

# Cassa di Compensazione e Garanzia

## Regulations

~~19 September 2017~~  
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The Italian text shall prevail over the English version



**London**  
Stock Exchange Group

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## SECTION A - GENERAL PROVISIONS

### Article A.1.1.1 Definitions

1. The following definitions shall apply to these *Regulations*:

**“Settlement Agent”**: shall mean the legal person appointed in the context of the *System*, by a *Clearing Member*, to pay and to receive, on behalf of the said *Member*, the *Margins*, payments to *Default Funds*, the contractually provided charges in Euros, and/or *Margins* in *Financial Instruments* and/or to provide for the final execution of contracts entered into on the *Market*.

**“CC&G”**: shall mean Cassa di Compensazione e Garanzia S.p.A..

**“Client”**: ~~the *Costumer* undertaking or *Non-Clearing Member*, the entity linked to a *Clearing Member* by a contractual relationship that permits such entity to clear its operations through CC&G and to hold assets and positions under the provisions of Article 39, paragraph 3 of the *EMIR Regulation*, without necessarily establishing any contractual relationship with CC&G.~~

**“Close-Out Amount”** shall mean the single net positive or negative amount denominated in Euro determined by the non-defaulting *Clearing Member* pursuant to Article B.6.2.2-ter in accordance with Legislative Decree 21 May 2004 No. 170.

**“Close-Out Date”** shall mean the *CC&G open day* upon which the *Contractual Positions* recorded in the non-defaulting *Clearing Member’s* account structure will be terminated and the corresponding *Close-Out Amount* is liquidated pursuant to Article B.6.2.2-ter.

**“Cash Sections”**: shall mean, in the context of the *System*, the *Share Section*, the *Bond Section* and the *ICSD Bond Section*.

**“CC&G Force Majeure Event”** shall mean any event beyond the control of CC&G that could not be avoided by the exercise of such standard of care as is reasonable in ordinary circumstances, including but not limited to fire, flood, earthquake, explosion, accidents, natural or technical disasters howsoever caused.

**“Derivatives Sections”**: shall mean, in the context of the *System*, the *Equity Derivatives Section*, the *Agricultural Commodity Derivatives Section* and the *Energy Derivatives Section*.

**“Share Section”**: shall mean, in the context of the *System*, the section relating to contracts on *Non-Derivative Financial Instruments*, admitted to trading on the securities *Markets* organized and managed by the *Management Companies* according to the provisions of the *Instructions*. The Section is also managed by CC&G by virtue of Agreements stipulated between CC&G and the said *Management Companies*.

**“Bond Section”**: shall mean, in the context of the *System*, the section relating to contracts on *Non-Derivative Financial Instruments*, admitted to trading on the bond *Markets* organized and managed by the *Management Companies* according to the provisions of the *Instructions*. The Section is also managed by CC&G by virtue of Agreements stipulated between CC&G and the said *Management Companies*.

**“ICSD Bond Section”**: shall mean, in the context of the *System*, the section relating to contracts on *Non-Derivative Financial Instruments*, admitted to trading on the *Markets* organized and managed by the *Management Companies* according to the provisions of the *Instructions* and settled at the *Settlement Services* managed by *Foreign Entities*. The section is also managed by CC&G by virtue of Agreements stipulated between CC&G and the said *Management Companies*.

**“Equity Derivatives Section”**: shall mean, in the context of the *System*, the section relating to contracts on *Derivative Financial Instruments* of shares and the relevant indices, yields and other financial measures, admitted to trading on the *Markets* organized and managed by the *Management Companies* according to the provisions of the *Instructions*. The Section is also managed by CC&G by virtue of Agreements stipulated between CC&G and the said *Management Companies*.

**“Energy Derivatives Section”**: shall mean, in the context of the *System*, the section relating to contracts on *Derivative Financial Instruments* of energy and the related indices, admitted to trading on the *Markets* organized and managed by the *Management Companies* according to the provisions of the *Instructions*. The section is also managed by CC&G by virtue of Agreements stipulated between CC&G and the said *Management Companies*.

**“Agricultural Commodity Derivatives Section”**: shall mean, in the context of the *System*, the section relating to contracts on *Derivative Financial Instruments* based on agricultural commodities admitted to trading on the markets organised and managed by the *Management Companies* in accordance with the *Instructions*. The section is managed by CC&G including by virtue of Agreements stipulated between CC&G and said *Management Companies*.

**“X-COM Section”**: shall mean, in the context of the *System*, the Section relating to contracts traded on *Markets* organised and managed by the



*Management Companies*, according to the provisions of the *Instructions* and which adopt the *Collateral Management Service*. The Section is also managed by CC&G also by virtue of the Agreements stipulated between CC&G and such *Management Companies*.

~~“**Costumer**”~~: shall mean the legal person that gives a mandate to a ~~Member~~ of the System to negotiate and settle contracts entered into on the ~~Market~~ without establishing any contractual relationship with CC&G.

“**Notices**” : shall mean the general notices to *Members* of the System issued by CC&G pursuant to the provisions of these *Regulations* and the *Instructions*.

“**PM Account**” : the PM account held by a participant to the Target2 System as indicated in the ECB guideline ECB/2007/2 of 26 April 2007.

“**Default Fund**” : shall mean the guarantee funds operating severally in the context of the System, made up of the sum of relevant payments of *Clearing Members* of the *Bond*, *ICSD Bond Sections* and the *X-COM Section*, the *Energy Derivatives Section*, the *Agricultural Commodity Derivatives Section* and the *Share and Equity Derivatives Sections*.

“**Guarantor**” : shall mean the bank or insurance company – with legal headquarters in Italy or in another member country of the European Union – that, as a guarantee of the obligations arising from relations governed by the System, issues the guarantee in favour of CC&G for the purposes of fulfilling the capital requirements required for membership as a *Clearing Member* of the System (Article B.2.1.2, paragraph 5).

“**CC&G open day**” : shall mean any day in which at least one Market to which CC&G operates in whole or in part as Central Counterparty, or for which it manages a *Contract Guarantee Fund*.

“**Investment Firm**” : shall mean a Società d’Intermediazione Mobiliare or the Community or extra-Community investment firm provided for by article 1, paragraph 1 (h) of the *CLF*.

“**Instructions**” : shall mean the provisions issued by CC&G that, by implementing these *Regulations*, define the operational aspects of the System.

“**Indirect Client**” : solely with regard to the *Derivatives Sections*, it means the client of a *Client* of a *Clearing Member*, to which indirect clearing services are provided under *Indirect Clearing arrangements*.

“**Indirect Clearing**” : solely with regard to the *Derivatives Sections*, it means all the contractual relationships between CC&G, the *Clearing*

**Member, the Client and the Indirect Client enabling the Client to provide clearing services concerning financial derivatives to the Indirect Client, in accordance with Article 30 of the MiFIR.**

**“Gross Settlement Service”:** shall mean the settlement service that allows settlement of individual transactions relating to *Non-Derivative Financial Instruments* that are operated by the *System*.

**“Net Settlement Service”:** shall mean the settlement service that enables the settlement of balances arising from multilateral clearing of transactions involving *Non-Derivative Financial Instruments* that are operated by the *System*.

**“Services Manual”:** shall mean the manual containing the operating rules and technical information necessary for use of the *System*, and the methods for calculating the *Margins*.

**“Margin”:** shall mean the assets designated as a guarantee and/or due from *Members* of the *System*, pursuant to these *Regulations*, of the following types:

- Initial Margins indicated at Article B.4.1.1;
- Variation *Margins*, and *Margins* in the form of premiums, indicated at Article B.4.1.2;
- Additional Intraday Margins indicated at Article B.4.1.3.

**“Market”:** shall mean a regulated market authorised pursuant to article 63, paragraph 1, or article 66 of the *CLF*, or a market recognised pursuant to article 67, paragraphs 1 and 2, of the *CLF*, or a multilateral trading facilities pursuant to article 1, paragraph 5-*octies* of the *CLF*, or the trades executed outside the regulated markets and the multilateral trading facilities, to which the services rendered by the *System*.

**“Transfer Order”:** shall mean the instruction given by a *Member* to the *System* for the purposes of the provisions of article 1, paragraph 1 sub-paragraph (m) of Legislative Decree no. 210 of 12th April 2001, on the finality of transfer orders realised through the replacement mechanism in *Contractual Positions* and consequent operations, according to the provisions of the rules of the *System*. For this purpose, the said instructions are compared with those given by the *Special Clearing Member* on behalf of other *Market* operators and those transferred to the *Qualified Member*.

**“Members” or “Members of the System”** shall mean the legal persons admitted to the system as ***Clearing Members*** or ***Trading Clients***

- ~~*Clearing Members*~~;

- ~~Non-Clearing Members.~~

**“Designated Clearing Member”**: shall mean a legal person admitted to the *System* as a *Clearing Member*, which enters into contractual agreement with a *Clearing Member* and the *Clients* for the purposes of implementing portability pursuant to Article 48 of the *EMIR Regulation*, in case of default by another *Clearing Member*.

**“Clearing Member”**: shall mean a legal person admitted to the *System* as a *General, Individual, Qualified Member* or *Special Clearing Member*.

**“General Clearing Member”**: shall mean a legal person that, in the context of the *System*, becomes a counterparty of CC&G for *Market* operations on its own behalf and/or on behalf of its own **Clients** ~~Customers and/or Non-Clearing Members~~ who use its services.

**“Individual Clearing Member”**: shall mean a legal person that, in the context of the *System*, becomes a counterparty of CC&G for *Market* operations on its own behalf and/or on behalf of its own **Clients other than Trading Clients** ~~Customers~~.

**“Trading Client”**: the entity which is a *Client* admitted to trading on a *Market* linked to a *General Clearing Member* by a contractual relationship enabling it to clear the transactions executed on the *Market* through CC&G. Unless otherwise indicated, all the provisions applicable to *Clients* are applicable to the *Trading Client*.

~~“Non-Clearing Member”~~: shall mean a legal person that, in the context of the *System*, enters into an agreement with a *General Clearing Member* for the latter to assume the position of counterparty against CC&G for *Market* operations undertaken by the *Non-Clearing Member* on its own behalf and/or on behalf of its *Customers*, according to the provisions of these *Regulations*.

**“Member Pro-tem”**: the *Client* that assumes obligations with CC&G to deposit *Margins* in the case of default of a *Clearing Member*, as provided and regulated pursuant to Article B.6.2.1.

**“MiFIR Regulation”**: Regulation (EU) no. 600/2014 of the European Parliament and of the Council of 15 May 2014, as amended and supplemented.

**“Qualified Member”**: a management company of a commodity market admitted to the *System*.

**“Special Clearing Member”**: the central counterparty authorized or recognized pursuant to the *EMIR Regulation* who assumes the position of counterparty against CC&G for *Market* operations undertaken by operators who are members of that system or service.

**“Supervisory Capital”**: shall mean the capital of the *Clearing Member*, determined according to the criteria indicated in the supervisory provisions imposed by a competent authority in the country of origin.

**«Defaulting Period»**: the period starting from the occurrence of an event of default of *Clearing Members* set out under Article B.6.1.1 and the completion of the establishment of the *Minimum Value of the Default Fund* under Article B.4.2.3, paragraph 1.

**«Losses Suffered by CC&G»**: for each default event under Article B.6.1.1, the sum of a) the losses already suffered by CC&G due to the closure of the defaulting member *Contractual Positions* and b) the estimated losses that could be suffered to close the remaining *Contractual Positions* for which the closing order has not yet been executed. The estimation of previous point b) can be based on current market values or, if deemed appropriate, on values determined on the basis of the stress test scenarios.

**“Contractual Position”**: the set of obligations and rights arising from a contract entered into on a *Market*.

**“Contractual Position in Delivery”** shall mean the *Contractual Position* of a *Member* in the *Agricultural Commodity Derivatives Section* and in the *Energy Derivatives Section* in relation to contracts on *Derivative Financial Instruments* that have completed the trading phase according to the provisions of the *Contractual Scheme*.

**“Failed Contractual Position”**: a *Member’s Contractual Position* that is not settled in accordance with the provisions contained in the *Contractual Scheme*.

**“Settlement Price”**: shall mean the price determined by the *Management Companies*, pursuant to the *Regulations* of the *Markets*, for the purpose of final settlement of contracts in *Derivative Financial Instruments*.

**“Buy in Procedure”** shall mean the mandatory procedure (buy in) for *Failed Contractual Positions* that have not been settled due to a failure to deliver *Non-Derivative Financial Instruments*.

**“Sell out Procedure”** shall mean the mandatory procedure (buy in) for *Failed Contractual Positions* that have not been settled due to a failure to deliver cash.

**“Bank of Italy Regulation”**: shall mean the Regulation 22<sup>nd</sup> February 2008 – as amended - issued by Bank of Italy and Consob, concerning the rules governing central depositories, settlement services, guarantee systems and related management companies.

**“Regulations”**: these rules governing the organisation and operation of the *System* managed by *CC&G*.

**“EMIR Regulation”**: EU Regulation no. 648/212 of 4 July 2012 of the European Parliament.

**“Collateral Management Service”**: the service for settlement and administration of collateral, governed under regulations adopted by Monte Titoli S.p.A. and approved by Consob and the Bank of Italy pursuant to Article 81, paragraph 2, of the *CLF* and Article 69, paragraph 1 of the *CLF*.

**“Pre-settlement Service”**: shall mean the service – managed by *CC&G* or by the companies indicated in the *Instructions* with whom *CC&G* has established contractual agreements – that determines and sends to the *Settlement Services* those balances that relate to *Non-Derivative Financial Instruments*.

**“Contractual Scheme”**: shall mean the contract specifications, defined by the *Management Company*, of contracts on *Financial Instruments* traded on the *Market*.

**“Investment Services”**: shall mean the activities pursuant to article 1, paragraph 5, of the *CLF*.

**“Central Depository Service”**: shall mean the central depository service for *Financial Instruments* managed by a centralised depository company pursuant to article 80 of the *CLF* or by a *Foreign Entity* that offers services equivalent to the central depository services that are subject to regulatory measures equivalent to those set out in Italian law.

**“Settlement Services”**: shall mean the services of clearing and settlement (*Net settlement*) and/or settlement on a gross basis (*Gross settlement*) managed by a company authorized by Bank of Italy, in agreement with Consob, pursuant to article 69, paragraph 1, of the *CLF* or by a *Foreign Entity* indicated in the *Instructions*.

**“System”**: shall mean the notified system in accordance with 98/26/EC Directive, in which *CC&G* assumes the role of central counterparty for each *Section*, as defined in Article 2(1) of the *EMIR Regulation* against *Clearing Members* under Section B of these *Regulations*, and including the clearing and guarantee mechanisms existing between *CC&G* and *Clearing Members*, among the *Clearing Members* themselves, and between each *General Clearing Member* and **Trading Client Non-Clearing Member** to which they refer. Only for purposes of the *Agricultural Commodity Derivatives Section*, the service performed by *CC&G* is the guarantee of the fulfillment the obligations of delivery of the goods, within the limits and in the manner specified in these *Regulations* and

Instructions, in accordance with the requirements of the Legislative Decree 21 May 2004 no. 170.

**“Ancillary System”**: an ancillary system pursuant to the BCE/2007/2 address of 26<sup>th</sup> April 2007.

**“Target2 System”**: the trans-European automated real-time gross settlement Express Transfer system, pursuant to the BCE/2007/2 address of 26<sup>th</sup> April 2007.

**“Management Company”**: shall mean the Management Company of a *Market*.

**“Foreign Entity”**: a foreign entity that provides services analogous to the central depository services subject to supervisory measures equivalent to those in the Italian legal system.

**“Financial Instruments”**: shall mean the financial instruments pursuant to article 1, paragraph 2, of the *CLF*.

**“Derivative Financial Instruments”**: shall mean the *Financial Instruments* pursuant to article 1, paragraph 2, sub-paragraph d), e), f), g), h), i) e j) of the *CLF*.

**“Non-Derivative Financial Instruments”**: shall mean the *Financial Instruments* pursuant to article 1, paragraph 2, sub-paragraphs a), b) and c) of the *CLF* and, in the ambit of this *Regulations*, the other *Financial Instruments* admitted at the *Central Depository Service*.

**“Guaranteed Financial Instruments”**: shall mean the *Financial Instruments* that give rise to *Contractual Positions* guaranteed by CC&G that, compatibly with the *Contractual Scheme*, can be settled by CC&G at a *Settlement System*.

**“CLF”**: shall mean the legislative decree of 24<sup>th</sup> February 1998, no. 58 (Consolidated Law on Financial Intermediation) as amended.

**“CLB”**: shall mean the legislative decree of 1<sup>st</sup> September 1993, no. 385 (Consolidated Law on banking) as amended.

**“Organisational Unit”**: operating room, desk or branch identified in the *Market* by a specific code of access to the trading.

**«Minimum Value of the Default Fund»**: the amount of the resources sufficient to cover the default of the two most exposed *Clearing Members* towards CC&G as well as any additional *Participants* belonging to the same group of those on the basis to the results of the latest available stress tests, calculated net of the exposure of the defaulted *Clearing Member* under Article B.6.1.1.

### Article A.1.1.2 Subject of the Regulations

1. These *Regulations* are adopted in accordance with the *EMIR Regulation* **MiFIR Regulation** and the *CLF*.
2. These *Regulations* regulate the organisation and functioning:
  - a) of the System; and
  - b) in the context of the *System*, of the interoperability agreements, entered into pursuant to Article 51 and seq., of the *EMIR Regulation*.
3. These *Regulations*, together with the General Conditions for the supply of services, govern the relationships between CC&G and *Members*. The *Regulations* govern also the relationships among *Members* themselves and between *Members* and *Settlement Agents*. The *Instructions* and the *Services Manual*, in their operational aspects, are an integral part of this set of regulations.

### Article A.1.1.3 Organisational principles

1. CC&G exercises the activities contained in these *Regulations* according to **in a transparent and non-discriminatory manner** and on the basis of **general criteria and generally defined procedures designed to mitigate counterparty risk and to enable access to the system by the market infrastructures and entities so requesting, regardless of the trading venue on which they operate, provided they comply with the applicable requirements set out in these *Regulations* and in national and EU legislation.**
2. CC&G employs and maintains sound corporate governance structures and practices, in line with the organisational requirements provided under the *EMIR Regulation* **and the MiFIR Regulation**.
3. CC&G employs and maintains information systems procedures that permit the physical and logical safeguarding of data relating to the *System*, including the continuity and accuracy of processing.

4. CC&G employs and maintains recovery, re-activation, and restoration procedures for data processing that ensure the continuity of the service.

#### **Article A.1.1.4 Method of communication and information exchange**

1. The *Regulations*, the General Conditions for the supply of services, the *Instructions* and the *Services Manual*, together with the Request of Services are made available on the CC&G Internet site ([www.lseg.com/ccg](http://www.lseg.com/ccg)).
2. CC&G publishes *Notices to Members* relating to amendments to the *Regulations* and to the *Instructions*, or in contingent situations shall provide them on its Internet site ([www.lseg.com/ccg](http://www.lseg.com/ccg)).

#### **Article A.1.1.5 Guarantees deposited at CC&G**

1. CC&G manages the guarantee systems indicated in Sections B.
2. *Clearing Members* of the *System* shall pay the *Margins* and where necessary, shall make payments to the *Default Funds*.
3. The financial guarantees indicated at paragraph 2 are equated for all effects to the replacement guarantees contained in these *Regulations* and the accrued interest on cash assets deposited by each *Member*.
4. All sums and the *Financial Instruments* deposited by *Members* or however available to CC&G, as a guarantee of *Members'* obligations to CC&G, including where they temporarily exceed the required *Margins* and payments to *Default Funds* are title transferred to CC&G pursuant and for the effect of the Legislative Decree 21 May 2004 no. 170.
5. The *Clearing Members* to the *System* shall make the payments referred to in the preceding paragraphs pursuant to Articles 41 and 42 of the *EMIR Regulation* and of the Article ~~79-septies 70~~ of the *CLF* except for the payments made in the *Agricultural Commodity Derivatives Section*, from the time of the matching of the counterparties to the end of trading phase of the contract, where the guarantees are established only pursuant and for the effect of the Legislative Decree 21 May 2004 no. 170, where expressly mentioned, and for which the CC&G ensures and maintains internal evidence to enable the identification of the date of the setting up and the financial assets designated as guarantee.



### **Article A.1.1.6 Relations between CC&G and the Management Companies**

1. CC&G shall enter into one or more Agreements with each *Management Company* in which the guarantee system pre-selected by the *Market* is determined and the relationships and activities necessary for the correct management of the system are regulated.
2. The Agreements entered into between CC&G and each *Management Company* shall establish, inter alia, the types of contracts relating to *Guaranteed Financial Instruments*, the procedures to be followed in case of events regulated by either party, and procedures for information and data exchange in observance of current data processing regulations, including data relating to individual Members expedient for the efficient functioning of the *Markets* and of the *System*. Concerning the *X-COM Section*, within the types of contracts, the Agreements shall also specify the potential reuse of such *Non-Derivative Financial Instruments* in the context of the *Collateral Management Service*.
3. With reference to the *System*, the Agreements shall determine the control procedures for the completeness and accuracy of data and the procedures by which CC&G assumes on its own, through *Transfer Orders* and according to the rules of the *System*, the *Contractual Positions* arising from operations concluded on the *Markets*.
4. *Markets* with which CC&G has entered into Agreements are listed in the Instructions, with an indication of the relevant Sections. *Markets* for which an interoperability agreement is in place with a *Special Clearing Member*, are listed as well.

## SECTION B - CENTRAL COUNTERPARTY SYSTEM

### PART B.1 - General provisions

#### Article B.1.1.1 Clearing and guarantee process for the sections other than the *Agricultural Commodity Derivatives Section*

1. The *Transfer Order* relating to guaranteed *Financial Instruments* shall be understood as effected and entered into the *System*, and CC&G shall assume the role of Central Counterparty
  - a) from the time of conclusion of a contract on the *Market* by a *Clearing Member*, where CC&G is the only central counterparty for such *Market*. A *Transfer Order* shall be understood as effected and entered into the *System*, and the *General Clearing Member* shall assume the role of counterparty of ***Trading Client Non-Clearing Member*** and CC&G shall assume the role of counterparty of the *General Clearing Member* from the time of conclusion of a contract on the *Market* by a ***Trading Client Non-Clearing Member***;
  - b) from the time CC&G receives the contract concluded on the *Market* by *Clearing Member* where the central counterparty service for that *Market* is operated jointly by CC&G and *Special Clearing Member*. A *Transfer Order* shall be understood as effected and entered into the *System*, and the *General Clearing Member* shall assume the role of counterparty of ***Trading Client Non-Clearing Member*** and CC&G shall assume the role of counterparty of the *General Clearing Member* from the time CC&G receives the contract concluded by the ***Trading Client Non-Clearing Member*** on the *Market*. It is assumed that from the time the contract is concluded on the *Market*, CC&G guarantees the receipt except where reasons for failed or incorrect receipt in the *System* are out of CC&G control. CC&G informs the *System* in cases of incorrect or failed receipt of contracts by means of a Notice.
2. According to letter b) in the previous paragraph, from the time a contract is received on the *Market* between a *Member* of the *System* and a trader that participates in a Central Counterparty Guarantee system managed by a *Special Clearing Member* by virtue of the necessary agreements between all the interested parties, the *Transfer Order* shall be understood as effected and entered into the *System*,

and CC&G shall assume the role of Central Counterparty against the *Special Clearing Member* and the *Clearing Member*.

3. The *System* processes are as follows:
  - a) acquisition, pursuant to paragraph 1, of the Transfer Order through the Management Company and registration of the identification data of the concluded contract on the Market by the Member of the System;
  - b) clearing and determination of the relevant net balances of the Contractual Positions;
  - c) calculation of the Margins and payments due to Default Funds;
  - d) settlement of the Margins, including intraday Margins, payments due to Default Funds, and amounts charged;
  - e) final settlement of Contractual Positions;
  - f) management of the Failed Contractual Positions;
  - g) management of any default procedure.
4. Article 2 of Legislative Directive no. 210 of 12<sup>th</sup> April 2001 shall apply to the *Transfer Orders*, the clearing, and the execution of the contracts indicated in the preceding paragraphs.
5. Upon the acquisition by CC&G of the Transfer Order, the said Transfer Order shall be considered irrevocable pursuant to the said Legislative Decree n. 210 of 2001.

#### **Article B.1.1.2 Clearing and guarantee process for the Agricultural Commodity Derivatives Section**

1. A *Transfer Order* relating to guaranteed *Financial Instruments* shall be understood as effected and entered into the *System*, and CC&G shall assume the role of Central Counterparty pursuant to and for the purposes of Article ~~79-septies~~ 70-CLB, from the time of conclusion of a contract on the *Market* by a *Clearing Member*. Such *Transfer Order* shall be understood as effected and entered into the *System*, and the *General Clearing Member* shall assume the role of counterparty of the **Trading Client** ~~Non-Clearing Member~~ and CC&G shall assume the role of counterparty of the *General Clearing Member* from the time of conclusion of a contract on the *Market* by a **Trading Client** ~~Non-Clearing Member~~.

2. At the end of the trading phase of the contract, CC&G shall match the *Clearing Members* and, ~~for~~ **on behalf of** these, **of any** ~~the~~ **Clients** ~~Non-Clearing Members~~ and/or any **Indirect Clients** ~~Customers~~ with open positions. As an effect of the matching, the CC&G's *Contractual Positions in Delivery* (and in withdrawal) are understood to have been transferred to the matched counterparties. From then on, the *Members* shall replace CC&G in the relationships deriving from the contract and be responsible for fulfilling the obligations concerning the underlying of the contract. From then on, CC&G shall remain obligated, in the event of a default by one of the parties, in accordance with Part B.6 of the *Regulations*, to the payment of the cash pursuant and for the effects of the Legislative Decree 21 May 2004 no. 170.
3. Paragraphs 3, 4 and 5 of Article B.1.1.1 shall apply.

## PART B.2 - Membership

### Chapter B.2.1 Membership

#### Article B.2.1.1. Entities admitted to the System

1. The categories of admission to the *System* are: *General Clearing Member*, *Individual Clearing Member*, and **Trading Client Non-Clearing Member**. The same qualifications, or different qualifications can be applied to the *Share, Bond, ICSD Bond, Equity Derivatives, Energy Derivatives, Agricultural Commodity Derivatives Sections* and *X-COM*.
2. Banks and *Investment Firms* authorised respectively to carry out banking business or provide one or more *Investment Services* in Italy pursuant to the Consolidated Law on Banking or to the Consolidated Law on Finance or that can carry out such business, and that provide such services in Italy under a mutual recognition regime, with or without an establishment pursuant to the aforementioned legislation, may be granted the status of *General* or *Individual Clearing Members*. Limited to the *X-COM Section*, legal persons admitted to the *Market*, other than credit institution and *Investment firm*, can also acquire the status of *Individual Clearing Member*.
3. Furthermore non-EU banks and *Investment Firms* which are not authorised in Italy to carry out banking business or provide *Investment Services* in Italy pursuant to the Consolidated Law on Banking or to the Consolidated Law on Finance may also acquire the status of *General* or *Individual Clearing Members* provided that - in the context of a procedure to recognise the activities of the central counterparty in their State of origin, with the involvement of the Bank of Italy and Consob - the simultaneous presence of the following conditions has been established:
  - a) provisions in the State of origin which are equivalent to those applicable in Italy with respect to the supervision of banks and brokerage companies;
  - b) the State of origin applies provisions which are equivalent to those contained in the EMIR Regulation with respect to *clearing*;
  - c) the State of origin has in place equivalence arrangements with respect to access to the central counterparty;

- d) appropriate agreements are in place between the Bank of Italy, Consob and the competent authorities of the State of origin.
4. Legal persons indicated at paragraph 2, and other legal persons admitted to trading on the reference *Markets* that have entered into the agreement indicated at Article B.2.3.1 with a *General Clearing Member* may be granted the status of **Trading Client Non-Clearing Member**.
  5. Central Banks of the European Union may participate in the *System* as a *Clearing Member*; Poste Italiane S.p.A. and Cassa depositi e prestiti S.p.A. as *Members*.
  6. The ministry of Economy and Finance, pursuant to article 66 of the *CLF*, may participate in the *System* as a *Member* of the *Bond Section*.
  7. Other central counterparties authorized and recognized pursuant to *EMIR Regulation* may participate in the *System* as *Special Clearing Members*. Without prejudice to the provisions of the *EMIR Regulation* (in terms of interoperability agreements), all the provisions of these *Regulations* for *Clearing Members* shall, where compatible, also apply to *Special Clearing Members*, together with the amendments and exceptions explicitly provided for *Special Clearing Members* in the *Regulations*, the *Instructions*, and in the agreements of interoperability entered into between *CC&G* and the said *Special Clearing Members*.
  8. Management companies of commodity markets indicated in the *Instructions* may participate in the *System* as *Qualified Members*. All the provisions of *Regulations herein* for *Individual Clearing Members* shall, where applicable, also be valid for the *Qualified Member*, together with the amendments and exceptions explicitly provided for *Qualified Members* in the *Regulations*, the *Instructions*, and in the agreements stipulated between *CC&G* and the said *Qualified Members*. *Qualified Members* are not allowed to trade on the *Market*.

#### **Article B.2.1.2 Requirements for membership of the System**

1. Legal persons that intend to join one or more of the *Share, ICSD Bond, Equity Derivatives, Energy Derivatives, Agricultural Commodity Derivatives, or X-COM Sections*, must meet the following capital requirements:
  - a) For *General Clearing Members*, a *Supervisory Capital* equal to at least:

- € 25,000,000, increased by a variable amount in ratio to the total **Trading Client ~~Non-Clearing Member~~** with which they have entered into the agreements indicated at Article B.2.3.1, as defined hereunder:
    - € 5,000,000 from the second to the fifth **Trading Client ~~Non-Clearing Member~~** inclusive or;
    - € 10,000,000 up to the tenth **Trading Client ~~Non-Clearing Member~~** inclusive or;
    - € 15,000,000 after the tenth **Trading Client ~~Non-Clearing Member~~**.
- b) For *Individual Clearing Members* which are banks or *Investment Firms*, a *Supervisory Capital* equal to at least:
- € 3,000,000, in the case of membership to the *Share Section*;
  - € 10,000,000, in the case of membership to further Sections, or to only one of the following Sections: *ICSD Bond Section*, *Equity Derivatives Section*, *Energy Derivatives Section*, *Agricultural Commodity Derivatives Section*, *X-COM*.
- c) For *Individual Clearing Members* other than credit institutions or *Investment Firms* that intend to join the *X-COM Section*, net capital equal to at least € 10,000,000.
2. Legal persons that intend to join the *Bond Section* must meet the following capital requirements:
- a) For *General Clearing Members*, *Supervisory Capital* at least equal to a € 400,000,000;
  - b) For *Individual Clearing Members*, *Supervisory Capital* equal to at least € 100,000,000.
3. The capital requirements set out in paragraph 2 above shall not apply to *General Clearing Members* and to *Individual Clearing Members* that, in the context of the *Bond Section*, exclusively carry out trading on: (i) the *DomesticMOT* section – *MOT Market*; (ii) the multilateral trading facility *ExtraMOT*; (iii) the multilateral trading facility *EuroTLX*; and (iv) the multilateral trading facility *Hi-MTF*, on which are admitted to trading *Financial Instruments* liquidated through the liquidation service managed by Monte TitoliS.p.A.. To these legal entities apply

the capital requirements specified under paragraph 1 above, respectively at letter a) and b) second line.

4. In the event of the adoption of different membership status among the various *Sections*, the higher of the asset requirements indicated in the paragraphs above shall be required.
5. Legal Persons that intend to join as *General Clearing Members* and *Individual Clearing Members* that do not meet the capital requirements indicated in the preceding paragraphs 1, 2 and 3, but which respectively own:

- a. For *General Clearing Members*:

- i. a *Supervisory Capital* equal to at least € 15,000,000 in the case referred to in paragraphs 1 and 3,
- ii. a *Supervisory Capital* equal to at least € 200,000,000 in the case referred to in paragraph 2;

- b. For *Individual Clearing Members*:

- i. a *Supervisory Capital* equal to at least € 3,000,000 in the case referred to in paragraphs 1 and 3,
- ii. a *Supervisory Capital* equal to at least € 50,000,000 in the case referred to in paragraph 2;
- iii. a net capital equal to at least € 5,000,000 for legal persons other than banks or *Investment Firms*, for the *X-COM Section*;

must constitute a guarantee of an amount in euros at least equal to the difference between *Supervisory Capital*, or net capital for legal persons other than credit institution and *Investment firm*, held and the amount indicated in the preceding paragraphs.

6. The guarantee indicated at paragraph 5 must be provided to CC&G according to the methods indicated in the *Instructions* from a single *Guarantor* not belonging to the same group as the guaranteed *Clearing Member*, of CC&G's approval, taking account of the existence of any long-term ratings assigned to the *Guarantor*, of the total amount of the guarantees released by the *Guarantor* in favour of CC&G, and of the *Guarantor's* total assets.
7. The guarantee shall have effect with CC&G only if received directly from the *Guarantor*, and has effect for relations with the *Member* concerned from the date notified by CC&G.



8. Clearing Members must:
- a) be the holders of a PM account in *Target2 System* for the execution, through the procedures provided for *Ancillary Systems*, except for special cases indicated in the *Instructions*, of obligations, denominated in euros, arising from membership of the *System*,
  - b) join a *Central Depository Service* indicated in the *Instructions* for the purpose of handling the *Margins* in Financial Instruments,
  - c) join the *Settlement Services* for the final settlement of contracts guaranteed by the *System*, exclusively in the cases of admission to the *Cash Sections* and/or the *Equity Derivatives Section*,
  - d) join the *Collateral Management Service*, exclusively in case of admission to the *X-COM Service*.
9. For the requirements referred to in paragraph 8, letters a) and b), *Clearing Members* may use the services of a *Settlement Agent*, permanently and by way of replacement. For those requirements, different *Settlement Agents* may be appointed for different *Sections*, in accordance with the requirements set out in the *Instructions*.
10. For the requirements referred to in paragraph 8, letter c), *Clearing Members* may use the services of a *Settlement Agent*, permanently and by way of replacement. The *Settlement Agent* must be unique for all the *Sections* except for the *ICSD Bond Section* for which it is possible to appoint a different *Settlement Agent* from the other *Sections* and it is possible to appoint different *Settlement Agents* for different ***Trading Clients Non-Clearing Member***.
11. *Clearing 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 *System*.
12. Where the entity that intends to join the *System* is subject to the national legislation of a state which is not part of the European Union, it must provide a legal opinion given by a lawyer qualified to practice in the country in which the entity is domiciled. The said legal opinion must attest that no impediments exist to the substantive observance of the provisions of these *Regulations*, the relevant *Instructions*, and the laws or other regulations concerning obligations arising from membership of the *System*, with particular reference to the provisions on Settlement Finality established by Legislative Decree No. 210 of 12 April 2001, the regulations on default set out at Heading B.6.1 and

those relating to failure to maintain requirements, suspension and exclusion set out at Heading B.2.2.

13. Where the entity that intends to join the *System* is a non-EU bank or Investment Firm pursuant to article B.2.1.1. paragraph 3, the opinion pursuant to paragraph 12 must also certify that the entity applying is authorised and actually carries out banking activities or provides services equivalent to *Investment Services* and activities in the State of origin, alternatively, the license must be provided
14. *Clearing Members* of the *System* must maintain adequate recovery, reactivation and restoration procedures for data processing.
15. *Members* of the *System* must notify the names of referents for each *Section* they intend to join, who shall be competent for the activities provided by these *Regulations* according to the requirements of the *Instructions*.
16. For parties indicated at Article B.2.1.1, paragraphs 5, 6, 7 and 8, the assessment of membership requirements shall be carried out, including in derogation from the provisions of the preceding paragraphs, by taking account:
  - a) in the case of *Special Clearing Members*, of the provisions in force in the country of origin and the functioning of those systems;
  - b) in relation to *Qualified Members*, of the regulatory discipline in force, of their assets, of the possession of adequate capital, financial, organisational and technological resources, of operational rules of the managed markets, in particular those rules regulating the acquisition and protection of guarantees, and the cover provided by the aforementioned guarantees for the obligations taken by the participants to the market. *Qualified Members* are not required to comply with the capital requirement set out in paragraphs 1, 2, 3, 4 and 5.
17. In order to be admitted to the *System*, in cases provided by the *Instructions*, *Members* must be members of the *Pre-settlement Service*.

### **Article B.2.1.3 Applications for membership in the System**

1. Legal persons applying for membership to the *System*, or to one or more *Sections*, or existing *System* members that intend to join a further *Section*, must forward the Request of Services and the relevant documentation to CC&G.
2. From the date on which CC&G notifies the applicant of the receipt of the Request of Services with an invitation to complete the membership documentation indicated in the *Instructions*, the applicant is obliged to respect the General Conditions for the supply of services indicated at Article A.1.1.2, together with these *Regulations* and the relevant *Instructions* insofar as they are applicable pending acceptance.
3. During the period between the forwarding of the Request of Services indicated at paragraph 1 and the notice of the result of the application:
  - a) applicants must notify CC&G of any new fact of relevance to the discharge of the obligations arising from participation in the *System*;
  - b) CC&G may request further data and information necessary for assessment of the application.
4. CC&G shall notify the outcome of the application within one month of the receipt of the completed documentation, stating the grounds for any rejected application. Where additional examination becomes necessary, CC&G may prolong the term not more than once, and for a maximum term of one month, notifying the applicant of the grounds for such a delay. In the case of an application for membership as a ***Trading Client Non-Clearing Member***, notice of the outcome shall also be sent to the *General Clearing Member* whose services it intends to use.
5. CC&G shall inform the relevant *Management Company* of the result of the application.
6. Membership to the *Section* shall have effect from the date indicated by CC&G.
7. Membership to the *System* implies the complete assumption by the *Member* of the obligations provided by the provisions indicated at Article A.1.1.2, paragraph 3.

#### **Article B.2.1.4 Start of operations**

1. The start of operations for *Clearing Members* admitted to the *System*, for one or more *Sections*, is dependent on payment to the *Default Funds*, where due, and payment of membership fees or other fees as indicated in the *Instructions*.

#### **Article B.2.1.5 Maintenance of membership requirements and obligations of Members**

1. Each *Clearing Member* of the *System* shall guarantee the availability 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 in the *System*.
2. Each *Member* of the *System* must promptly notify, with the effects provided for by the Instructions, of any changes in the appointment of referents indicated at Article B.2.1.2, paragraph 15. For each *Section*, at least one of the said references must always be available during the course of each *Market* business day.
3. Each *Member* of the *System* must promptly notify CC&G of the failure to maintain the requirements indicated at Article B.2.1.1, paragraphs 2, 3 and 4.
4. Each *Clearing Member* must promptly notify CC&G of:
  - a) the failure to maintain asset requirements indicated at Article B.2.1.2, paragraphs 1, 2, 3 and 4;
  - b) a reduction of more than 30% in the Supervisory Capital, or of the net capital for legal persons other than banks and *Investment Firms*, from the last notified value, without prejudice to the provisions of letter a) in cases of loss of the minimum asset requirements requested therein;
  - c) any data, information or document that has been requested for the purposes of *System* management activities or to verify the permanence of the requirements for membership to the *System* and to the *Section*.
5. Each *Clearing Member* must notify CC&G, with prior notice of at least five CC&G trading days, of the failure to maintain any one of the

requirements indicated at Article B.2.1.2, paragraph 8, or the loss of effect, for any reason, of the agreement with the *Settlement Agent*.

6. The *General Clearing Member* and the ***Trading Client Non-Clearing Member*** must promptly notify CC&G of the loss of effect of the agreement indicated at Article B.2.3.1. The said notice, regardless of which party has issued it, shall be understood as accomplished, including on behalf of the other party.

## **Chapter B.2.2 Failure to maintain requirements, suspension, exclusion and withdrawal**

### **Article B.2.2.1 Failure to maintain requirements.**

1. In cases where the *Supervisory Capital*, or the net capital for *Individual Participants* other than banks and *Investment Firms*, is reduced below the levels indicated in Article B.2.1.2, paragraphs 1, 2, 3 and 4, CC&G may fix a term, not greater than 180 calendar days, as from the calendar day following the deadline for supervisory capital reporting to CC&G as specified in the Annexes to the Instructions, for its restoration, notifying Bank of Italy, *Consob*, the *Management Company*, and any **Trading Client** ~~Non-Clearing Member~~.
2. In the event of failure, for any reason, of the guarantee indicated in Article B.2.1.2, paragraph 5 CC&G may fix a term, not greater than 30 calendar days, for its restoration, notifying Bank of Italy, *Consob*, the *Management Company*, and any **Trading Clients** ~~Non-Clearing Members~~.
3. In the cases indicated in the previous paragraphs as well as in case of late submission to CC&G of *Supervisory Capital* reporting after the deadlines envisaged in the Annexes to the Instructions, CC&G may concomitantly establish risk containment measures, including requesting increased *Margins* or the suspension from the *System* pursuant to Article B.2.2.2. Where CC&G considers that it cannot grant the terms indicated in the previous paragraphs, the exclusion pursuant to B.2.2.4 shall be applied.
4. The requirement to send the declaration on *Supervisory Capital* to CC&G pursuant to the Annexes to the Instructions is suspended for *Members* in respect of which have been adopted, pursuant to the Legislative Decree no. 180 of 2015, the *Consolidated Law on Banking* and the *Consolidated Law on Finance*, a crisis prevention or management measure or a measure for compulsory administrative liquidation with the continuation of the business activity set out at the assignment act of the liquidators, or equivalent measures provided by other jurisdictions, for as long as the relating procedures are ongoing. For the purposes of risk reduction, CC&G may apply an increase in margins during the period when such procedures are in progress.

5. CC&G shall publicly disclose any breaches by the *Members* of the requirements indicated under Articles B.2.1.1 and B.2.1.2 and of transparency requirements concerning prices and commissions as specified in Article B.8.1.3, pursuant to paragraph 1 of Article 38 of *EMIR Regulation*, except in cases where the competent authority, following consultation with ESMA, considers that such public disclosure represents a serious danger to the financial stability or the reliance on the market or can cause serious risk to the financial markets or bring about disproportionate damage to the parties involved.
6. The adoption, pursuant to the Legislative Decree no. 180 of 2015, the *Consolidated Law on Banking* and the *Consolidated Law on Finance* of a crisis prevention or management measure, or of a measure for compulsory administrative liquidation with the continuation of the business activity set out at the assignment act of the liquidators, or equivalent measures provided by other jurisdictions, does not constitute a cause for suspension pursuant to Article B.2.2.2 nor exclusion pursuant to Article B.2.2.4., provided the *Member* fulfils its obligations arising from its participation in the *System*.

#### **Article B.2.2.2 Suspension**

1. CC&G shall suspend from the *System* or from a *Section*, notifying Bank of Italy, Consob and the *Management Company* concerned:
  - a) a *Member* in cases where CC&G has received notice of grave breach of contract by the said *Member* in another guarantee and/or settlement system;
  - b) a *Clearing Member*, in the event of forfeiture of any one of the requirements indicated at Article B.2.1.2, paragraph 8, or the cessation of effect of the agreement with the *Settlement Agent*, for any reason, unless and exceptionally, the obligations to CC&G are – pending regularization – nevertheless respected. To this end CC&G verifies the possibility of transferring to a different Settlement Agent the positions of the Clearing Member to be settled and the related stocks they had deposited with the insolvent Settlement Agent.
2. CC&G shall suspend a ***Trading Client Non-Clearing Member***, from the *Section*, notifying Bank of Italy, Consob and the *Management Company*.

- a) in the event of a request for its suspension from the *General Clearing Member*, according to the provisions of Article B.2.3.3, paragraph 1.
  - b) if, for any reason, the agreement with the *General Clearing Member* indicated at Article B.2.3.1 has failed or become ineffective in any way, without a *General Clearing Member* having entered into a new agreement with the **Trading Client** ~~*Non-Clearing Member*~~ in time for CC&G to verify its suitability for the purposes of the *System*.
  - c) when its *General Clearing Member* has been suspended.
3. CC&G may suspend a Member of the System from the System itself or from a Section, notifying Bank of Italy, Consob and the Management Company:
- a) in the event of the suspension of the *Member* from trading on a *Market*,
  - b) in the event of injunctive proceedings being issued pursuant to articles 51 and 52 of the *CLF* or equivalents issued by the competent supervisory Authority;
  - c) if the *Member* fails to provide the information or documents required pursuant to Article B.2.1.5, paragraph 4, sub-paragraph c);
  - d) in the event of serious violation of the provisions of CC&G;
  - e) in the event indicated at Article B.2.2.1, paragraph 3.
4. The maximum duration of the suspension is 120 calendar days from the *Notice* by fax pursuant to paragraph 5.
5. The act of suspension shall be communicated by fax, and confirmed by registered mail with return receipt to the *Member* of the *System* and, if a **Trading Client** ~~*Non-Clearing Member*~~, also to the *General Clearing Member* whose services the **Trading Client** ~~*Non-Clearing Member*~~ uses.

### Article B.2.2.3 Effects of suspension

1. From the moment of suspension from the *System* or *Section*, CC&G shall not enter further modifications to the *Contractual Positions* of the suspended *Member* of the *System*. CC&G may, however, allow modifications of *Contractual Positions* in place relating to the *Derivatives Sections* due to the exercise of options or through the



transfers indicated at Article B.3.1.5, intended to reduce the suspended *Member's* exposure to risk.

2. During the period of suspension, *General Clearing Members* and *Individual Clearing Members* are obliged to fulfil their obligations to CC&G, and **Trading Client** ~~*Non-Clearing Member*~~ are obliged to fulfil their obligations to *General Clearing Members* arising from their membership to the *System* or to the *Section*, according to the provisions of the documents indicated at Article A.1.1.2, paragraph 3.
3. In relation to the provisions of paragraph 2, concomitantly with the suspension measure and/or during the period of suspension, CC&G may establish risk containment measures, including requesting increased *Margins*.
4. The suspension shall not be revoked until the conditions that gave rise to it have been resolved.

#### **Article B.2.2.4 Exclusion**

1. CC&G shall exclude a *Member* from the *System* – with the effect of withdrawal without notice from all contractual relationships entered into with the *Member* – giving notice to Bank of Italy, Consob and the *Management Company*:
  - a) except in the case of compulsory administrative liquidation with the continuation of the business activity set out at the assignment act of the liquidators, in the case of revocation by the competent Authorities of the authorisation for the exercise of its activities, or the adoption of equivalent measures in the presence of activities subject to reciprocity measures, or in any case in breach of its authorisation to exercise its activities;
  - b) in the event of a default pursuant to Article B.6.1.1.
2. CC&G shall also exclude the following members from the *System* or *Section* – with the effect of withdrawal without notice from all contractual relationships entered into with the *Member* – giving notice to Bank of Italy, Consob and the *Management Company*:
  - a) the *Clearing Member* upon failure to maintain the asset requirements indicated at Article B.2.1.2, paragraphs 1, 2, 3 and 4, unless the latter has re-established them within any term conceded for their restoration pursuant to Article B.2.2.1, or has not complied with the risk containment measures pursuant to Article B.2.2.1

- paragraph 3, and Article B.2.2.3, paragraph 3 or in the case it failed to submit to CC&G the declaration on the *Supervisory Capital* over 180 calendar days commencing from the submission deadline specified in the Annexes and in the Instructions;
- b) any *Member* of the *System*, if on the date of expiry of the period of suspension indicated at Article B.2.2.2, the conditions that provoked the suspension have not been resolved;
  - c) any *Member* that exercises its right of withdrawal pursuant to Article B.4.2.4, should it not proceed to close or transfer the *Contractual Positions* within the terms provided;
  - d) the **Trading Client** ~~*Non-Clearing Member*~~ if the *General Clearing Member* whose services it uses has been excluded;
  - e) The **Trading Client** ~~*Non-Clearing Member*~~ if it has been excluded from trading on a *Market* relating to the *Section* of which it is a *Member*.
3. CC&G may also exclude from the *System* or from a *Section* a *Clearing Member* who has been excluded from trading on a *Market* – with the same effects as indicated at paragraph 2 - notifying Bank of Italy, Consob, and the *Management Company*.
  4. The act of exclusion shall be communicated by fax, and confirmed by registered mail with return receipt to the *Member* of the *System* and, if a **Trading Client** ~~*Non-Clearing Member*~~, also to the *General Clearing Member* whose services it uses.

#### **Article B.2.2.5 Effects of exclusion**

1. In the event of exclusion of a *Clearing Member* pursuant to Article B.2.2.4, paragraph 1, letter a) the default procedures indicated at Article B.6.2.1 shall apply.
2. In the event of exclusion of a **Trading Client** ~~*Non-Clearing Member*~~ pursuant to Article B.2.2.4, paragraph 1, sub-paragraph a), the *Clearing Member* is responsible for closing the *Contractual Positions* referable to the **Trading Client** ~~*Non-Clearing Member*~~, while informing CC&G of the actions taken for this purpose.
3. In the event of exclusion of a *Member* of the *System* pursuant to B.2.2.4, paragraph 1, sub-paragraph b), the provisions for the default procedures indicated at Article B.6.2.1 and Article B.6.2.2. shall be applied.

4. The exclusion of a *Clearing Member* from the *System* or a *Section*, pursuant to Article B.2.2.4, paragraphs 2, sub-paragraphs a) and b) and 3, shall have effect from the date in which the excluded *Member* does not have any *Contractual Positions* registered in the accounts indicated at Article B.3.1.2. Until the said date, the provisions indicated at Article B.2.2.3 shall be applied to the excluded *Member*.
5. The exclusion of a ***Trading Client Non-Clearing Member*** from the *System* or *Section* pursuant to Article B.2.2.4, paragraph 2, letters b) and e), shall have effect from the date in which the excluded ***Trading Client Non-Clearing Member*** has no more *Contractual Positions* registered in the *General Clearing Member* “client” accounts referable to the ***Trading Client Non-Clearing Member***. Until the said date, the provisions indicated at Article B.2.2.3 shall be applied to the said contracts.
6. In the event of exclusion of a ***Trading Client Non-Clearing Member*** pursuant to Article B.2.2.4, paragraph 2, sub-paragraph d), the said *Member*’s *Contractual Positions* shall be regulated, according to the reasons for exclusion of the *General Clearing Member*, pursuant to paragraphs 1, 3, and 4.
7. On conclusion of the procedures indicated in the preceding paragraphs, CC&G shall proceed to close the excluded *Member*’s accounts in the *System*, calculating, in the case of exclusion of a *Clearing Member*, any losses and costs incurred by the intervention, attributing them, according to the method indicated at Article B.6.2.3, and returning the outstanding amount to the entitled party.
8. Any losses and costs incurred by the *General Clearing Member* at the end of the procedures indicated in the preceding paragraphs shall be fully charged to the said *General Clearing Member*, who shall cover the said losses and costs by using the *Margins* deposited with it by the excluded ***Trading Client Non-Clearing Member***.
9. In executing the transfer request by the *Clearing Member* indicated in the preceding paragraphs, CC&G shall not be liable for any further verification, only requiring the approval of the *Member* into whose accounts the *Contractual Positions* are transferred.

## Article B.2.2.6 Withdrawal

1. *Members* may exercise their right to withdraw from membership or from one or more *Sections* at any time – by registered letter with return receipt which must be received by CC&G on pain of invalidity, previously sent by fax – giving notice of not less than 30 calendar days, unless otherwise agreed with CC&G.
2. In the event of amendment of the General Conditions for the supply of services and the other documents indicated at Article A.1.1.2, paragraph 3, *Members* of the *System* may exercise the right of withdrawal within the term indicated in the notification by which CC&G notifies the said amendments. The term assigned shall not in any case be less than 10 (ten) calendar days. For amendments adopted in cases of urgency, following orders issued by the competent Authorities or for technical – operational reasons, the withdrawal cannot be notified before 13:00 hours of the business day before that in which the amendment shall have effect.
3. Withdrawal from membership shall have effect with respect to each *Section* from the date of expiry of the *Contractual Positions* still outstanding on expiry of the notice period.
4. Upon expiry of the notice period indicated at paragraph 1, the provisions indicated at Article B.2.2.3, paragraphs 1, 2 and 3 shall apply to the *Member* of the *System*.
5. Where, following withdrawal from *Sections*, the *Member* is no longer a member of any *Section*, membership to the *System* shall be understood as ceasing from that moment.
6. CC&G shall immediately notify the *Management Company* of the withdrawal from membership to the *Section* and the *System* and, in the case of a *General Clearing Member*, shall also notify **Trading Clients** ~~*Non-Clearing Member*~~ that use its services.
7. In the event of withdrawal of a *General Clearing Member*, the relevant *Member* is obliged to notify the **Trading Clients** ~~*Non-Clearing Member*~~ that use its services. In the event of withdrawal of a **Trading Clients** ~~*Non-Clearing Member*~~, the relevant *Member* must notify the *General Clearing Member* whose services it uses. The said notifications must be sent concomitantly to those indicated at paragraph 1.

### **Article B.2.2.7 Modification of membership qualifications**

1. *Members* of the *System* may modify their membership qualification to each *Section* by exercising preventive withdrawal pursuant to Article B.2.2.6, paragraph 1, while contemporaneously fulfilling the requirements indicated at Article B.2.1.3.

## **Chapter B.2.3 Relations between General Clearing Members and Trading Clients ~~Non-Clearing Members~~**

### **Article B.2.3.1 General Clearing Member – Non-Clearing Member Trading Client Agreement**

1. **Trading Clients** ~~Non-Clearing Member~~ shall sign an agreement with a *General Clearing Member*, adopting the outline provided by CC&G and limited to aspects of their interest and which specify the structure of the accounts applied to each **Trading Client** ~~Non-Clearing Member~~.
2. The *General Clearing Member* that the **Trading Client** ~~Non-Clearing Member~~ uses may be different for each *Section* and, whether the trading activity of the **Trading Client** ~~Non-Clearing Member~~ takes place through different *Organisational Units*, CC&G reserves to allow the **Trading Client** ~~Non-Clearing Member~~ to avail themselves of different *General Clearing Members* for different *Organisational Units*, also within the same *Section*.
3. The agreements indicated in the preceding paragraphs must be received by CC&G, in order to allow CC&G to carry out its own verification, with advance notice of not less than five CC&G open days, unless agreed otherwise with CC&G.

### **Article B.2.3.2 Settlement of Contractual Positions relating to the Trading Client ~~Non-Clearing Member~~**

1. The agreement between the *General Clearing Member* and the **Trading Client** ~~Non-Clearing Member~~ provides that the former shall effect the final settlement of the *Contractual Positions* of the **Trading Client** ~~Non-Clearing Member~~ transferred to it by virtue of the provisions of Article B.1.1.1, paragraph 1.

### **Article B.2.3.3 Suspension of the Clearing Member**

1. The agreement between the *General Clearing Member* and the **Trading Client** ~~Non-Clearing Member~~ indicated at Article B.2.3.1 provides for CC&G's suspension of the **Trading Client** ~~Non-Clearing Member~~ from membership to *Section* or *Sections* – at any time and for

a maximum duration of 20 calendar days on simple request and under the sole responsibility of the *General Clearing Member*. CC&G shall not have any obligation or right to verify the expediency or conformity of such a request to the contractual agreements existing between the *General Clearing Member* and the ***Trading Client Non-Clearing Member***. CC&G shall immediately notify the *Management Company* of the suspension. The suspended ***Trading Client Non-Clearing Member*** shall continue to be obliged to settle sums outstanding with the *General Clearing Member* in relation to *Margins* or other items.

2. In the event of circumstances indicated in paragraph 1, and of other cases of suspension pursuant to Article B.2.2.2, the *General Clearing Member* shall remain responsible to CC&G for all the *Contractual Positions* referable to the ***Trading Client Non-Clearing Member***, subject to the circumstances indicated in Article B.2.2.3.
3. On elapse of the maximum period of suspension indicated at paragraph 1, the suspended *Member* shall be re-admitted to operate in the *Section* in its capacity as ***Trading Client Non-Clearing Member***, unless it has exercised its right of withdrawal from the agreement pursuant to Article B.2.3.1 and the notice period indicated at Article B.2.3.4, paragraph 1 has elapsed, and another agreement pursuant to Article B.2.3.1 has not been forwarded to CC&G according to the terms and methods indicated in Article B.2.3.1. CC&G shall immediately report any re-admission to Bank of Italy, Consob and the *Management Company*.

#### **Article B.2.3.4 Withdrawal from the agreement**

1. Any withdrawal from the agreement pursuant to Article B.2.3.1 must be notified by the withdrawing *Member* to the other contracting *Member* and simultaneously to CC&G and the *Management Company* with minimum notice of 15 calendar days. In case of suspension of the *General Clearing Member* or default of the ***Trading Client Non-Clearing Member***, the withdrawal may be executed without notice. In all cases, for the purposes of paragraph 3, and Article B.2.3.3, paragraph 3, the term shall begin from the date of receipt by CC&G of the notice of withdrawal.
2. The term indicated at paragraph 1, may be shortened by mutual agreement expressed by the *Members* involved and with the approval of CC&G.

3. In the event of the stipulation of a new agreement between the **Trading Client** ~~Non-Clearing Member~~ and another *General Clearing Member*, CC&G shall notify the date from which the said new agreement shall have effect, it being understood that the requirements of settlement or proof of the relevant relationship may take it necessary to suspend the **Trading Client** ~~Non-Clearing Member~~ from the *Section* pursuant to Article B.2.2.2, paragraph 2, and sub-paragraph b). GG&G shall promptly notify the *Management Company* of such suspension.
4. The provisions of Article B.2.3.3, paragraph 2 shall apply to any withdrawal pursuant to paragraph 1, including where suspension does not occur, with reference to the *Contractual Positions* registered on the expiry of the notice period for the withdrawal, unless the *Contractual Positions* and collaterals are transferred to the new *General Clearing Member*, by agreement among the *Members* concerned, where this is technically possible.
5. In the event of a **Trading Client** ~~Non-Clearing Member~~ replacing the *General Clearing Member* with another *General Clearing Member*, the transfers of the relevant *Contractual Positions* and collaterals shall be effected by CC&G with the contractually expressed agreement of all *Members* involved, if within the time limit set by the rules governing final settlement of contracts and relevant preliminary requirements.



## **Chapter B.2.4 Relations with Clients**

### **Article B.2.4.1 Clearing Member – Client Agreement Porting Agreements (“segregated client” account)**

1. The *Clearing Member*, at the time of opening of the “segregated client accounts”, shall sign an agreement with the *Clients*, adopting an outline provided by CC&G and limited to aspects of its interest, which documents that the *Clearing Member* cannot oppose the transfer of the *Contractual Positions* and collateral of the *Clients* in the event of default procedures as indicated under Article B.6.2.1. **The agreement between a *Clearing Member* and its *Clients* must be communicated to CC&G for due verification, with advance notification of not less than five *CC&G open days*, unless different terms are agreed with CC&G itself. Withdrawal from the agreement must be communicated by the *Clearing Member* to CC&G with advance notice of not less than 15 calendar days. This period may be shortened by mutual agreement expressed by the parties and with the approval of CC&G**
2. If, prior to occurrence of an event of default pursuant to Article B.6.1.1, paragraph 1, the *Clients* have selected a *Clearing Member* to which to transfer the *Contractual Positions* and the collateral recorded in the “segregated client” account, The *Designated Clearing Member* shall sign an *ad hoc* agreement a relevant contract with the *Clients* for the purposes of administering the portability of the *Contractual Positions* and collateral, and shall promptly communicate this to CC&G. **When the *Contractual Positions* registered by the *Clients* on their own account are distinguished from those made on behalf of others, the porting agreement will have to indicate whether that distinction also has to be maintained at the Designated Clearing Member. Withdrawal from the agreement between *Clients* and *Designated Clearing Member* must be communicated to CC&G promptly; until it receives the withdrawal notice, CC&G will operate on the basis of the agreements received.**
3. For *Trading Non-Clearing Member Clients* the agreements indicated in paragraphs 1 and 2 above are subsumed in the *General Clearing Member/ Trading Client Non-Clearing Member* agreement, as indicated in Part B.2.3.

~~4. The agreements as indicated under the above paragraph 1 must be communicated to CC&G for due verification, with advance notification of not less than five CC&G open days, unless different terms are agreed with CC&G itself.~~

#### **Article B.2.4.2 CC&G – Client agreement**

- ~~4.~~ **4. In the case where no *Designated Clearing Member* has been identified at the time when an event of default affecting the *Clearing Member* occurs pursuant to Article B.6.1.1, paragraph 1**  
~~In the cases foreseen under Article B.6.2.1, paragraph 1, the *Clients* may sign, within five CC&G open days after the default event, the agreement envisaged in paragraph 2 with the *Designated Clearing Member* to regulate the porting of *Contractual Positions* and collateral, and in this case, the *Clients* themselves shall take on the status of *Members Pro-tem*, for purposes of depositing *Margins*.~~
- ~~5.~~ **2. For the purposes indicated in the preceding paragraph, concomitantly with the agreement indicated in Article B.2.4.1, paragraph 1, the *Clients* shall sign a specific agreement with CC&G contingent to the case of default of the *Clearing Member*. The contractual relation between the *Clients* and CC&G is limited to the case in which a *Designated Clearing Member* is not identified.**

#### **Article B.2.4.2 Porting Agreements (“gross omnibus segregated client” account)**

- 1. If in the *Indirect Clearing* arrangements *Indirect Clients* requested that their *Contractual Positions* and collateral be recorded in a “gross omnibus segregated client” account pursuant to Article B.3.1.2, paragraph 2, sub-paragraph b), the *Clearing Member* may sign with said *Clients* an agreement to the effect that the *Clearing Member* may not object to transfer of the *Indirect Clients’ Contractual Positions* and collateral recorded in such accounts in the event of the default procedure pursuant to Article B.6.2.1, on condition that the *Member* provides CC&G with its *Clients’* identification details. The agreement between a *Clearing Member* and its *Clients* must be communicated to CC&G for due verification, with advance notification of not less than five CC&G open days, unless different terms are agreed with CC&G itself. Withdrawal from the agreement between the *Clearing Member***

and its *Clients* must be communicated by the *Clearing Member* to CC&G with advance notice of not less than 15 calendar days. This period may be shortened by mutual agreement expressed by the parties and with the approval of CC&G.

2. If, prior to occurrence of an event of default pursuant to Article B.6.1.1, paragraph 1, the *Clients* have selected a *Clearing Member* to which to transfer the *Contractual Positions* and the collateral of *Indirect Clients* registered in the “gross omnibus segregated client” account, the *Designated Clearing Member* shall sign an *ad hoc* contract with the *Clients* for the purposes of regulating the portability of the *Contractual Positions* and collateral and shall promptly communicate this to CC&G. Withdrawal from the agreement between the *Clients* and the *Designated Clearing Member* must be communicated to CC&G promptly; until it receives the withdrawal notice, CC&G will operate on the basis of the agreements received.
3. If no *Designated Clearing Member* was selected in advance, on occurrence of an event of default by a *Clearing Member* pursuant to Article B.6.1.1, paragraph 1, the *Clients* may sign the agreement envisaged in paragraph 2 with the *Designated Clearing Member* within the terms indicated under Article 2.4.1, paragraph 4 to regulate the portability of the *Contractual Positions* and collateral of *Indirect Clients*; in this case, the *Clients themselves* shall take on the status of *Members Pro-tem*, for the purpose of paying the *Margins*.

#### **~~Article B.2.4.3 Withdrawal from the agreement~~**

- ~~1. Withdrawal from the agreement indicated under Article B.2.4.1, paragraph 1, must be communicated by the *Member* to CC&G with advance notice of not less than 15 calendar days.~~
- ~~2. The time period indicated in paragraph 1 can be shortened by mutual agreement expressed by the parties and with the approval of CC&G.~~
- ~~3. Withdrawal from the agreement indicated under Article B.2.4.1, paragraph 2, must be communicated to CC&G promptly; until receiving the communication of withdrawal CC&G shall operate on the basis of the agreements received.~~



**PART B.2.5 Porting agreements on “omnibus client” and “net omnibus segregated client” account Relations between Clearing Members**

**Article B.2.5.1 Agreement between Clearing Members Porting Agreements (“omnibus client” account and “net omnibus segregated client” account)**

1. Where *Clients* of the "client omnibus" account asks the *Clearing Member* **before occurrence of an event of default pursuant to Article B.6.1.1, paragraph 1** to benefit, in the event of the default, the transfer ~~their of~~ *Contractual Positions* and collateral to a *Designated Clearing Member*, the *Clearing Member* shall sign an agreement with a *Designated Clearing Member* using **drafted on the basis of a specific** outline provided by CC&G, for the purpose of regulating the portability of the ***Contractual Positions*** and collateral limited to the aspects of their interest, and which documents:
  - a. the acquisition by *Clearing Member* of the request referred above;
  - b. the acceptance on the part of the *Designated Clearing Member* of the transfer of the *Contractual Positions* and collateral ~~of the clients~~ recorded in the “client omnibus” accounts of the *Clearing Member* and the confirmation of having adopted an agreement with the *Clients* on the basis **of this account** confirming its commitment. For the ***Trading Client Non-Clearing Member***, the *Designated Clearing Member* must also transmit the agreement as indicated in the above Part 2.3.
2. The agreement indicated in the preceding paragraph must be communicated to CC&G as soon as it is ~~they are~~ signed. **Withdrawal from said agreement must be promptly communicated by the *Clearing Member* to CC&G; until it receives the withdrawal notice, CC&G will operate on the basis of the agreement received.**
3. If no *Designated Clearing Member* is identified at the time when a *Clearing Member’s* default event occurs, pursuant to Article B.6.1.1, paragraph 1, the *Clients* may sign the agreement envisaged in the preceding paragraph and the *Clearing Member*

has to send this agreement to CC&G as soon as it is finalised and, in any event, within 3 hours after the default event. This time limit may be amended by CC&G taking into account the circumstances. The *Designated Clearing Member* must also provide CC&G with evidence of the fact that the *Contractual Positions* being transferred refer to all the *Clients* of the “omnibus client” account.

4. The provisions on portability agreements included in this Article shall also apply with respect to the “net omnibus segregated client” account.

#### **~~Article B.2.5.2 Withdrawal from the agreement~~**

- ~~1. Withdrawal from the agreement indicated in Article B.2.5.1 must be promptly communicated by the *Member* to CC&G; until receiving the communication of withdrawal CC&G shall operate on the basis of the agreements received.~~

## PART B.3 Clearing

### **Chapter B.3.1 Registration of operations and clearing of contractual positions**

#### **Article B.3.1.1 Effects of concluded operations**

1. With the *Transfer Order* indicated at Articles B.1.1.1 and B.1.1.2:
  - a) CC&G assumes with the *Clearing Member* the *Contractual Position*, credit or debit, of the *Market* counterparty of the *Clearing Member* that has effected the operation;
  - b) The *General Clearing Member* assumes with the **Trading Clients** ~~*Non-Clearing Member*~~ using its services, the *Contractual Position*, credit or debit, of the *Market* counterparty of the **Trading Client** ~~*Non-Clearing Member*~~ that has effected the operation;
  - c) CC&G assumes with the *General Clearing Member* the *Contractual Position*, credit or debit, assumed by the **Trading Client** ~~*Non-Clearing Member*~~ using its services pursuant to letter b);
  - d) CC&G assumes with the *Special Clearing Member* the *Contractual Position*, credit or debit, assumed by the *Member* of the *System* against the *Market* counterparty that is a member of the guarantee system managed by the *Special Clearing Member*;
  - e) CC&G assumes with the *Qualified Member* the *Contractual Position*, credit or debit, stemming from the transfer to the account "*Qualified Member*" of the *Contractual Positions* of the *Members* who have exercised the physical delivery option for the energy futures contracts.
2. By virtue of membership of the *System*, each *Member* shall not claim from its market counterparty the fulfilment of obligations arising from contracts entered into with it in the *Market* to which paragraph 1 shall apply, nor may it oppose CC&G with respect to objections concerning relations with the said counterparty, nor any other

objection arising from contracts stipulated on the *Market* by parties for which the transfer mechanisms indicated at paragraph 1 operate.

3. The causes of invalidity or unenforceability of operations effected in the *Market* and related compensatory or restitution actions can be asserted only between market counterparties.

### **Article B.3.1.2 Structure of accounts**

1. CC&G shall enter the Contractual Positions of each Clearing Member into:
  - a) “house account” for *Contractual Positions* originating from operations concluded by the *Member* on its own behalf;
  - b) “omnibus client accounts” for *Contractual Positions* of its ~~*Customers or of its own*~~ ***Clients Non-Clearing Members***;
  - c) “segregated client accounts”, for the *Contractual Positions* of their own *Clients*. The *Contractual Positions* originate from operations concluded by the *Clients* on their own behalf can be distinguished from the *Contractual Positions* originating from operations concluded by them on behalf of their clients.
1. **In the context of the *Contractual Positions* of one of the “omnibus client” accounts, the *Contractual Positions* of the *Trading Clients* can be recorded in:**
  - a) a **“General Clearing Member/house-Trading Client” account;**
  - b) a **“General Clearing Member/client-Trading Client” account.**
2. **In addition to the accounts envisaged under paragraph 1, CC&G, only in respect of the *Derivatives Sections*, on the request of the *Clearing Member* acting as broker for *Indirect Clearing*, shall record the *Contractual Positions* of *Indirect Clients* in:**
  - a) a **“net omnibus segregated client” account for the *Contractual Positions* pertaining to the *Clearing Member’s Indirect Clients* recorded in an “omnibus client” account;**



- b) a “gross omnibus segregated client” account, for the *Contractual Positions* pertaining to the *Indirect Clients* of each *Client* of the *Clearing Member* which makes it possible to distinguish the *Contractual Positions* of each *Indirect Client* from those of the other *Indirect Clients* by recording them in specific sub-accounts.

For the purpose of opening the accounts referred to under point a) and b) of this paragraph, the *Clearing Member* shall ensure that the *Clients* are a credit institution, an authorised investment firm or an equivalent credit institution or investment firm of a third country. The *Clearing Member* shall provide CC&G with a declaration to this effect.

With regard to the “gross omnibus segregated client” account referred to in this paragraph, point b), the *Member* shall provide CC&G with all the information necessary to identify the *Contractual Positions* held for the account of each *Indirect Client* by each *Client* at least on a daily basis and in any case as soon as such information is available, to enable recording of such positions in the dedicated sub-accounts.

~~2. In the context of the *Contractual Positions* of one of the “omnibus client” accounts, the *Contractual Positions* of the *Non-Clearing Member* can be recorded in:~~

- ~~a) a “General Clearing Member/house- *Non-Clearing Member*;~~
- ~~b) a “General Clearing Member/client- *Non-Clearing Member*” account.~~

- 3. CC&G shall register in an account in the name of the *Qualified Member* the *Contractual Positions* transferred to the *Qualified Member* as a consequence of the exercise of the physical delivery option for the energy futures contracts made by *Members* of the *Energy Derivatives Section*.
- 4. The *Clearing Members* can make request to CC&G, within the limits, at the conditions and for the *Sections* indicated in the *Instructions*, for the recording of *Contractual Positions* in relevant sub-accounts of the accounts indicated in paragraphs 1 and 2.
- 5. For *Contractual Positions* relating to the *Agricultural Commodity Derivatives Section*, the registration of ***Clients’ Customers’***

*Contractual Positions* on subaccounts is mandatory. The opening of such subaccounts and the registration on the same of **Clients' Customers' Contractual Positions** does not give rise to any relationship between CC&G and the **Client Customers**—in question. The information is used by CC&G and the *Market Management Company* exclusively for the purpose of monitoring the positions and managing the underlying delivery phase. The *Instructions* specify the manner, information and timetable for the opening of the subaccounts and the registration of the *Contractual Positions*.

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**Provisions in paragraph 5 will enter into force with a subsequent Notice**

**In the transition period the following applies:**

6. For *Contractual Positions* relating to the Agricultural Commodity Derivatives Section, Members shall communicate to CC&G the information on **Clients' Customers' Contractual Positions** open at the end of the “maturity day”, specified in the *Instructions*. The information provided to CC&G on **Clients' Customers' Contractual Positions** does not give rise to any relationship between CC&G and the *Customers* in question. The information is used by the *Market Management Company* and the CC&G exclusively for the purpose of monitoring the positions and managing the underlying delivery phase. The *Instructions* specify the manner, information and timetable for the communication of the *Contractual Positions*.
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**Article B.3.1.3 Clearing**

1. The *Contractual Positions*, at the time of registration in each of the accounts or any sub-accounts indicated at Article B.3.1.2 shall be cleared with the *Contractual Positions* already registered in the same accounts or sub-accounts with the same characteristics.
  2. In the *X-COM Section*, such clearing is not operative and the *Contractual Positions* are recorded individually.
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#### **Article B.3.1.4 Operations relating to client accounts**

1. CC&G shall not be held to verify the *Member's* powers for market operations that involve the "client" accounts registered to it.
2. Registration in "client" accounts shall not give rise to any legal relationship between CC&G and parties other than the *Member* to whom the said accounts are registered.

#### **Article B.3.1.5 Transfer of contractual positions**

1. The execution of *Transfer Orders* between *Members* or between the accounts of the same *Member* of *Contractual Positions* of the *Derivatives Sections* already registered in the *System* is possible, with the consent of the receiver, on the days, at the prices, and according to the terms and methods indicated in the *Instructions*.
2. For the *Energy Derivatives Section* and pursuant to specifications of the energy futures contract, for the purposes of the exercise of the physical delivery option, transfers from the accounts of the *Clearing Member* to the *Qualified Member* are permitted.
3. The transfer of *Contractual Positions* relating to *Cash Sections* is effected according to the provisions of the *Instructions*.
4. The registration of *Transfer Orders* by CC&G pursuant to the preceding paragraphs, shall produce the effects indicated at Article B.3.1.1.

#### **Article B.3.1.6 Adjustment operations**

1. In the event of company operations or operations of a general character that have an impact on the *Contractual Positions* - such as, inter alia capital operations, dividend distributions, public offers of takeover - CC&G shall make the necessary adjustments according to the provisions of the *Instructions*.

### **Article B.3.1.7 Error Management**

1. Upon request and under the responsibility of the *Management Company*, and in any case in accordance with the provisions of Legislative Decree no. 210 of 12th April 2001, CC&G shall execute the *Transfer Orders*, issued in the context of error management with the same effects as those indicated in Article B.3.1.1.

## **PART B.4 Guarantee System**

### **Chapter B.4.1 Margins**

#### **Article B.4.1.1 Initial Margins**

1. CC&G requires *Clearing Members* to deposit initial *Margins*.
2. The Initial *Margins* due to CC&G are calculated on the basis of the following principles:
  - a) by assuming variations in the risk factors identified on the basis of statistical analysis and market conditions, taking account of the correlations between *Financial Instruments* that are considered significant;
  - b) determining, with a “confidence interval”, the amount of potential loss from *Clearing Member’s Contractual Positions* during a pre-set time span. For *Contractual Positions* in delivery and, in the period established in the *Instructions*, for the *Contractual Position* of the *Agricultural Commodity Derivatives Section*,—the *Margins* are calculated pursuant the modalities and timings indicated in the *Services Manual* (“initial *Margins* on positions in delivery”).
3. The methods indicated at paragraph 2 are applied for the *Cash Sections*, the *Equity Derivatives Section* and the *Energy Derivatives Section* on the net *Contractual Positions* registered in each account or subaccount indicated at Article B.3.1.2, paragraph 1, **3** and **4 5**.
4. For the *Agricultural Commodity Derivatives Section* the methods indicated at paragraph 2 are applied as follows:
  - a. to the net *Contractual Positions* registered on each account or subaccount referred to in Article B.3.1.2 up to the CC&G *Open Day* preceding the “Positions monitoring day” specified in the *Instructions*;
  - b. to the gross *Contractual Positions* registered on each account or subaccount referred to in Article B.3.1.2 starting from the “Positions monitoring day”, specified in the *Instructions*, until the closing of each position.

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***Provisions in paragraph 4 will enter into force with a subsequent Notice***

***In the transition period the following apply:***

4. For the *Agricultural Commodity Derivatives Section* the methods indicated at paragraph 2 are applied as follows:

- a) to the net *Contractual Positions* registered on each account or subaccount referred to in Article B.3.1.2 up to the “maturity day”, specified in the *Instructions*;
- b) to the gross *Contractual Positions* registered on each account or subaccount referred to in Article B.3.1.2 starting from the first *CC&G open day* following the “maturity day”, specified in the *Instructions*, until the closing of each position.

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5. In the context of the *X-COM Section* the procedures indicated in paragraph 2, mainly result in the payment of amounts proportional to the haircut specified in the *Service Manual*. The payment shall be made by the Clearing Member who receives the *Non-Derivative Financial Instruments* at the moment of settlement of the spot transaction.

6. In the context of the *X-COM Section*, *CC&G* also requires:

- a. an initial interest rate *Margin* (IRMA), due from the *Clearing Members* beginning from the day of concluding the contract on the *Market*, commensurate to the interest rate of the contract traded on the *Market* and the cost replacement cost;
- b. a mark-to-market *Margin*, due from the *Clearing Member* that has not supplemented the *Non-Derivative Financial Instruments* as due according to the requirements of the *Collateral Management Service* in the process of administering collateral.

7. *CC&G* shall make a joint calculation of the *Margins* for the *Contractual Positions*

- of the *Bond* and *ICSD Bond Sections*,
- of the *Share Section* and the *Equity Derivatives Section*,

in the latter case, attributing, where necessary, the said *Margins* to the reference *Section* on the basis of a proportionality criteria with respect to the separately determined *Margins*.

8. The *Individual Clearing Member* and the *General Clearing Member*, including in relation to the *Contractual Positions* recorded in the “segregated client” or “omnibus client” accounts according to the procedures indicated in Article 3.1.2, paragraph 2, may require as a service, including for information purposes only, that CC&G calculates the *Margins* separately for the *Share Section* and the *Equity Derivatives Section*. In this case, the *Clearing Member* shall also specify whether it intends to make the payment of the requested amount in the context of daily settlement on the basis of the calculation of the *Margins* either jointly or separately for each *Section*.
9. In the context of risk management procedures and according to non-discriminatory methods, CC&G may differentiate the extent of initial *Margins* applied to *Members*, giving notice to Bank of Italy and Consob.
10. In the context of the *System*, the Initial *Margins* are paid:
  - a) to CC&G, in the amount specified in paragraphs 2, 3, 4 and 7, by *General Clearing Members*, in respect of operations effected on their own behalf and on behalf of its own ***Clients Customers*** and *Non-Clearing Members*;
  - b) to CC&G, in the amount specified in paragraphs 2, 3, 4 and 7, by *Individual Clearing Members*, in relation to operations effected on their own behalf and on behalf of its ***Clients purchasers***;
  - c) to CC&G in the amount specified in paragraphs 2, 3, 4 and 7, by *Special Clearing Members* in relation to operations by *Market operators* that are members of the guarantee system managed by the operators themselves.
11. *Clearing Members* that have collected an amount from their *Clients* that is greater than what results under paragraphs 2, 3, 4 and 7 shall deposit these amounts with CC&G as excess initial *Margins* **unless otherwise specified by the *Indirect Clearing* arrangements entered into in regard to the *Contractual Positions* and collateral**

registered in the accounts envisaged in Article B.3.1.2, paragraph 3, letter b).

12. The provisions of Article B.5.1.1 paragraph 5 shall apply to the deposit at CC&G of the *Margins* indicated at 1.
13. CC&G requires *Special Clearing Members* to establish also an additional initial *Margin*, determined on the basis of initial *Margins* calculated over a reference period.
14. The provisions stated in the aforementioned paragraphs do not apply to *Qualified Members* whereby they provide that the acceptance to the exercise request for physical delivery option for the energy futures contracts is subject to the deposit in advance in their favour, made by the exercising *Members*, of the financial guarantees sufficient to cover the total counter value of the exercised position, or to the validation of the capacity of the same members to honour the corresponding delivery of energy, depending if they are in as buyers or sellers.
15. The provision of the aforementioned paragraph 12 is subject to the following conditions:
  - a) that the aforementioned guarantees cannot be distracted from their purpose, nor be subject to any ordinary or restraining action from the creditors of the exercising *Members* or of the *Qualified Member*, also in the event of opening of an insolvency procedure;
  - b) that no action can prejudice the finality of the contracts traded on markets managed by the *Qualified Member*, their compensation and the related payments.
16. The Participant to the System shall make the payments referred to in the preceding paragraphs pursuant to Articles 41 and 42 of the *EMIR Regulation* and pursuant of the Article **79-septies** ~~70~~ of the *CLF* except for the payments made in the *Agricultural Commodity Derivatives Section*, from the time of the matching of the counterparties to the end of trading phase of the contract, where the guarantees are established only pursuant and for the effect of the Legislative Decree 21 May 2004 no. 170, where expressly mentioned, and for which the CC&G ensures and maintains internal evidence to enable the identification of the date of the setting up and the financial assets designated as guarantee.



### **Article B.4.1.2 Daily variation Margins**

1. The daily variation *Margins* are determined by CC&G on a daily basis and calculated for each *Contractual Position* in futures registered on each of the accounts or sub-accounts indicated in article B.3.1.2 until the last day of trading of the contract.
2. The amount of the daily variation *Margins* is equal to:
  - a) for *Contractual Positions* arising from operations on the current trading day, the difference between the daily settlement price of the current day and the trading price;
  - b) for *Contractual Positions* arising from operations on previous trading days, the difference between the daily settlement price of the current day and the daily settlement price on the previous *Market* business day.
3. The daily variation *Margins* are paid between CC&G and *Clearing Members*, including the *Qualified Members*.
4. *Margins* in the form of premiums, applied to *Contractual Positions* in options, are paid between CC&G and *Clearing Members* on the CC&G *open day* following the trading day.
5. For the payment of *Margins* pursuant to the present article, Article B.5.1.1, paragraph 5 shall apply.

### **Article B.4.1.3 Additional Intraday Margins**

1. Additional intraday *Margins* may be requested if the fluctuations in prices of *Financial Instruments* or the variation of risk factors significantly increases CC&G's exposure to risk, or in any other case in which the *Clearing Member* has assumed an overall risk position considered by CC&G to be high.
2. The supplement due to CC&G as additional intraday *Margins* is equal to the difference, if positive, between:
  - a) the total amount of initial *Margins*, including mark-to-market-*Margins* for X-COM Section, daily variation *Margins*, *Margins* in the form of premiums and of final settlement of differentials, calculated on the

- Contractual Positions* outstanding at the time of their calculation and valued at current market values or, subordinately, taking account of the theoretical values, and
- b) assets to the same effect already deposited at the time of calculation.
3. Alternatively, CC&G may, in cases of urgent necessity, establish the amount indicated at paragraph 2, letter a) as a percentage of the amount of the initial *Margins*, indicated at Article B.4.1.1, paragraphs 2 and 3, in relation to the *Contractual Positions* outstanding at the end of the previous *Market* business day.
  4. CC&G may require payment in cash of the mark-to-market *Margins* mentioned in Article B.4.1.1, paragraph 6, letter b), even apart from the calculation referred to in paragraph 2, in case the *Clearing Member* to the X-COM *Section* has taken a risk position in that *Section* that is considered high by CC&G.
  5. The term, which shall not be less than thirty minutes, within which the payment must be made **in cash or in *Financial Instruments* pursuant to the subsequent Article B.4.3.1**, shall be notified simultaneously with the request for supplement.
  6. In exceptional cases, for the *Share Section* and for the *Derivatives Sections*, CC&G may request the *Management Company* to suspend trading for the period necessary to request the additional intraday *Margins*.
  7. CC&G may require *Clearing Members* to deposit additional intraday *Margins* on a daily basis, identified on the basis of general application criteria.

#### **Article B.4.1.4 Daily Settlement Prices**

1. The daily settlement prices used by CC&G to calculate the *Margins* are calculated by CC&G according to the provisions of the *Instructions*.

## **Chapter B.4.2. Default Funds**

### **Article B.4.2.1 Establishment and contribution**

1. CC&G shall establish the following separate *Default Funds*, one relating to the *Share* and *Equity Derivatives Sections*, one relating to the *Energy Derivatives Section*, one relating to the *Agricultural Commodity Derivatives Section* and one relating to the *Bond, ICSD Bond* and *X-COM Sections*. The said *Default Funds* to be used to partially cover charges deriving from necessary default procedure operations regarding *Clearing Members* and the *Contractual Positions* of the relevant *Sections*.
2. The total amount of each *Default Fund* is determined periodically by CC&G and notified by the methods set out in Article A.1.1.4, paragraph 2.
3. The *Default Fund* for the *Share Section* and the *Equity Derivatives Sections* is made up exclusively of the payments of *Clearing Members* to the said *Sections*. The *Default Fund* for the *Bond, ICSD Bond* and *X-COM Sections* is made up exclusively of the payments of *Clearing Members* to these *Sections*. The *Default Fund* for the *Energy Derivatives Section* is established exclusively from payment of *Clearing Members* to that *Section*. The *Default Fund* for the *Agricultural Commodity Derivatives Section* is established exclusively from the payments of *Clearing Members* to that *Section* and from the time of the matching of the counterparties to the end of trading phase of the contract, the *Default Fund* is established only pursuant and for the effect of the Legislative Decree 21 May 2004 no. 170 and for which the CC&G ensures and maintains internal evidence to enable the identification of the date of the setting up and the financial assets designated as guarantee.
4. The payments indicated at paragraph 3 are established in the manner indicated by CC&G on the basis of *Initial Margins* paid, for the respective *Sections*, by *Clearing Members* in a reference period. For the X-COM Section the payments referred to in paragraph 3, to be done by both the delivering and receiving *Clearing Member* of the spot transaction, are calculated on the basis of the haircuts defined by CC&G as referred to in Article B.4.1.1, paragraph 5, as well as on the initial interest rate *Margins* referred to in Article B.4.1.1, paragraph 6

letter. a).The *Initial Margins* considered also include those relating to *Contractual Positions* registered in the “client” accounts. CC&G establishes a minimum contribution to the *Default Fund*.

5. Methods for calculation, adjustment, and depositing of the payments indicated at paragraph 4 are indicated in the *Instructions*.
6. The adjustment of cash payments takes place under the terms indicated at Article B.5.1.1, paragraph 5.
7. *Special Clearing Members, Qualified Members, Central Banks of the European Union and the Ministry of Economy and Finance* do not participate to *Default Fund*.

#### **Article B.4.2.2 Use**

1. Each *Default Fund* is used by the methods and in the order indicated in Article B.6.2.3.
2. The *Default Fund* can be used for more than one time during the course of the default procedure.

#### **Article B.4.2.3 Establishment of a new Default Fund**

1. Where, following an event of default pursuant to Article B.6.1.1, the resources of the *Default Fund* fall below the *Minimum Value of the Default Fund*, CC&G shall request the *Clearing Members* other than the defaulting *Clearing Member* to establish a new *Default Fund*, the amount of which shall be at least equal to the *Minimum Value of Default Fund*. The establishment of the new *Default Fund* shall be completed by the non-defaulting *Clearing Members* by the deadline indicated in the *Instructions*.
2. Following the establishment of the *Minimum Value of Default Fund* indicated in paragraph 1, and in any case no later than 30 CC&G *open days* thereafter, CC&G shall proceed to recalculate the amount of the new *Default Fund*. Following this recalculation, CC&G shall request *Clearing Members* other than the defaulting *Clearing Member* to pay the remaining amount regarding the new *Default Fund*. The payment of the remaining amount of the new *Default Fund* shall be made by the

non-defaulting Clearing *Members* within the deadline indicated in the *Instructions*.

3. Payments for establishment pursuant to paragraph 1 and 2 can not be used to meet charges arising from the default procedures preceding such establishment.

#### **Article B.4.2.4 Withdrawal and exclusion following the request of establishment of a new Default Fund**

1. Following the request by CC&G for the establishment of a new *Default Fund*, pursuant to the previous Article, *the Clearing Member* may notify its withdrawal from the *Sections* for which the *Default Fund* has been used, within the term of 2 *CC&G open days* following the request for establishment indicated, in derogation of the terms of prior notice indicated at Article B.2.2.6, paragraph 1. In such case the establishment of the new *Default Fund* is not due.
2. For the *Clearing Member* who withdraws pursuant to the previous paragraph, the provisions under Article B.2.2.3 shall apply. The withdrawal shall be effective from the date of the closing or of the transfer of the existing *Contractual Positions*, which shall in any event take place no later than 20 *CC&G open days* from the date on which the withdrawal has been notified. In the case the withdrawing *Clearing Member* does not proceed to the closure or the transfer within that timeframe, CC&G will proceed with the exclusion of the *Clearing Member* from the *Section* concerned pursuant to Article B.2.2.4 and with the closure of its *Contractual Positions* on the market.
3. The *Clearing Member* who has withdrawn, during the period before the withdrawal has effect, may not establish new *Contractual Positions*, and shall be subject to an increase in *Margins* equal to 50% of the *Margins* paid. During said period, the contributions to the *Default Fund* of the withdrawing *Clearing Member* may be used, besides for covering the default procedure preceding the establishment of the new *Default Fund*, also in case of default of the withdrawing *Clearing Member* during the said period.
4. In cases of withdrawal from a *Section*, the payment to the relevant *Default Fund* is returned after all the withdrawing Member's obligations arising from the *Section* have been fulfilled pursuant to Article B.2.2.3,

paragraph 2, and provided the said amount is not usable pursuant to paragraph 3.

5. In cases of a withdrawal other than those indicated by Article B.4.2.3, or in the case of exclusion from *Sections* pursuant to Article B.4.2.1, paragraph 1 the payment – where not usable for default procedures, including those started in the notice period – is returned to the *Member* on the *CC&G* open day following that in which the withdrawal or exclusion has effect, unless in wider terms it is not necessary for the *CC&G* interventions indicated in Article B.6.2.1 and subsequent interventions.

#### **Article B.4.2.5 Request for payment of additional resources**

1. *CC&G* shall request *Clearing Members* other than the defaulting *Clearing Member* to make a further contribution to the *Default Fund* for the *Section* in question, where as a result of the *Losses Suffered by CC&G* following an event of default that has occurred under Article B.6.1.1, the resources in the *Default Fund* fall by or below 30% or more of its amount. This request for payment constitutes a recovery measure of *CC&G*, as provided for by the CPMI-IOSCO Report on the recovery of financial market infrastructures, published in October 2014.
2. The payment indicated in paragraph 1 shall be requested to the *Clearing Members* other than the defaulting *Clearing Member* within the limit equal to the respective contributions to the *Default Fund* of the *Section* concerned established under Article B.4.2.1 e shall be made within 1 *CC&G open day* following the date of the request for payment on the part of *CC&G*, notified to the *Clearing Members* of the *System* in question in the form of a special *Notice*. The payment of the contribution under paragraph 1 may be requested also through different tranches during the default management procedure.
3. The contributions of each *Clearing Member* to the *Default Fund* established under Article B.4.2.1 and the additional resources paid under this Article B.4.2.5 may be used to meet the losses arising from one or more events of default which may occur during the *Defaulting Period*.

## **Article B.4.2.6 Withdrawal and exclusion**

In cases of a withdrawal other than those indicated by Article B.4.2.4, or in the case of exclusion from *Sections* pursuant to Article B.2.2.4, the payment – where not usable for default procedures, including those started in the notice period – is returned to the *Member* on the *CC&G open day* following that in which the withdrawal or exclusion has effect, unless in wider terms it is not necessary for the *CC&G* interventions indicated in Article B.6.2.1 and subsequent interventions.

## **Chapter B.4.3 Rules governing Margins**

### **Article B.4.3.1 Eligible assets**

1. Initial *Margins* may be deposited according to the provisions of the *Instructions*:
  - a) in euros;
  - b) through financial instruments accepted by the European System of Central Banks;
  - c) in shares, pursuant to paragraph ~~6~~ 5.
2. The daily variation *Margins* **and** those in the form of premium, ~~and~~ additional intraday *Margins* are deposited exclusively in euros.
3. **The additional intraday *Margins* shall be deposited in euros or, if requested after the time and the terms specified in the *Instructions*, also in the financial instruments referred to in paragraph 1(b), if the *Participant* so requested in advance CC&G.**
4. ~~3.~~ CC&G shall calculate
  - a) the haircut to apply to the market value or, for certain money market instruments, the nominal value of *Financial Instruments* indicated at paragraph 1, sub-paragraph b) and c), to an extent judged suitable to cover the potential risk from price variations in the said instruments;
  - b) the limits of concentration that are applied to eligible assets deposited as initial *Margin* by each *Member*, in order to ensure adequate diversification of the collateral.
5. ~~4.~~ The deposit and restitution of *Margins* between CC&G and *Clearing Members* shall be effected through:
  - a) *PM Accounts* held in *Target2 System* for cash in euros;
  - b) *accounts* held at the *Central Depository Service* for *Financial Instruments* indicated at paragraph 1, sub-paragraphs b) and c).
6. ~~5.~~ CC&G may allow, to cover particular *Contractual Positions* indicated by CC&G in the *Instructions*, the deposit as *Margins* of *Non-Derivative*



*Financial Instruments*, object of the contracts from which the said *Contractual Positions* originate, or the underlying assets of *Derivative Financial Instruments*.

### **Article B.4.3.2 Structure of accounts for registration of deposited assets**

1. CC&G shall enter the *Margins* in cash as indicated at Article B.4.3.1, paragraphs 1, sub-paragraph 1.a) and 2, deposited by each *Clearing Member*, in the “house”, “omnibus client” and “segregated client” **“net omnibus segregated client” and “gross omnibus segregated client”** accounts, as a guarantee of the *Contractual Positions* registered in the respective accounts as indicated in Article B.3.1.2, paragraph 1. The payment in euros to the *Default Funds* shall be entered into the said “house” account.
2. CC&G shall enter the *Margins* in financial instruments as indicated in Article B.4.3.1, paragraph 1, sub-paragraphs 1.b) and 1.c) **and paragraph 3**, deposited by each *Clearing Member*, in the “house”, “omnibus client” and “segregated client” **“net omnibus segregated client” and “gross omnibus segregated client”** accounts as a guarantee of the *Contractual Positions* in the respective accounts as indicated in Article B.3.1.2, paragraph 1.
3. CC&G shall enter the *Margins* in financial instruments as indicated in Article B.4.3.1, paragraph **6 5**, deposited by each *Clearing Member*, in the “house”, “omnibus client” and “segregated client” , **“net omnibus segregated client”, “gross omnibus segregated client” accounts**, accounts and, where relevant, in the General Clearing Member/house- ***Trading Client Non-Clearing Member*** and “General Clearing Member/client- ***Trading Client Non-Clearing Member***” accounts, **as a guarantee of the Contractual Positions registered in the respective accounts**, as indicated in Article B.3.1.2, paragraphs 1 e-2 and 3.
4. CC&G shall record the excess initial *Margins* as indicated in Article B.4.1.1, paragraph 11, in the “segregated client” accounts.

### **Article B.4.3.3 Calculation of Margins**

1. *The Margins* and the daily settlement prices calculated by CC&G and reported to *Clearing Members* shall be valid exclusively for relations between CC&G and the said *Members*.
2. The *Margins*, where requested from ***Clients*** ~~*Customers*~~ by *Members* of the *System*, shall be directly calculated by the *Members* themselves, without any intervention or responsibility on the part of CC&G.

## **PART B.5 Settlement**

### ***Chapter B.5.1 Daily Settlement***

#### **Article B.5.1.1 Daily Settlement**

1. CC&G shall calculate and communicate, at least on a daily basis, and according to the general criteria that it shall establish, the amounts in cash relating to the *Margins*, the final settlement of differentials, and other items that each *Clearing Member* must pay or receive.
2. CC&G shall advise *Members*, including *Settlement Agents*, of cash amounts subject to daily settlement indicated in paragraph 1.
3. The amounts of *Margins* paid in cash to CC&G by *Clearing Members*, or returned by CC&G to these same *Members*, shall be paid separately with the reference to accounts indicated at Article B.4.3.2, paragraph 1.
4. CC&G shall attribute the deposited assets in the following order: *Margins*, final settlement of differentials, commissions, membership or other fees, and other obligations to CC&G.
5. The payment of amounts in cash due to CC&G by *Clearing Members* must be made prior to and no later than 9.30 on the CC&G open day on which the payment is due, in accordance with the methods contained in the *Instructions*.

## **Chapter B.5.2 Final Settlement**

### **Article B.5.2.1 Final settlement of Contractual Positions of Cash Sections**

1. The final settlement of *Contractual Positions* shall be made in the context of the *Settlement Services* in the currency and in accordance with the schedule set out in the *Contractual Scheme*. In compliance with these terms CC&G provides to forward the *Contractual Positions* to the *Settlement Services* also on behalf of the *Members*. Deadlines for submission to those systems are established in the *Instructions*.
2. For *Contractual Positions* that are not settled in accordance with paragraph 1 above, the provisions contained in Section B.5.3. shall apply.

### **Article B.5.2.2 Final settlement of Contractual Positions of Derivatives Sections**

1. The final settlement of *Contractual Positions* on *Derivative Financial Instruments* may take place through differential settlement in cash or by delivering the underlying asset, according to the provisions of the relative *Contractual Scheme* and by the methods indicated in the following articles.

### **Article B.5.2.3 Final settlement of Contractual Positions of Equity Derivatives and Energy Derivatives Sections with delivery of underlying assets**

1. The final settlement of *Contractual Positions* of the *Equity Derivatives Section* with delivery of underlying assets shall be carried out in the context of the *Settlement Service*.
2. All of the obligations and rights arising from the final settlement provided for in paragraph 1 above shall constitute *Contractual Positions* on *Non-Derivative Financial Instruments*.

3. The *Contractual Positions* shall be sent to the *Settlement Services* at the end of the trading day preceding the relevant settlement date.
4. For *Contractual Positions* that are not settled in accordance with the provisions of paragraph 1, the provisions of SECTION B.5.3. shall apply.
5. CC&G shall determine the balances in cash and *Financial Instruments* to be paid and received within the context of the *Settlement Services* in exchange with CC&G, and advise the *Clearing Members* and/or *Settlement Agent* thereof, according to the methods indicated in the *Instructions*.
6. The cash amounts indicated at paragraph 5, shall not be subject to clearing with the cash amounts indicated at Article B.5.1.1.
7. The settlement of the purchases or sales of energy in the underlying market stemming from the exercise of the physical delivery option, occurring out of the *System* according to the rules established by the *Qualified Member*, is not entitled to the guarantee of the *System*.

#### **Article B.5.2.4 Final settlement of differentials of Contractual Positions of the Derivatives Sections**

1. The final settlement of differentials shall be made by payment of an amount equal to:
  - a) for *Contractual Positions* in futures of the *Equity Derivatives Section*:
    - arising from operations on the last trading day, the difference between the *Settlement Price* and the trading price;
    - arising from operations on previous trading days, the difference between the *Settlement Price* and the daily settlement price of the penultimate day of trading;
  - b) for *Contractual Positions* in futures of the *Energy Derivatives Section*, the difference between the *Settlement Price* and the daily settlement price of the last day of trading;
  - c) for *Contractual Positions* in options, the difference between the *Settlement Price* and the exercise price.

2. The amount indicated at paragraph 1 is paid between CC&G and *Clearing Members, Qualified Members* included.
3. The amount indicated in paragraph 1, due to CC&G by *Clearing Members* shall be paid according to the provisions of Article B.5.1.1, paragraph 5.

#### **Article B.5.2.5 Exercise of Contractual Positions in options relating to the Equity Derivatives Section and consequent final settlement**

1. In the event of the exercise of an option by a *Member* of the *System*, CC&G shall in turn exercise the same right against another *Member* or *Members* who at the end of the trading day have the corresponding opposing *Contractual Positions*, identifying them according to a random criteria.
2. The exercise of the option shall be irrevocable in all cases.
3. The right of early exercise shall be suspended in cases established in general terms by the competent *Management Company*.
4. The *Contractual Positions* relating to exercised options shall be subject to final settlement pursuant to Articles B.5.2.3 or Article B.5.2.4 according to the provisions of the *Contractual Scheme*.
5. The methods of communicating the exercise of options shall be set out in the *Instructions*.

#### **Article B.5.2.6 Exercise of the physical delivery option for Contractual Positions in futures relating to the Energy Derivatives Section and consequent final settlement**

1. The exercise of the physical delivery option provided for by the *Contractual Scheme* of energy futures contracts is carried out by transferring the *Contractual Position*, pursuant to Article B.3.1.5, from the exercising *Member* to the *Qualified Member*, in accordance with the provisions of Article B.3.1.2. Methods and terms for the exercise of the option are indicated in the *Instructions*.

2. The transfer related to the exercised physical delivery option is effective as of when the transfer is accepted by the *Qualified Member*. The said acceptance is subject to the successful validation based on the criteria set forth in the market rules arranged and managed by the *Qualified Member*.
3. *Contractual Positions* related to exercised physical delivery option shall be subject to the “final settlement of differentials” between CC&G and the *Qualified Member*, pursuant to Article B.5.2.4.
4. The exercise of the option shall be irrevocable in all cases.

#### **Article B.5.2.7 Final settlement of the *Contractual Positions* of the *Agricultural Commodity Derivatives Section***

1. The final settlement of the *Contractual Positions* of the *Agricultural Commodity Derivatives Section* shall take place through delivery of the underlying, according to the provisions of the relevant *Contractual Scheme*. The underlying shall be delivered according to the rules of the *System*, although *Members* may, in the manner and within the time limits specified in these *Regulations*, adopt alternative delivery methods, thereby freeing CC&G from its obligations towards *Members*.

#### **Article B.5.2.8 Final settlement of the *Contractual Positions* of the *Agricultural Commodity Derivatives Section* – *Covering sales positions***

1. *Clearing Members* holding sales *Contractual Positions* in *Derivative Financial instruments*, on its own behalf or on behalf of their clients, as of the start of the “*Positions monitoring day*” are required to give CC&G confirmation of the covering of the sales positions by the end of the “day for the attestation of the covering of sales positions”, according to the procedures specified in the *Instructions*. **Trading Client** ~~*Non-Clearing Member*~~ and *Customers* holding sales *Contractual Positions* in *Derivative Financial instruments* are required to give confirmation to the *Member* they use of the covering of the sales positions.

2. By way of derogation from paragraph 1, and in relation to the opening of new sales *Contractual Positions*, *Members* may give CC&G confirmation of the covering of the sales positions in the “period for the late attestation of the covering of sales positions”. The sales positions not covered by underlyings in this period shall be subject to the increase in the “Initial *Margins* for positions in delivery”, as specified in the *Instructions*.
3. In the event of omission of the attestation of the covering by underlyings of all or some sales positions, as specified in paragraphs 1 and 2, CC&G shall declare the *Member* in default and apply the procedure specified in paragraph 2 of Article B.6.2.1.
4. The “*Positions* monitoring day”, the “day for the attestation of the covering of sales positions” and the “period for the late attestation of the covering of sales positions” shall be specified in the *Instructions*.

#### **Article B.5.2.9 Final settlement of the *Contractual Positions* of the *Agricultural Commodity Derivatives Section* – Rules for matching and alternative delivery**

1. Pursuant to paragraph 1 of Article B.5.2.7, in the “first phase of alternative delivery”, specified in the *Instructions*, *Clearing Members* shall notify CC&G:
  - a. of the *Contractual Positions in Delivery* of the opposite sign for which they and/or their *Customers* or the **Trading Clients Non-Clearing Members** that use them and/or the latter’s *Clients Customers* have agreed on delivery outside the *System*;
  - b. of the *Contractual Positions in Delivery* for which they and/or their *Customers* or the **Trading Clients Non-Clearing Members** that use them and/or the latter’s *Customers* have agreed on delivery outside the *System* with subjects having positions of the opposite sign referable to another *Clearing Member*.
2. On the next CC&G *Open Day*, CC&G shall repay the *Margins* relating to the *Contractual Positions in Delivery* to be delivered by an alternative method.
3. *Contractual Positions in Delivery* for which notice has not been given of the intention to adopt alternative delivery shall subsequently be



matched by CC&G using a method designed to minimize deliveries between different *Members*.

4. *Members*, on the basis of the matches referred to in paragraph 3 and as part of the “second phase of alternative delivery”, specified in the *Instructions*, may again agree on the manner of delivering the underlying outside the *System*. In such case the *Direct Members* shall inform CC&G accordingly. For the repayment of the *Margins*, paragraph 2 shall apply.
5. The timetable for the procedure referred to in the preceding paragraphs and the manner of communicating with CC&G shall be specified in the *Instructions*.

#### **Article B.5.2.10 Final settlement of the *Contractual Positions of the Agricultural Commodity Derivatives Section – Delivery procedure***

1. *Clearing Members* and ***Trading Clients*** ~~*Non-Clearing Members*~~ with *Contractual Positions in Delivery* shall notify their ~~*Clients*~~ ***Customers*** of the identity of the counterparties for the execution of the contract.
2. The withdrawal of the goods must take place at the delivery points specified in the *Instructions* by the end of the “last delivery day”, except as established differently by CC&G in the cases specified in the *Instructions*.
3. The withdrawing party may have recourse to the procedures for verifying the goods within the time limits and in the manner specified in the *Instructions* or accept the goods while renouncing the right to raise objections about their quality.
4. By the end of the business day following acceptance or positive ascertainment of the quality of the goods, the buyer shall make payment.
5. *Clearing Members* shall verify that their matched ***Clients*** ~~*Non-Clearing Members*~~, ~~*Customers*~~ and the ***Indirect Clients*** ~~*Customers*~~ of their ~~*Non-Clearing Member*~~ execute the contract and notify CC&G.
6. After receiving notification of the execution of the contract, on the next CC&G *Open Day*, CC&G shall repay the *Margins* related to the settled *Contractual Positions*.

7. In the event of failure to settle *Contractual Positions in Delivery*, CC&G shall declare the *Member* in default and apply the procedure specified in paragraph 2 of Article B.6.2.1.
8. The timetable for the procedure for executing contracts referred to in the preceding paragraphs and the manner of communicating with CC&G shall be specified in the *Instructions*.

#### **Article B.5.2.11 Final settlement of the *Contractual Positions* of the *X-COM Section***

1. Settlement of *Contractual Positions* of the *X-COM Section* is carried out according to the operating rules of the *Collateral Management Service* by means of delivery of *Non-Derivative Financial Instruments* that satisfy the eligibility criteria laid down in the *Instructions*. The *Non-Derivative Financial Instruments* are valued by applying the haircut defined by CC&G and communicated to Members. CC&G transmits the *Contractual Positions* to the *Collateral Management Service*, including on behalf of the *Clearing Members*. The *Instructions* indicate the applicable time periods for transmission to the *Collateral Management Service*.
2. CC&G permits the partial settlement of *Contractual Positions* within the limits of the available *Non-Derivative Financial Instruments* and the conditions indicated in the *Instructions*.
3. For *Contractual Positions* that are not settled under the terms indicated in paragraph 1, the provisions of Chapter B.5.3 shall apply.

## **Chapter B.5.3 Failed Contractual Positions, Buy in and Sell out Procedures**

### **Article B.5.3.1 Management of Failed Contractual Positions Buy-in Procedure**

1. Failed Contractual Positions shall be settled in accordance with the Instructions. Taking account of the provisions of the *Contractual Scheme*, in case of *Failed Contractual Positions*, CC&G can cancel the original contract and provide for cash settlement of a sum that it quantifies, or the inclusion in the Settlement System of a new settlement instruction under the terms and procedures indicated in the *Instructions*.
2. *Failed Contractual Positions* shall be registered in the accounts referred to in Article 3.1.2, separately from the *Contractual Positions*.
3. The clearing in each account referred to in Article B.3.1.2 shall not occur between *Contractual Positions* and *Failed Contractual Positions*. Clearing between *Failed Contractual Positions* shall take place within the limits set out in the *Instructions*.
4. *Initial Margins* and, if requested, *Additional Intraday Margins* shall apply to *Failed Contractual Positions* separately from those that apply to *Contractual Positions*.
5. The provisions of this article shall not apply to *Failed Contractual Positions* resulting from failure to settle contracts on *Derivative Financial Instruments* based on agricultural commodities.

### **Article B.5.3.2 Buy-in Procedure**

1. CC&G shall initiate the *Buy-In Procedure* with respect to *Failed Contractual Positions* that are not settled due to a failure to deliver *Non-Derivative Financial Instruments* in accordance with the methods contained in the *Instructions*.
2. When, subsequent to the initiation of the *Buy-In Procedure*, *Failed Contractual Positions* are not settled in accordance with the timeframe contained in the *Instructions*, CC&G shall execute the *Buy-In Procedure* against the *Clearing Member* in fail and fulfil the final settlement

obligations of the *Failed Contractual Positions* with respect to the *Clearing Member* that is non in fail (“in bonis”) in accordance with the methods contained in the *Instructions*.

3. In the event that *Non-Derivative Financial Instruments* are not available, CC&G shall terminate the *Buy-In Procedure* in accordance with the *Instructions* by way of a cash settlement of the failed transaction, in accordance with the methods contained in the *Instructions*.
4. The costs incurred by CC&G in managing the *Buy-In Procedure*, any losses arising from its execution and the costs incurred or the penalties applied by the *Settlement Services* or by the *Collateral Management Service* as a consequence of *Contractual Positions* not being settled within the time limits prescribed by the *Contractual Scheme* shall be borne by the *Clearing Member* in fail.
5. Any gain arising from the *Buy-In Procedure* shall be kept by CC&G and recognized to the *Member* in bonis.

#### **Article B.5.3.3 Sell Out Procedure**

1. CC&G shall execute the *Sell-Out Procedure* with respect to *Failed Contractual Positions* that are not settled due to a failure to deliver cash, in accordance with the methods contained in the *Instructions*.
2. The costs incurred by CC&G in managing the *Sell-Out Procedure*, and the costs incurred or the penalties applied by the *Settlement Services* or by the *Collateral Management Service* as a consequence of *Contractual Positions* not being settled within the time limits prescribed by the *Contractual Scheme* any losses arising from its execution shall be borne by the *Clearing Member* in fail.
3. Any gain arising from the *Sell-Out Procedure* shall be kept by CC&G as a commission.
4. The provisions of this article shall not apply to *Failed Contractual Positions* resulting from failure to settle contracts on *Derivative Financial Instruments* based on agricultural commodities.

## PART B.6 Default

### ***Chapter B.6.1 Conditions of default***

#### **Article B.6.1.1 Default of Members**

1. The *Clearing Member* shall be considered in default:
  - a) in the event and at the time of non-fulfilment or partial fulfilment, under the terms provided by these *Regulations*, of the obligations
    - i. to pay *Margins* to *CC&G*,
    - ii. to deposit payments to the *Default Funds*
    - iii. to final cash settlement of Contractual Positions in the Derivatives Sections,
    - iv. to settle the amounts due for the adjustment of *Contractual Positions in Fail*,
    - v. to attest the complete or partial covering of sales positions or the settlement of *Contractual Positions* in the *Agricultural Commodity Derivatives Section*, or to settle the amounts due for the adjustment of *Contractual Positions in Fail*,
    - vi. to cover losses, of deposit of amounts due, and costs arising from the execution of the *Buy-In* or *Sell-Out Procedures*;
  - b) in the event of, and at the time at which an insolvency proceeding is open, as defined in article 1, paragraph p) of Legislative Decree of 12th April 2001 no. 210, pursuant to article 3 of the said Decree;
  - c) in the event of overshooting of the position limits specified by the *Contractual Scheme* according to the indications of the *Management Company*, *CC&G* shall apply paragraph 1, letter d) of Article B.6.2.1.
2. Does not constitute a cause of default of the *Clearing Member* the adoption, against him, pursuant to the Legislative Decree no. 180 of 2015, the *Consolidated Law on Banking* and the *Consolidated Law on Finance*, of a crisis prevention or management measure or of a measure

for compulsory administrative liquidation with the continuation of the business activity set out at the assignment act of the liquidators, or equivalent measures provided by jurisdictions, provided the *Clearing Member* fulfils its obligations arising from its participation in the *System*.

3. The *Special Clearing Member* shall be considered in default:
  - a) in the event of and at the time of non-fulfilment or partial fulfilment, under the terms provided by these *Regulations*, of the obligations to:
    - i. pay *Margins* to CC&G;
    - ii. pay amounts due following the cash settlement resulting from the fact that a *Special Clearing Member* cease to operate the central counterparty service for its clearing members;
  - b) in the event of and at the time at which insolvency is declared by the competent authority or insolvency proceedings are initiated pursuant to the legislation applicable to this.
4. The ***Trading Client Non-Clearing Member*** shall be considered in default, other than in the cases indicated in paragraph 1, sub-paragraph b), also in the event that a *Clearing Member* whose services it uses, notifies CC&G under its individual responsibility of non-fulfilment or partial fulfilment, within the term provided, by the ***Trading Client Non-Clearing Member*** of the obligation to settle toward him deriving from the operation with CC&G.
5. Occurrence of the default event indicated in paragraphs 1, 3 and 4 shall trigger the default procedure indicated at Chapter B.6.2, subject to the provisions of Article B.6.1.2.
6. In the event of default as indicated in the above paragraph 1, letter a) subject to the provisions of Article B.6.1.2, and to paragraph 3, CC&G shall inform Bank of Italy, Consob, the *Management Company* and the *Clients*.
7. Failure by the *Settlement Agent* to fulfil the payment obligations as indicated under the above paragraph 1, letter a) by the *Payment Agent* shall render the *Clearing Member*, as its principal, in default for all effects with exception of the circumstances indicated in Article B.6.1.2.

### Article B.6.1.2 Justified Default

1. CC&G may allow a deferral of the payments due from the *Clearing Member*, as indicated under Article B.6.1.1, paragraph 1, ~~until 12.00 p.m. on the day in~~ **establishing the term within** which the payment is due if there are well-grounded reasons to believe that the temporary default is due exclusively to technical and/or operational reasons.
2. If the *Clearing Member* demonstrates that the failure is due to a case of force majeure, CC&G shall grant an extension **establishing the term within which the payment is due.** ~~time until 9:30 a.m. on the subsequent CC&G open day.~~

### Article B.6.1.3 CC&G default

1. CC&G shall be considered in default:
  - a) except where the failure is a result of a *CC&G Force Majeure Event*, in the event of non-fulfilment or partial fulfilment of the obligation to make a payment or delivery due by CC&G to a *Clearing Member* (other than to a defaulting *Clearing Member* under Article B.6.1.1) under any *Contractual Position* where such failure has not been cured within 30 (thirty) days from the date the obligation to pay or to deliver fell due; or
  - b) in the event of and at the time at which CC&G becomes subject to the insolvency procedure pursuant to article 83, paragraph 2 of CLF (*liquidazione coatta amministrativa*).

## **Chapter B.6.2 Default procedure**

### **Article B.6.2.1 Default of a Clearing Member**

1. In the event of a default indicated in Article B.6.1.1, paragraph 1 by a *Clearing Member*, subject to the provisions of Article B.6.1.2, CC&G:
  - a) shall transfer to the *Designated Clearing Member* the *Contractual Positions* and collateral recorded in the “segregated client” accounts envisaged in Article B.3.1.2, paragraph 1, sub-paragraph c) and the *Contractual Positions* and collateral recorded in the “gross omnibus segregated client” account referred to in Article B.3.1.2 paragraph 3 point b), if accounts for which the documentation provided for in Article B.2.4.1, paragraph 2 and in Article B.2.4.2, paragraph 2 has been transmitted to CC&G before the default event;
  - b) shall transfer to the *Designated Clearing Member* the *Contractual Positions* and collateral recorded in the “client omnibus” accounts account and the “net omnibus segregated client” account pursuant to Article B.3.1.2, paragraph 3, sub-paragraph b) for which if the documentation has been transmitted as indicated in Article B.2.5.1, paragraph 1 has been sent to CC&G before the default event;
  - c) if no *Designated Clearing Member* had been identified at the time an event of default occurred, shall ask the *Members Pro-tem* to transmit the documentation indicated in Article B.2.4.1, paragraph 2, for the “segregated client” accounts and in Article B.2.4.2, paragraph 2 for gross omnibus segregated client” accounts within the deadline indicated in Article B.2.4.1, paragraph 4.

Following receipt of the documentation, CC&G shall transfer the *Contractual Positions* and collateral of the *Clients* to the *Members Pro-tem*.



In such event, in the period between the moment in which non-fulfilment has been identified until the moment of transferring the *Contractual Positions* and collateral, the *Members Pro-tem* shall be requested to pay *Margins*; CC&G shall specify the payment procedure.

If the documentation pursuant to Article B.2.4.1, paragraph 2, or Article B.2.4.2, paragraph 2, is not transmitted by the indicated deadline or the *Members Pro-tem* do not proceed to pay the requested *Margins*, the procedure described in paragraph e) below shall be implemented.

- d) If no *Designated Member* is identified when an event of default occurs, shall transfer the *Contractual Positions* and the collateral registered in the “omnibus clients” account and in the “net omnibus segregated clients” account to the *Designated Member*, if the documentation indicated in Article B.2.5.1., paragraph 1, is transmitted by the deadline indicated in paragraph 3 of the same Article. If the requested documentation is not sent by that deadline, the procedure described in paragraph e) below shall be implemented;
- e) e) in relation to the *Contractual Positions*:
- i. CC&G shall appoint a *Member* to close the *Contractual Positions* on the market, including any resulting from clearing between accounts and any sub-accounts indicated in Article B.3.1.2, in *Derivative Financial Instruments*;
  - ii. CC&G shall request the exclusion from the *Pre-settlement Service* or from the *Settlement Services* or from the *Collateral Management Service* of the operations relating to the *Contractual Positions* that refer to the defaulting party, without prejudice of the rules of functioning of such services on entry and irrevocability of the transmission orders pursuant to Directive 98/26/EC;
  - iii. CC&G shall clear the *Contractual Positions* and *Failed Contractual Positions* relating to the defaulting *Member* excluded from the *Pre-settlement Service*, from the *Settlement Service* or from the *Collateral Management Service*;

- iv. CC&G shall appoint a broker to negotiate the contracts necessary to enable settlement of balances resulting from the clearing activities referred to in the preceding sub-paragraph;
  - v. also in derogation of what is indicated in the above points, CC&G can adopt any other measures considered necessary for managing the default in order to limit the effects on the market and on the other *Members*.
- f) e) in relation to *Contractual Positions* of the *Agricultural Commodity Derivatives Section* and of the *Energy Derivatives Section*, sub-paragraph d), from i) to iv) shall not apply. In relation to such *Contractual Positions* CC&G shall:
- i. appoint a *Member* to close the *Contractual Positions*, on the *Market* except for *Contractual Positions in Delivery*, including any resulting from clearing between accounts and subaccounts referred to in Article B.3.1.2;
  - ii. if the market is highly illiquid, settle the differentials of *Contractual Positions* except for *Contractual Positions in Delivery* by assigning such *Contractual Positions* to another *Member* or other *Members* with corresponding *Contractual Positions in Delivery* of the opposite sign, identified on a random basis;
  - iii. settle the differentials of *Contractual Positions in Delivery* according to the *Instructions* by assigning such *Contractual Positions* to another *Member* or other *Members* with corresponding *Contractual Positions in Delivery* of the opposite sign, identified on a random basis.
2. By way of derogation from paragraph 1, in relation to *Contractual Positions* of the *Agricultural Commodity Derivatives Section*:
- a) in cases of default due to failure to attest the complete or partial covering of sales positions, CC&G shall settle the differentials of the *Contractual Positions in Delivery* that give rise to the default according to paragraph 1, letter e);
  - b) in cases of failure to make final settlement due to the quality of the underlying, CC&G shall indemnify the assigned counterparty by way of settlement of the cash differential;

- c) in cases of failure to pay the value of the underlying, CC&G shall indemnify the selling counterparty for the entire value of the *Contractual Position in Delivery* that give rise to the default.

In such cases – without prejudice to subsequent recovery actions against the defaulter – CC&G shall settle the amount due, by charging it to the *Margins* and, for any excess in the daily settlement referred to in Article B.5.1.1; if it is not possible to settle the differential in the daily settlement, CC&G shall apply paragraph 1.

3. Once all defaulting member's positions have been closed, CC&G shall proceed to close the accounts of the defaulting *Member*, and shall calculate the costs incurred in the operation, charging them according to the method indicated at B 6.2.3.

#### **Article B.6.2.2. Default of Trading Clients Non-Clearing Members**

1. Where one of the cases of default indicated in Article B.6.1.1, paragraph 4 by a ***Trading Client*** ~~*Non-Clearing Member*~~ takes place the *Clearing Member* is responsible for closing the *Contractual Positions* of the defaulting *Member*. For this purpose, the *Clearing Member*, under their own responsibility, can among other things:
  - a. request that CC&G record new *Contractual Positions* referable to the defaulting ***Trading Client*** ~~*Non-Clearing Member*~~, that permit reduction of their own risk;
  - b. carry out clearing among the *Contractual Positions* referable to the defaulting ***Trading Client*** ~~*Non-Clearing Member*~~, without prejudice to the prompt fulfilment of obligations for the delivery of *Non-Derivative Financial Instruments* due to CC&G.

The *Clearing Member* is responsible for informing CC&G of the actions undertaken for the purposes of closing the *Contractual Positions* of the defaulting ***Trading Client*** ~~*Non-Clearing Member*~~.
2. If a ***Trading Client*** acting as broker for *Indirect Clearing* incurs one of the cases of default referred to in Article B.6.1.1, paragraph 1, letter b) and paragraph 4, the ***General Clearing Member*** is responsible for closing the *Contractual Positions* of the defaulting ***Trading Client***, unless otherwise provided by the indirect clearing agreements in relation to the trigger of the

porting procedures designed to transfer the *Indirect Clients' Contractual Positions* and collateral.

3. ~~2.~~ If the defaulting *Trading Client Non-Clearing Member* pursuant to paragraph 1 arranges, in the context of the *Settlement Services*, for the final settlement of the *Contractual Positions* vis-à-vis the *Clearing Member*:
  - a) the *Clearing Member* must still arrange for final settlement in due time with CC&G of the transactions referable to the defaulting *Trading Client Non-Clearing Member*;
  - b) CC&G shall request – on behalf of the *General Clearing Member* – exclusion from the *Pre-settlement Service* or from the *Settlement Services* of operations guaranteed by the *System* that refer to the *Trading Client Non-Clearing Member*, without prejudice of the rules of functioning of such services on entry and irrevocability of the transmission orders pursuant to Directive 98/26/EC;
4. ~~3.~~ Any losses and costs incurred by the *General Clearing Member* at the end of the default procedure indicated in this article shall be at the entire expense of the said *General Clearing Member*.

#### **Article B.6.2.2 bis Default of the Special Clearing Member or its service termination**

1. Where one of the cases of default indicated in Article B.6.1.1, paragraph 3 by a *Special Clearing Member* takes place, CC&G:
  - i. requests the exclusion from the *Pre-settlement Service* or from the *Settlement Service* of all the *Contractual Positions* referred to the *Special Clearing Member*, without prejudice to the operational rules of such services in the matter of insertion and irrevocability of transfer orders pursuant to Directive 98/26/EC;
  - ii. requests to the *Management Company(ies)* that trading be suspended on the relevant *Market*;
  - iii. clears the *Contractual Positions* as indicated in the preceding point i), modifying the terms of the contracts traded as regards the expiry and may adopt any other necessary measure for managing the default in order to minimise the impacts for the market and for *Members*;

- iv. proceeds to cash settlement of the *Contractual Positions* at a price determined on a reasonable commercial basis, as indicated in the *Instructions*.
2. In derogation from the provisions of Article B.6.2.3, CC&G – without prejudice to any subsequent recovery actions against the defaulting *Special Clearing Member* – shall allocate the losses and costs sustained in the event of activating the default procedure of a *Special Clearing Member* as indicated in Article B.6.1.1, paragraph 3, in the following order:
  - a) to the *Margins* paid by the *Special Clearing Member* and to the proceeds from clearing of the *Contractual Positions* as provided above;
  - b) to the assets of CC&G, within the limits established through a specific *Notice*;
  - c) pro rata to the *Members* with positive balances following cash settlement, as indicated under the preceding paragraph 1, point iv), through a proportional reduction of the sums due from CC&G; any remaining losses are allocated to the *Members* pro rata to their contribution to the *Default Fund* of the *Bond Section*, taking as reference the date of the default of the *Special Clearing Member*. In this case, the contributions made to such *Default Fund* related to the *X-Com Section* and the *ICSD Section* and the contributions of *Members* which exclusively carry out trading on the *Markets* indicated under Article B.2.1.2, paragraph 3 are not taken into account.
3. Where the *Special Clearing Member* ceases the central counterparty service in respect to its own members and also proceeds to cash settlement with CC&G, CC&G reserves the right to execute the cash settlement against the participant of the relevant *Market* and to adopt any other necessary measure for managing the default in order to minimise the impacts for the market and for *Members* pursuant to this article.

### **Article B.6.2.2-ter Default of CC&G**

1. In the event of:

- a) a CC&G default pursuant to Article B.6.1.3 letter a), the non-defaulting *Clearing Member* may notify CC&G a written statement specifying a *Close-Out Date* for the termination and liquidation of all *Contractual Positions* registered in its account structure; or
  - b) a CC&G default pursuant to Article B.6.1.3 letter b), CC&G will make available a notice on its website specifying the *Close-Out Date*. In case of failure by CC&G to make available such notice on its website on the *CC&G open day* following the *CC&G open day* on which CC&G becomes subject to the insolvency procedure pursuant to article **79-vicies** 83, paragraph 2 of CLF, then each individual non-defaulting *Clearing Member* shall be entitled to designate a *Close-Out Date* by notice in writing to CC&G.
2. As from the *Close Out Date* pursuant to paragraph 1, neither CC&G nor the non-defaulting *Clearing Member*, shall be obliged to make any further payment or delivery under any *Contractual Position* between them which would have fallen due for performance on or after the *Close-Out Date*.
  3. Following CC&G's default pursuant to one of the conditions of Article B.6.1.3, paragraph 1, the non-defaulting *Clearing Member*, having duly notified the *Close Out Date*, determines on the *Close-Out Date* or as soon as possible after such date, the *Close-Out Amount*, by calculating:
    - a) its total loss or total gain, as the case may be, in respect of each *Contractual Position* expressed in Euro; and
    - b) the value of any other amounts which it owes to CC&G and which CC&G owes to it, in each case whether future, liquidated or unliquidated.

The calculation under letter a) and b) shall be undertaken separately with respect to: (i) the "house account"; (ii) each "client omnibus account"; and (iii) each "segregated client account", **and (iv) each "net omnibus segregated client" account and (v) each "gross omnibus segregated client" account and (vi) each sub-account of each gross omnibus segregated client" account** pursuant to Article B.3.1.2. Once calculation of the *Close-Out Amount* is made, the non-defaulting *Clearing Member* shall notify as soon as possible such amount in writing to CC&G showing in reasonable detail how it has been calculated.

4. For the purposes of calculation of the *Close-Out Amount* pursuant to paragraph 3 (a) above, the non-defaulting *Clearing Member* shall:
  - a) aggregate all positive and negative amounts related to the *Contractual Positions* related to the “house account” pursuant to Article B.3.1.2 to produce one net amount; and
  - b) aggregate: (i) all positive and negative amounts related to the *Contractual Positions* with respect to each client account registered as an “omnibus client” **and each “net omnibus segregated client”** account pursuant to Article B.3.1.2 to produce one net amount for each of such “omnibus client” accounts; and (ii) all positive and negative amounts related to the *Contractual Positions* with respect to each “segregated client” account **and each “gross omnibus segregated client” account and each sub-account of each “gross omnibus segregated client” account** registered pursuant to Article B.3.1.2. to produce a net amount for **such accounts.** ~~“segregated client” accounts.~~
5. For the purpose of the calculation to be made pursuant to paragraph 3 letter b) above, the non-defaulting *Clearing Member* will determine the value of *Margins* that, as of the *Close-Out Date*, CC&G is due to return to it in accordance with these *Regulations*.
6. In the event that the *Close-Out Amount* in respect of an account is: (i) a positive amount, CC&G shall pay it to the non-defaulting *Clearing Member*; and (ii) a negative amount, the non-defaulting *Clearing Member* shall pay it to CC&G.
7. The non-defaulting *Clearing Member's* rights pursuant to this Article B.6.2.2-ter shall be in addition to, and not in limitation or exclusion of, any other rights which the *Clearing Member* may have.
8. This Article B.6.2.2-ter shall be without prejudice to the rights that CC&G may have pursuant to the *Regulations* against any *Clearing Member* prior to the occurrence of CC&G's default pursuant to Article B.6.1.3.

### **Article B.6.2.3. Costs for management of default procedures of a *Clearing Member***

1. Subject to subsequent recovery actions against the party in default, where the default procedure indicated at Article B.6.2.1 is triggered, CC&G shall allocate the losses and costs in the following order:
  - a) to the *Margins* and payments to the *Default Funds* (including the replacement guarantees indicated at Article A.1.1.5, paragraph 4), deposited by the *Member* in default and those arising from the closing of the *Contractual Positions*;
  - b) to the guarantee, if deposited by the defaulting *Member*, indicated at Article B.2.1.2, paragraph 5;
  - c) 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*;
  - d) to the contributions to the *Default fund* of the other *Clearing Members* of the *Section* concerned, pro rata to the payments made and limited to the losses and costs incurred in relation exclusively to the *Contractual Positions* of the *Section*;
  - e) CC&G own resources, up to the amount published on CC&G's Internet site ([www.lseg.com/ccg](http://www.lseg.com/ccg)).
  - f) to the additional resources paid by the *Clearing Members* pursuant to Article B.4.2.5 pro rata to their contribution to the *Default Fund* of the *Section* concerned.

Any remaining losses following the actions set out under the preceding points will be allocated by CC&G pro rata to the *Clearing Members* to the *Section* concerned up to a maximum amount equal to 50% of the payment of the additional resources pursuant to Article B.4.2.5.

2. In the event of default of a *Clearing Member*:
  - a) the assets held in the “omnibus client” and “segregated client” accounts, **and in the “net omnibus segregated client” and “gross omnibus segregated client” account pursuant to Article B.3.1.2** shall not be used to close the “house” account and any existing sub-accounts;
  - b) the assets held in the “house” account shall be used, where necessary, for the closure of the *Contractual Positions* registered in



the “omnibus client” and “segregated client” accounts and in the “**net omnibus segregated client**” account and in the “**gross omnibus segregated client**” account pursuant to Article B.3.1.2 and any existing sub-accounts;

3. At the end of the procedures indicated in this Article, any balances of the defaulting *Clearing Member* in excess of the amount necessary to cover any losses sustained shall be returned by CC&G to the *Clearing Member* itself, with indication of the assets of each “omnibus client” account, “**net omnibus segregated client**” account and “**gross omnibus segregated client**” account and each sub-account related to each “**gross omnibus segregated client**” account pursuant to Article B.3.1.2, paragraph 3 or to each *Member Pro-tem*, where in managing the default procedure CC&G did not succeed in transferring the relevant positions and assets.

#### **Article B.6.2.4. Recovery of losses and costs**

1. CC&G shall proceed against the defaulting *Clearing Member* with appropriate recovery operations for losses and costs incurred by interventions indicated in Article B.6.2.1 and subsequent articles, on its own behalf and on behalf of *Members* of the *Default Funds* where it is used.
2. Sums recovered pursuant to paragraph 1 – net of costs incurred by CC&G for administration of the default – shall be returned to their rightful claimants in the inverse order with respect to that indicated in Article B.6.2.3, paragraph 1. Sums due to *Members* are returned to each in proportion to the use of the relative payment to the *Default Funds*.

## **PART B.7 Service Closure**

### **Article B.7.1.1 Service Closure Procedure**

1. CC&G retains the power, for risk containment reasons, of closing the central counterparty service, with reference to the *Section* concerned upon Notice to the competent Authorities. To this end, CC&G may consider, by way of example, the following elements: the relevance of the mitigation of counterparty risk for *Clearing Members*, the number of *Clearing Members*, the amount of guaranteed countervalues.
2. Where the closing of service is determined, CC&G:
  - i. requests exclusion from the *Pre-settlement Service* or the *Settlement Services* of the transactions deriving from the *Contractual Positions* referable to the *Section* concerned, without prejudice to the operational rules of such services as concerns insertion and irrevocability of transfer orders, pursuant to EC Directive 98/26;
  - ii. requests the *Management Company* to suspend trading on the *Market* concerned;
  - iii. proceeds to cash settlement of the *Contractual Positions* at a price determined according to reasonable commercial conditions, as indicated in the *Instructions*.

## **PART B.8 Fees, Interest and Transparency of prices and commissions**

### **Article B.8.1.1 Fees**

1. For the use of the guarantee system managed by *CC&G*, *Members* shall pay the fees established by the Price List annexed to the General Conditions for the provision of Services.
2. The amount of fees due from each *Member* is communicated to them in the clearing reports indicated in the *Services Manual*.

### **Article B.8.1.2 Interest**

1. Interest at a rate indicated in the *Notices* shall be paid on cash guarantees deposited with *CC&G*.

### **Article B.8.1.3 Transparency of prices and commissions applied**

1. *CC&G* and the *Clearing Members* shall publicly disclose the prices and commissions for the services provided, with separate publication of the prices and commissions of each service, including discounts and reductions, as well as the conditions to be met for qualifying for such benefits.

## **SECTION C – TEMPORARY PROVISIONS**

### **Article C.1.1.1 Gross margination of sub-accounts**

1. Following the provisions of Article B.1.1.4, paragraph 3, letter a), CC&G, shall indicate the methods of activation of gross margination of the sub-accounts by means of the relevant *Notice* for the sections where this service has not yet activated.

### **Article C.1.1.2 Entry into Force**

1. Amendments of provisions contained in these *Regulations* shall apply in whole or in part starting from the date or dates indicated by CC&G by way of the appropriate *Notices*, including with respect to *Contractual Positions* existing on the said date or dates.

## **SECTION D – Final provisions**

### **Article D.1.1.1 Jurisdiction**

1. The present *Regulations, Instructions*, and other provisions concerning the operations of the *System* and the services, and successive amendments and supplements, are governed by Italian law.

### **Article D.1.1.2 Disputes**

1. Disputes concerning the fees as indicated in Part B.7 shall be submitted to the exclusive jurisdiction of Italian judicial system and are the exclusive competence of the Court of Milan.
2. Any disputes other than those provided for under paragraph 1, which derive directly or indirectly from the *Regulations* (including those concerning compensation for damages), shall first be submitted to preliminary evaluation by a Board of Advisers.

### **Article D.1.1.3 Board of Advisers**

1. The Board of Advisers is composed of three members appointed by the CC&G Board of Directors, which also elects the president from among the three members. The legal seat of the Board of Advisers is at the CC&G.
2. The members of the Board of Advisers are independent persons chosen for their proven competence in issues of financial markets.
3. The duration of the Board of Advisers appointment is for three years and can be renewed. Where one of the members retires from the Board prior to completion, the CC&G Board of Directors provides for appointment of a substitute; such appointment shall last until the completion of the current Board.

4. The evaluations of the Board of Advisers shall be prepared with explanation, according to legal and adversarial principles, and issued within 30 (thirty) days from the moment the Board receives the case.
5. The president of the Board of Advisers may assign, in agreement with the other members, the evaluation of the issue to a sole member of the Board. The language for procedures shall be Italian.
6. The evaluations by the Advisers are promptly communicated to the Participants in written form. The evaluations are not binding on the parties and where one of these initiates an arbitration procedure as indicated in paragraph 7, do not have any binding effect on the arbitrators appointed, who shall have wide opportunity and power to undertake a total and full re-examination of the dispute, without preclusion.
7. Any potential disputes between CC&G and a Member concerning and/or arising from the Regulations, which have not been resolved through participation of the Parties in the evaluation by the Board of Advisers as indicated in the previous paragraph, are referred to a Board of Arbitrators.
8. The honoraria for the members of the Board of Advisers shall be allocated to the losing party.

#### **Article D.1.1.4 Board of Arbitrators**

1. The Board of Arbitrators is composed of three members, appointed through the following procedure:
  - a) the claimant must notify the respondent, according to the procedure provided under Article 810, paragraph 1 of the civil procedures code, by a document containing the declaration of the claimant's intention to initiate an arbitration procedure, with indication of the disputed issue and designation of the claimant's arbitrator;
  - b) within 20 (twenty) days of this notification, the Respondent must, by the same procedure, designate the second arbitrator; in absence of such appointment, Article 810, paragraph 2, of the civil procedures code shall apply;

- c) within the 20 (twenty) days following the notification of the Claimant of the document containing the appointment of the second arbitrator, the arbitrators thus appointed – each duly informed by the Party that nominated him or her – shall proceed in mutual agreement for the appointment of the third arbitrator, who shall serve as president. In case of delay or failure to agree within the time periods indicated above, either party can make request to the president of the Court of Milan for the appointment of the second and/or third arbitrator.

In the case of substitution of the arbitrators the same procedures shall be followed as for the initial appointments.

2. The procedures before the Board of Arbitrators must be initiated, subject to forfeiture, within 60 (sixty) days from receiving the communication of the provisions concerning the Member.
3. The legal seat of the Board of Arbitrators shall be in Milan at the place established by its president. However the Board of Arbitrators may conduct its meetings in any place of the Republic of Italy, as established by the Board. The Board shall proceed according to legal principles and decide according to the rule of Italian law.
4. The arbitral decision must be issued within 90 (ninety) calendar days of the acceptance of appointment on the part of the President of the Board, a term which can be extended for not more than a further 90 (ninety) days, only in the case that the Board of Arbitrators considers it necessary to obtain reports from technical experts. The decision shall contain the calculation and the allocation of the arbitration expenses and the compensation for the arbitrators. The language of arbitration proceedings shall be Italian. It is understood that the Parties can ask for registration and execution of the decision under the code of civil procedure in effect. The decision can be challenged for violation of the rule of law concerning the issue in dispute, pursuant to Article 829, paragraph 3, of the code of civil procedure. For disputes not considered under the present article, the provisions of the above-noted Article 806 and following of the code of civil procedure shall apply.

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