

04119.11.08.2011

To all intermediaries participating
in settlement services (Express
II) and related activities

Subject: New penalty rules on Express II

Dear client,

Supervisory Authorities request to change Monte Titoli's Settlement Discipline, with the aim of minimising failed trades on the expected settlement date in Express II, and owing to the reduction, in terms of counter-value, of the number of settled trades registered in 2010 and to a greater extent in 2011.

In order to allow for the penalization of individual behaviour causing end-of-day fails in settlement regardless of the overall success of the entire settlement system, Supervisory Authorities requested Monte Titoli to implement, by 1 September 2011, a first change to the Express II penalty system replacing the current one. The new penalty system is applied according to the following principles:

- a) Daily calculation of the penalty on the net short position countervalue at the end of the day, with application of a percentage equal to:
 - a.1) 0.001% for bonds (corporate and government bonds)
 - a.2) 0.02% for all other securities (shares, warrants, ETFs);
- b) application of exemption thresholds for the application of penalties equal to:
 - b.1) countervalue of € 5,000,000 for bonds;
 - b.2) countervalue of € 250,000 for other securities;
- c) calculating the daily net countervalue of short positions using market prices for at least securities listed on regulated markets;
- d) redistribution of income generated from penalties amongst "in bonis" members. Monte Titoli will calculate the daily countervalue of long net positions showing as "pending", on the same ISINs for which net short positions occurred, held by "in bonis" members.

Monte Titoli will calculate penalties to be collected and amounts to be redistributed pro-quota of the monthly cumulated countervalue of each position, deducted administrative expenses incurred by Monte Titoli for developing and managing the new procedure.

Individual penalties will be applied notwithstanding the input of borrowing requests in Monte Titoli's Securities Lending system.

Monte Titoli will publish shortly the “Operating model of penalties” providing a detailed description of the new penalties discipline and the related new Price List.

Please be aware that the current penalty model for the late cash payment at the end of the daily net settlement cycle remains unchanged.

Sincerely,

Monte Titoli S.p.A.
General Manager
Alessandro Zignani