

July 20th 2012

SUBJECT: NEXT TEST SCHEDULE FOR X-TRM AND EXPRESSII

Dear Client,

I wish to inform you that from 27 August to 14 September, some adjustments and enhancements for X-TRM and EXP II will be available in test environment, as previously announced in our communication on July 11th "Test session on new X-TRM and EXP II functionalities" published on our website www.montetitoli.it/area-download/comunicazioni/2012/2012.en.htm

The new functions are below detailed:

X-TRM

- "bilateral cancellation of matched instructions" and "matching of beneficiary in OTC transactions":
to participate in the test session related send a confirmation by 20 August at this email address clients@montetitoli.it, by providing name, phone and e-mail address of an internal contact detail along with his privacy consent, allowing MT to setup the test which will start from August 27.
The list of internal contact details will be published by Monte Titoli in a dedicated section of the MT-X web platform.
The above mentioned functionalities may be tested also through X-TRM Online. Please note that the setup of the permission for "bilateral cancellation" in the test environment is subsequent to the receipt of the request to participate in the test session.
Clients who do not wish to make use of these new features have no impact and do not need to perform the tests.
Please note that users who do not want to take advantage of the "matching of beneficiary" function and do not intend to setup with empty digits the final filler in the transaction messages must be sure to setup with empty digits either the field final beneficiary and issuer; these fields are already included in the current data scheme.
- "Modification of SWIFT MT541 messages for the acquisition of Repo transactions in X-TRM":
If the client communicates with Monte Titoli via SWIFT, this message may be tested with reference to the acquisition of Repo Overnight transactions, as updated in order to allow a correct evaluation of the "forward price."

ExpressII

With reference to the “mini-netting” procedure affecting guaranteed transactions, the user can participate to the test session including what below detailed:

- adjustments related to the use of "Procedure 5" (Simultaneous Multilateral Regulation) of TARGET 2 which will lead to the modification of the *client reference* in the messages MT900/MT910 transmitted by the payment system.
Please note that clients entitled to fill in Repo overnight transactions may test the new functionality by entering these transactions;
- only the Central Counterparties (CCPs), will participate in tests related to the use of the Intended Settlement Date (ISD) preceding the settlement date as new criteria to select the transactions to be netted

For further details please refer to the attached document “Plan test release September 24th 2012”.

Clients participating to the test are invited to provide a communication regarding the test result by September 14th by sending an e-mail to clients@montetitoli.it, indicating as object “result of test session September 2012”. In the document “Plan release test September 24th 2012” you can find a template “test result” to be used for this reporting.

For what concerns X-TRM, the setup of bilateral cancellation functionality in the official environment is subject to the notification of the positive outcome of the test session by clients.

Participants who cannot perform the tests in the dedicated period may request the bilateral cancellation to be enabled later, after performing a subsequent test session and notifying the results to Monte Titoli.

Go live of all the above mentioned functionalities is scheduled for September 24th 2012 and will be confirmed at the end of test period, in case of positive outcome.

FOR FURTHER INFORMATION PLEASE CONTACT :

SERVICE OPERATION

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Monte Titoli
London Stock Exchange Group

Test plan
September 24th 2012

July 20th 2012

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1. ASSUMPTION

This test plan is intended to illustrate the operating procedures for the testing of:

- New release of the X-TRM Service that provides the introduction of “bilateral cancellation of matched transactions” and “beneficiary matching in OTC transactions” functionalities and the modification of SWIFT MT541 for the acquisition of Repo transactions.
- The new release of Express II service which provides the adoption of “procedure 5” and the variation of selection criteria of transaction to be netted.

Participants are invited to perform the testing of new features introduced.

2. REQUIREMENTS FOR THE TEST

2.1 X-TRM

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

In order to guarantee the performance of new functionalities of “bilateral cancellation of matched transactions” and “beneficiary matching in OTC transactions”, participants of the X-TRM service are invited to communicate the participation in the test session via e-mail to clients@montetitoli.it by August 20th, providing name, telephone number and e-mail of an internal contact along with his privacy consent, to allow MT to setup configurations concerning the tests which will start from August 27th.

The list of internal contacts received will be published by Monte Titoli in a special section of the MT-X web platform.

The above mentioned functions are also available for testing through X-TRM Online.

Furthermore, before the start of testing activities scheduled for August 27, each participant should accomplish the following activities:

- setup their IT environments by connecting them, in case they are not already connected to Monte Titoli's testing environment,
- develop its own test plan including the test cases listed in this document.

Clients which have given an exclusive operational mandate to a third party, are excluded from test session. The appointed parties may perform tests on behalf of their clients.

2.2 Express II

2.2.1 Adoption of "procedure 5"

The test is open to all participants in RTGS service.

2.2.2 Variation of selection criteria of transactions to be netted

This change will not impact on the current activities of the intermediaries, then the test of the new procedures for mini-netting is extended only to Central Counterparties (Clearing House and LCH Clearnet S.A.).

Entities participating to the testing should provide a communication regarding the result of the test, as described in paragraph 7.

3. TEST DEVELOPMENT

The system will be available for testing for a 3 week period, starting from August 27th 2012 until September 14th 2012.

Please note that on September 10 the X-TRM test environment will not be available due to internal maintenance activities.

The go live is planned for September 24th, after successful result of testing. Such date will be confirmed throughout a subsequent communication.

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

If participants need any update or change, such requests may be addressed to mdm@montetitoli.it

4. TEST GUIDELINES

Participants are not bounded to a daily test plan but are 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, requiring transactions entered by both parties, participants are asked to agree upon the execution of the test by using the list of internal contacts which will be published on the proper section of MT-X.

- **Cancellation of transactions previously submitted and matched**

Participants are asked to enter cancellation requests of matched transactions, derived from the markets, from institutions and OTC, with settlement in Express I and Express II

- **Input of OTC transactions with final beneficiary and counterparty evaluated**

Participants are asked to enter transactions derived from OTC with settlement in Express I and Express II, for a non mandatory matching of final beneficiary.

4.1.2 Functions existing before the new release

Participants are also asked to perform a non regression test.

- **submitting contracts in the markets**

We ask to fill in all types of contracts admitted by each market (CVT, Repo, etc. etc.) for each settlement system available. The following chart shows the possible combinations:

Market	Market	Contract Type	Settlement System
Borsa Italiana (MIT platform)	TTA TTI MCW MOT OPA ETF MAC	CVT	<ul style="list-style-type: none"> • No settlement • Express I (only MOT for non fungibles) • Express II
	MEM	CVT	<ul style="list-style-type: none"> • Settlement Group Euroclear/Clearstream
Borsa Italiana (MIT platform)	TAH	CVT	<ul style="list-style-type: none"> • Express II
MTS	MTS EBM	CVT	<ul style="list-style-type: none"> • Express II
	PCT	PCT	<ul style="list-style-type: none"> • Express II
ICAP plc Brokertec	BTM	CVT, PCT	<ul style="list-style-type: none"> • Express II
e-MID	EMD	PCT	<ul style="list-style-type: none"> • Express II
Banca IMI S.p.A. (ex Caboto)	MTC	CVT	<ul style="list-style-type: none"> • No settlement • Express I • Express II
TLX	TLX	CVT	<ul style="list-style-type: none"> • Express II • Settlement Group

			Euroclear/Clearstream
HI-MTF	HIM HIO	CVT	<ul style="list-style-type: none"> Express II

- **Submitting OTC contracts**

We ask to enter all types of contracts admitted (CVT, CTC, PCT) for each settlement system (Express I, Express II, Euroclear, Clearstream).

- **Modification Request of previously submitted OTC transactions**

- **Cancellation Request of previously submitted OTC transactions**

- **receipt of placing/modification/cancellation of OTC transactions**

According to communication procedures setup by the user.

- **transaction retransmission information request**

ROM: flows G54, request result G55.

- **flow including transaction occurred in the previous day**

- G56 ROM and flow

- **Information request on continuous operation updating**

ACB: flows, G57 request result, G58.

- **Verification of accuracy of creation/updating of balance of guaranteed transaction and bilateral balance of transactions to be sent to ICSD**

- **Verification of correct forwarding of transactions/contracts to domestic settlement systems (Express I, Express II)**

4.2 Express II

4.2.1 Adoption of “procedure 5”

The variation concerns the adoption of “Procedure 5” (Simultaneous Multilateral Regulation) of Target 2 which will bring to the modification of the client reference in MT900/MT910 messages transmitted by the payment system (from RTGS + 12 numeric characters to MNR5 + 12 numeric characters).

Participants should verify the new development of TAG21 in MT900 message after the adoption of procedure 5 (TON) for the cash regulation of transactions subject to mini-netting.

4.2.2 Variation of selection criteria of transaction to be netted

The modification concerns the selection criteria of transactions to be netted, allowing the development of groups composed by two or three transactions also with different Intended Settlement Date (ISD), favoring the ones with oldest ISD. Further details on these criteria are available in the document User Requirements published on the MT-X platform.

Central Counterparties will have to verify the impact of this modification on their operational 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 at 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 during the day:

system	Activity description	Orario
X-TRM®	Opening of the system	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 of the system	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 possible rollback execution, closing of the daylight cycle	11.30
Gross settlement	Opening of the system	08.00
	Timeout for cancellation of failed transactions arising from the daylight cycle	13.30
	Closing of system	14.30
M.T. CUSTODY	Opening of the system	08.00
	Closing of the system	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.

7. Test Results

Clients participating in the test session should provide within September 14th a communication regarding the test result by sending an e-mail to clients@montetitoli.it, specifying as object "Test result September 2012 session". In paragraph 8 you can find a template of the communication.

Concerning X-TRM, we point out that the setup of the functionality of bilateral cancellation is subject to the notification of the positive outcome of the tests. Participants who can't perform the test may ask the activation of the bilateral cancellation functionality later but after carrying out the tests, and communicating to Monte Titoli the outcome of the test as above indicated.

8. TEMPLATE FOR NOTIFYING TEST RESULTS

An example is given to build the test outcome communication. It should be customized depending on the functionalities tested.

Tests performed on the features listed below have shown no abnormalities:

X-TRM

- *Bilateral cancellation of transactions*
- *Matching of final beneficiary in OTC transactions*

We ask to enable in X-TRM official environment the functionalities of bilateral cancellation and transactions Matching of final beneficiary

Express II

- *adoption of "procedure 5"*
- *variation of selection criteria of transaction to be netted.*