated in the *Annexes*.
3. The minimum ratio of *Qualified Financial Instruments* with respect to the total value of the *Guarantees* deposited by the *Member* is indicated in the *Annex*.
4. If the value of the *Qualified Financial Instruments* is less than the percentage indicated in paragraph 3, the guarantee value of the *Ordinary Financial Instruments* deposited by an individual *Member* shall be reduced by such a value as to restore the said limit.
5. In case of deposit of *Financial Instruments* that are not already in the *New MIC Guarantee System*, *CC&G* shall notify the *Member* concerned, within 2 *CC&G open days*, of the value of the guarantee or of the need to extend the valuation period (status suspended), which in all cases shall not exceed a further 10 *CC&G open days*. If the *Financial Instruments* deposited for valuation are not deemed valid for the purposes of the *Guarantee*, *CC&G* shall proceed to return them, indicating the reasons for doing so.
6. *Financial Instruments* deposited as guarantee must be maintained for a minimum period of 5 *CC&G open days*, except in the case of withdrawal from the *New MIC Guarantee System*. The *Member* might withdraw the deposited *Financial Instruments* earlier, by paying the amount set forth in the Pricing List of Article E.1.1.1.

### **Article C.1.1.3            Conditions for the transfer and valuation of Guarantees**

The maximum nominal value of an individual financial instrument deposited by a *Member* cannot exceed a predetermined percentage of the total nominal value of the issue of the said financial instrument, as indicated in the *Annexes* (maximum issue concentration limit).

1. Financial instruments that are deposited by a *Member* in excess of the maximum percentage established at paragraph 1 are not considered for the calculation of the effective *Guarantee*.
3. Financial instruments issued by the *Member* or by companies closely linked to the *Member*, as defined in the European Central Bank guideline of 31 August 2000 (ECB/2000/7) as amended and integrated (a so-called 'close link') cannot be pledged as a guarantee. *Members* are required to notify CC&G promptly of any change regarding the 'close link' status of financial instruments already deposited as guarantee.
4. The minimum nominal value of an individual financial instrument deposited by a *Member* cannot be less than a predefined amount indicated in the *Annexes* (total minimum nominal amount).
5. For the purposes of the effective *Guarantee*, the value of the financial instruments that do not meet the required minimum indicated at paragraph 4 is accounted as zero.
6. The maximum effective countervalue of an individual financial instrument of the *Ordinary Financial Instruments* type, deposited by a *Member* for the purposes of the guarantee, cannot exceed a predetermined percentage, indicated in the *Annexes*, of the total countervalue of the *Guarantees* deposited by the same *Member* (maximum concentration limit on the 'basket' of the *Ordinary Financial Instruments*).
7. If the limit on concentration of the 'basket' indicated at paragraph 6 is not respected, the countervalue of the effective *Guarantee* of the financial instrument concerned shall be that of the percentage permitted by the limit on concentration of the 'basket'.
8. If the total countervalue of the *Guarantees* deposited by the *Member* exceeds one of the following limit parameters:
  - 100% of its *Consolidated Supervisory Capital* (percentage on net consolidated capital),
  - € 5 billion (maximum contribution),

the value of the *Member's* effective *Guarantees* shall be equal to the lesser of the two limit parameters, excepts as provided for by paragraph 9.

9. For *Members* belonging to the same *Group* the maximum value of effective *Guarantees* is made equal to the amount calculated according to the percentage provided in Article A.1.1.4, paragraph 6, even if the total countervalue of *Guarantees* deposited is greater than this parameter.
10. CC&G takes account of the limits indicated in the preceding paragraphs in its communications to the *Management Company* pursuant to Article A.1.1.3, paragraph 1, letter b).
11. Each individual deposit or withdrawal of financial instruments must be made in whole multiples of the nominal value indicated in the *Annexes* (minimum nominal transferrable amount).
12. The effective *Guarantee* limits indicated in this Article shall not prejudice the provisions of Article C.1.1.1, paragraph 2.

#### **Article C.1.1.4 Valuation of Guarantees**

1. CC&G shall value the assets pledged by a *Member* at its own unquestionable discretion. The valuation will be made by CC&G on a daily basis where possible, or whenever CC&G considers it necessary.
2. The valuation indicated at paragraph 1 shall be based on market prices and quotations when considered reliable or representative, or alternatively on the basis of theoretical models.
3. A prudential spread, determined according to the rules described in the *Annexes*, shall be applied to the value of each asset pledged by a *Member* for calculation of the effective guarantee (haircut).

#### **Article C.1.1.5 Registration and return of Guarantees**

1. *Guarantees* are deposited in favour of CC&G and returned to the *Member* through securities accounts held by CC&G with the *Central Depository Service* with a sub-heading in the name of the *Member*. The methods of deposit and return are indicated in the *Annexes*.
2. CC&G also internally keeps record of the *Guarantees* deposited by *Members*, providing an evaluation of them as provided by Articles C.1.1.3 and C.1.1.5.
3. In all cases, including the case of withdrawal, the *Guarantee* is released only after all the *Member's* obligations have been fully fulfilled.

#### **Article C.1.1.6 Custody of Guarantees**

1. CC&G is granted custody of the pledged financial instruments through the *Central Depository Service*.

2. The monetary proceeds arising from the financial instruments pledged in guarantee which become due and payable during the term of the pledge are returned to by *CC&G* to the *Member* on the day in which they become payable, unless default procedures have been instigated against the *Member* in the meantime.
3. In the event that during the period in which the financial instruments are pledged in guarantee, equity or related administrative claims become exercisable, the *Member*, if it so wishes, may request that *CC&G* replace the said financial instruments. *CC&G* reserves the right exercise such claims only in the event that a default procedure is underway against the *Member*.
4. *CC&G* reserves the right to take possession, including by conveyance, of financial instruments received in pledge from the *Member*, in particular as provided by Article 5 of Legislative Decree No. 170 of 21.5.2004, where their temporary use becomes necessary for the creation of liquidity for use in the management of default procedures.

#### **Article C.1.1.7 Replacement of Financial Guarantees**

1. *Members* may request the total or partial replacement of assets pledged in guarantee only if *CC&G* expressly agrees and the replacement assets do not reduce the size of the *Guarantee* below the existing *Total Net Exposure* and the proposed replacement assets are suitable in quality and quantity terms to be part of the effective *Guarantee* pursuant to Articles C.1.1.2 and C.1.1.3.
2. If the financial instruments subject to the *Guarantee* deposited in favour of *CC&G* are redeemed or liquidated in any form by their respective issuers while they are still pledged in guarantee with the *Central Depository Service*, the pledge shall be converted into its relevant reimbursed or liquidated countervalue until the moment in which the *Member* proceeds to replace them with suitable financial instruments of comparable value.
3. The same procedures as used for the deposit of new *Guarantees* shall be used for applications for replacement.

#### **Article C.1.1.8 Replenishment of Guarantees**

1. If, following the process indicated at Articles C.1.1.2, C.1.1.3 and C.1.1.4, the value of the effective *Guarantees* provided by an individual *Member* is less than its *Total Net Exposure*, the *Member* is obliged to replenish the *Guarantees* by and not later than the commencement of trading on the *CC&G open day* following the day the deficit occurs.
2. If an event occurs that gives rise to the distraint of the *Guarantees*, the *Member* subject to the distraint is obliged to proceed immediately to replenish the *Guarantees* up to the level of their existing *Total Net Exposure*.
3. A *Member* failing to fulfil the replenishment obligation indicated in the preceding paragraphs shall be deemed to be in default.

## **PART C 1.2**

## ***Default Fund***

### **Article C.1.2.1      Setting up and Contribution**

1. CC&G establishes a *Default Fund* that can be used in partial coverage of the expenses deriving from the interventions necessary to deal with the default of *Members* operating in the *New MIC Guarantee System*.
2. The total amount of the *Default Fund* is periodically established and communicated by CC&G, in the manner provided in the Annexes.
3. The *Default Fund* is set up pursuant to and in accordance with Legislative Decree no. 170 of 21 May 2004, and in keeping with this CC&G ensures and maintains internal records that permit identification of the data concerning its constitution and the assets provided in form of guarantee.
4. The amount of the contribution to the *Default Fund* is determined by CC&G taking account of the ratio between the average net exposure of the *Member* and the overall average net exposure of all *Members* of the *New MIC Guarantee System* over the reference period. CC&G establishes and communicates the minimum level of contribution to the *Default Fund* and their subsequent variations, if any.
5. The calculation method, the adjustment and payments of contribution to the *Default Fund* are defined within the Annexes.
6. CC&G shall communicate a list of the *Members*, referred to in article A.1.2.1 comma 2, that do not contribute to the *Default Fund*.

### **Article C.1.2.2      Use and replenishment**

1. CC&G shall use the resources of the *Default Fund* in the manner and order provided under Article D.1.1.4.
2. CC&G can use the *Default Fund* resources more than once in the course of the same default procedure.
3. In the event of using assets posted to the *Default Fund* by *Members* other than the defaulting *Member*, CC&G shall immediately inform the *Members*, Bank of Italy, Consob and the *Management Company*.
4. In the event pursuant to Paragraph 3, each *Member* is responsible for the replenishment of the amount he has posted as contribution to the *Default Fund*, within the terms indicated by CC&G.

5. The amounts posted for replenishment of the *Default Fund* cannot be used to cover the expenses from the same default procedure that gave rise to the replenishment itself.
6. By way of derogation from deadline indicated in Article A.1.3.5 paragraph 1, following the request for replenishment (prior to the date pursuant to paragraph 3), the *Members* can withdraw from the *New MIC Guarantee System* within the date communicated by CC&G. In this case, reconstitution is not required.

### **Article C.1.2.3          Restitution in case of withdrawal or exclusion**

1. In the case of the *Member's* withdrawal, the *Default Fund* can be used for default procedures where initiation of the procedure has already been communicated pursuant to Article C. 1.2.1, paragraph 5, prior to the date the withdrawal becomes effective under the terms of Article A.1.3.5.
2. In the case of withdrawal or in the case of exclusion pursuant to Article A.1.3.3., paragraph 2, the amount deposited as contribution to the *Default Fund* – if not usable for default procedures in course – is returned to the withdrawing *Member* on the next *CC&G open day* following the day on which the withdrawal or exclusion becomes effective. This provision applies without prejudice to the longer term necessary for the *CC&G* interventions as indicated at Article D.1.1.3 et seq.

## SECTION D            Default

### Article D.1.1.1            Default of Members

1. A *Member* shall be considered in default:
  - a) in the event and at the moment in which the *PM Account* indicated at Article B.1.1.5, paragraph 2 has insufficient funds, with the resulting non-fulfilment or partial fulfilment of its obligations to settle *Contractual Positions* towards CC&G in the *Target2 System*;
  - b) if it does not proceed to replenish or replace the *Guarantees* in cases where this is prescribed;
  - c) in the event of non-fulfilment or partial fulfilment of the obligations to contribute to the *Default Fund*, under the terms provided in the present *Rules*.
2. Failure to comply with the obligations referred to in letters a) and c) by the *Settlement Agent*, makes the related *Member* in default for all intents and purposes, with the exception of cases provided by Article D.1.1.2.

### Article D.1.1.2            Technical default

1. If CC&G has legitimate grounds to believe that the default indicated at Article D.1.1.1 is temporary and attributable exclusively to technical – operational causes (including cases where the *Settlement Agent* whose services the *Member* uses is subject to default or similar procedures), it may permit deferment:
  - a) of the default on settlement obligations until 12:00 hours on the same day as that in which payment is due or until another deadline notified to the defaulting *Member*;
  - b) of the default on its obligations to re-deposit the *Guarantees* and to adjust the *Default Fund* until a deadline announced each time by CC&G.
2. CC&G informs the Bank of Italy, Consob and the *Management Company* of the technical default and the derogation granted. At the same time it may simultaneously request the *Management Company* to suspend the *Member* from trading on the *Market*.
3. CC&G charges the *Member* in default for any costs arising from actions necessary to make up for the temporary lack of liquidity caused as result of the technical default.

### **Article D.1.1.3 Default procedure**

1. In the event of the occurrence of one of the cases of default of a *Member* indicated at Article D.1.1.1, without prejudice to the case of technical default, CC&G:
  - a) Notifies the Bank of Italy, Consob and the *Management Company* of the *Member's* default and requests the *Management Company* to suspend it from the *Market*.
  - b) Proceeds to levy execution of the *Guarantees* deposited by the defaulting *Member*, including by means of their sale through a qualified broker and, where possible, in a regulated market - as provided by Article 4, paragraph 1 of Legislative Decree No. 170 of 2004.
2. Pursuant to Article 5, paragraph 4 of Legislative Decree No. 170 of 2004, in the case of an enforcement event, all the *Member's* obligations for which the event in question has occurred that are in settlement on each day, including future obligations, become immediately payable and are offset against sums that the *Member* itself is entitled to acquire, including on different days, thereby giving rise to a single net balance determined by CC&G ("close-out netting").
3. In the event that the *Member* in default operates in the capacity of a *Settlement Agent*, the debit and credit *Contractual Positions* relating to contracts concluded by each *Member* that uses the services of that *Settlement Agent*, or those relating to contracts concluded between each *Member* who uses the same *Settlement Agent* are not considered, as all the said *Members* are in any case obliged to fulfil their respective obligations pursuant to Article A.1.2.2, paragraph 2.
4. After settling all the positions of the defaulting *Member*, CC&G proceeds to close the accounts in that *Member's* name and calculates the expenses incurred, charging them by the methods established at Article D.1.1.4.

### **Article D.1.1.4 Expenses for management of the default procedure**

1. Without prejudice to subsequent recovery actions against the *Member* in default, CC&G shall charge losses and costs sustained in the event that a default procedure is activated in relation to a *Member* as indicated at Article D.1.1.3 in the following order:
  - a) to the *Guarantees* deposited and the contribution to the *Default Fund* under the responsibility of the *Member* in default, as well as what is arising from the settlement of its *Contractual Positions*.
  - b) to the assets of CC&G within the limits established with a specific *Notice* pursuant to article 35 of the Regulation no. 153/2013 of the European Commission, implementing article 45 of the *EMIR Regulation*;
  - c) to the payments to the *Default Fund* carried out by other *Members* of the New MIC Guarantee System, proportional to the contribution paid by each of them and limited to the losses and costs incurred in relation exclusively to *New MIC Guarantee System*;



- d) to the assets of CC&G's, net of the amount referred to in letter b) of this article, of the amount referred to in Article 16, paragraph 2 of the *EMIR Regulation* calculated in accordance with Article 1 of Regulation no. 152/2013 of the European Commission, and of the amount held for compliance with the notification threshold referred to in paragraph 3 of Article 1 of Regulation 152/2013. The amount of such own resources is announced with a *Notice* released on a half-year basis;
  - e) to *Members* pro rata to their contributions to *Default Fund*, with reference to the date of the default of the *Member* and up to an amount that is equal to respective contributions to the *Default Fund*.
2. At the conclusion of the activities referred to in paragraph 1, to ensure that the managing of the default of a *Member* does not affect the operational continuity of the other guarantee services provided by CC&G, upon Notice to the competent *Authorities*, CC&G retains the power of closing the service provided for *New MIC Guarantee System*.

Where the closing of service is determined as per the previous paragraph, CC&G:

- i. requests the Management Company to suspend trading on the *Market* concerned;
  - ii. determines the early termination of *Repayment Contractual Position* discounted back to the rate originally negotiated on the *Market*;
  - iii. adopts any other measure deemed necessary to limit the impact on the *Market* concerned and on *Participant* for the purpose of this article.
3. On conclusion of the default procedure, any available funds of the defaulting Member, including funds originating from the levying of the pledge, in excess of the amount necessary to cover the losses suffered and costs sustained, are returned by CC&G.

#### **Article D.1.1.5 Recovery of losses and costs**

1. CC&G, including in the interest of a *Member* other than the defaulting *Member* in the event of use of their portion of contributions to the *Default Fund*, may proceed to activate recovery operations against the defaulting *Member* for losses suffered and costs sustained in confronting the consequences of its default and which it has not been able to cover with the resources indicated at Article D.1.1.4, paragraph 1, letter a).
2. Sums recovered following the actions indicated at paragraph 1 – net of costs sustained by CC&G in managing the default, are returned to their rightful claimants in reverse order to that indicated at Article D.1.1.4, paragraph 1. Sums due to *Members* are returned to each in proportion to their use of the respective portions of contributions to the *Default Fund*.

## **SECTION E Fees**

### **Article E.1.1.1 Fees**

1. In respect of membership of the *New MIC Guarantee System*, *Members* shall pay *CC&G* the fees indicated in the Pricing List annexed to the *General Conditions*.
2. The fee due from each *Member* is notified through the *Technological Infrastructure*.

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