



16 October 2012

SUBJECT: X-TRM, EXPRESS II AND CUSTODY TEST PLAN.

Dear client,

We would like to inform you that **in the period between October 29th and November 16th** adjustments and enhancements for X-TRM, Express II and Custody will be available for testing. By specific you can participate in test sessions related to:

X-TRM

“SHAPING REPO OVERNIGHT”:

The mechanism to split the spot leg instruction of overnight repos guaranteed by CCPs, before sending it to RTGS, will be introduced.

The main features of the new function are:

- The application of the mechanism of “Shaping”, only for the instructions guaranteed by CCP and exceeding the agreed limit of nominal value;
- The creation by X-TRM of more split instructions for the gross settlement cycle, each one with its own reference.

For further details refer to “Test Plan December 3rd 2012” attached to this file. Please note that the technical documentation is published on MT-X platform.

ExpressII

“RTGS OPTIMIZATION”:

To maximize the settlement of RTGS transactions and to minimize the exposure of participants in securities, two mechanisms will be introduced, the former related to non guaranteed and OTC transactions, the latter related to transactions guaranteed by a CCP operating in X-TRM; this is included in our former announcement of 25 July, which is available on our website in the "download area / communications" section.

For further details refer to “Test Plan December 3rd 2012” attached to this file.
Please note that the technical documentation is published on MT-X platform.

CUSTODY

“COUPON STRIPPING ON NON LINKED BTP”:

A new operational model will be introduced to be applicable exclusively to non linked BTPs; it will require the adjustments, at the same date, of accounting and book entries details in the redemption plans of BTPs already issued and stripped

The main features of the new model are:

- The incorporation of the last coupon of each stripping plan to the mantel and consequently the creation of a new stripping “category”, called “hybrid coupon”;
- The fungibility of the hybrid coupon with the single coupons coming from other stripping plans is granted, provided that the maturity dates are equal.

For further details refer to the test plan “ New operational Coupon Stripping model on non linked BTP” published on the website www.montetitoli.it in “download area \ communications” section.

We remind you that the technical documentation has been published on the MT-X platform as announced in our former announcement on July 25th available on our website in the section “download area /communications”.

The go live of all the above mentioned functionalities is expected to be 3 December 2012 and will be confirmed in a subsequent announcement, after the test session is closed positively.

FOR FURTHER DETAILS PLEASE CONTACT:

SERVICE OPERATION

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**Test Plan for the go live of
December 3rd 2012
for shaping REPO Overnight
and RTGS Optimization**

16 October 2012

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1. ASSUMPTION

This plan is intended to illustrate the operating procedures to test:

- New release of the X-TRM Service that provides the introduction of the “shaping” mechanism on Overnight Repos;
- The new release of ExpressII Service including s the introduction of the “RTGS Optimizaton” mechanism affecting either OTC and non guaranteed transactions and guaranteed ones.

Participants are invited to test the new features introduced.

2. REQUIREMENTS FOR THE TEST SESSION

2.1 X-TRM

2.1.1 Shaping on Overnight Repos

In order to facilitate the complete execution of the test by clients, Monte Titoli will upload for three subsequent Wednesdays (October 31st, 7th and 14th November) Overnights Repos registered in the official environment in the preceding business days (Tuesdays).

The test is open to all participants in the X-TRM service.

The new functionality will be available for test also in X-TRM Online.

Furthermore, during the start of the test session, each participant should complete the following activities:

- Setup the test environments by connecting, if not already done;
- Prepare their own test plan including the test cases listed in this documents.

Clients who appointed a third party with a full operational mandate are excluded from test session. The appointed parties may perform tests on behalf of their clients.

2.2 Express II

2.2.1 RTGS Optimization

The test is open to all participants in RTGS service and will be affecting both transactions guaranteed by CCPs (CC&G and LCH Clearnet S.A.) and OTC and non guaranteed transactions.

3. TEST DEVELOPMENT

The test environment will be available for a 3 week period, starting from October 29th 2012 until November 16th 2012.

The go live is planned for December 3rd. Such date will be confirmed throughout a subsequent communication.

It is assumed that participants data currently registered in the test environment should remain valid also for the execution of the test session.

In case any update or change is needed, such requests may be addressed to mdm@montetitoli.it

4. TEST GUIDELINES

Participants are not bounded to a daily test plan but required to verify the following functionalities, as expected from the roles they play.

4.1 X-TRM

4.1.1 Functionalities introduced with the new release

For what concerns the testing of functionalities introduced with the new release, participants are asked to verify that in case of a guaranteed Overnight Repo, if the threshold is exceeded (5.000.000 for bonds), more transactions are created with

different references and that the automatism type is properly evaluated with “5”, as shown in the data flows of X-TRM published on the MT-X platform.

4.1.2 Functions existing before the new release

Participants are also asked to perform a non regression test.

4.2 Express II

4.2.1 RTGS Optimization

Participants are required to verify, in case of transactions settled by means of the new optimization process, the correct evaluation of the IDC 716 of the msg.71N and of the IDC 034 of the msgg. 312 and 314, as reported in the Standards for Users published on the MT-X platform.

The cash settlement on optimized operations (either guaranteed by CCPs or OTC and not guaranteed) will take place according to the principles of “Procedure 5” (Multilateral Simultaneous Settlement) of Target 2.

Participants are required to verify, after the introduction to the optimization mechanism, the change of the *client reference* in the messages ASTI (AS Transfer Initiation) transmitted by the payment system:

- for transactions guaranteed by CCPs, the client reference will be 02R5+ 12 numerical digits (formerly it was RTGS + 12 numerical digits)
- for OTC and not guaranteed transactions, the client reference will be 01R5+ 12 numerical digits (formerly it was RTGS + 12 numerical digits)

CCPs must verify the impact of this change in their operating systems.

5. TECHNICAL AND OPERATIONAL GUIDES FOR TESTING

Contact Details

For what concerns the general details of the service or functional issues related to networks, it is possible to send a request via e-mail to itps@montetitoli.it or calling **02.33635-566**.

6. DAILY TESTING SCHEDULE

The testing day will start at 8.00 and end at 19.

Any changes to the schedule will be promptly notified.

By specific the following timetable summarizes the most significant cut offs (CET) during the day:

System	Activity description	time
X-TRM®	Opening	10.00
	<ul style="list-style-type: none"> • Timeout for gross settlement transactions L • Cut-off for submitting transactions with settlement date L (T+1) 	13.30
	✓ For DVP transactions	15.00
	✓ For FOP transactions	15.15
	Closing	19.00
PRE-SETTLEMENT	Information request starting from	09.30
	Closing	15.30
Net settlement	Security and cash settlement overnight cycle (within the following time)	19.00
	Start of daylight cycle	09.30
	Cut-off for security coverage and rollback execution	11.00
	Cut-off for cash coverage and eventual rollback execution, closing of daylight cycle	11.30
Gross settlement	Opening	08.00

	Timeout for cancellation of fail transactions coming from the daylight cycle	13.30
	Closing	14.30
M.T. CUSTODY	Opening	08.30
	Closing	14.30

The standing order to set the liquidity reserved to the overnight cycle in the sub-accounts of SSP for Express II must be communicated within **14.30 CET**.

We remind to our clients that, according to the availability of SSP establishing an earlier closure at 17.00 CET on Friday, the overnight settlement cycle starting on Friday and closing on Monday, due to this limitation in the test window on Friday may close on Monday morning.