



23 April 2013

SUBJECT: NEXT TEST SCHEDULE FOR X-TRM.

Dear Client,

I wish to inform you that from **May 27 to June 28** a set of adjustments for X-TRM related to the introduction of the “Hold & Release” functionality will be available in the test environment.

X-TRM - “HOLD & RELEASE”

For matched transactions to be settled in the Net and/or Gross settlement systems, the new functionality of “Hold & Release” will be introduced for the X-TRM service. The functionality will allow participants to indicate if their settlement instructions are to be forwarded to settlement or not.

For matched transactions guaranteed by a CCP, participants will be able use the Hold & Release feature for settlement instructions derived from guaranteed trades only if the feature has been enabled by the CCPs involved. Participants will be able to use the Hold & Release feature for settlement instructions derived from trades negotiated on not guaranteed markets only if the feature has been enabled by the market itself.

For all settlement instructions subject to the Hold & Release functionality, the default status is that they are to be forwarded to the settlement system for both participants. If at least one of the two participants indicates that the instruction should not be forwarded to settlement, setting it to the Hold status, the instruction will not be forwarded to settlement.

For further details please refer to the attached document “X-TRM Test Plan – 8 July 2013 – Hold & Release”. I remind you that the technical documentation is available in the section “Documentation/X-TRM technical documentation” of the MT-X platform.

Go live of the new X-TRM release with the Hold & Release functionality is scheduled for 8 July 2013 and will be confirmed at the end of the test period, in case of positive outcome.

FOR FURTHER INFORMATION PLEASE CONTACT:

SERVICE OPERATION

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Monte Titoli
London Stock Exchange Group

X-TRM Test Plan

8 July 2013

Hold & Release

23 April 2013

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1. FOREWORD

This test plan illustrates the operating procedures for testing of the new release of the X-TRM Service introducing the "Hold & Release" feature. Along with the Hold & Release feature, an enhancement to the existing Bilateral Cancellation functionality will also be introduced with this release: participants who are enabled to use the Bilateral Cancellation function will have the possibility to cancel instructions that are not settled and that are re-submittable to the gross settlement system (compatibly with the end validity date).

Participants are invited to perform testing of the features introduced with the new release as well as perform testing of the existing features.

2. PREREQUISITES FOR THE TEST

Testing is open to all participants of the X-TRM service.

Prior to the start of the testing period, participants should complete the following activities:

- set up their IT environments and ensure that they are connected to the Monte Titoli test environment,
- prepare a test plan ensuring that the appropriate test cases are covered.

Clients of the X-TRM service who have given an exclusive operational mandate to a third party are excluded from the test session. The appointed parties may perform tests on behalf of their clients.

3. TEST ORGANIZATION

The system will be available for testing for a 5 week period, starting from 27 May until 28 June 2013.

The go live date is planned for 8 July 2013 and will be confirmed by Monte Titoli with a forthcoming communication, following the successful completion of testing.

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

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

4. TEST GUIDELINES

Participants are not bound to a daily test plan but are invited to verify, based on their specific roles, the relevant functionalities.

4.1 Scope of the functionalities introduced with the new release

The Hold & Release functionality is applicable exclusively to settlement instructions derived from matched transactions with Net and/or Gross settlement systems.

Use cases

The possibility for participants to use the Hold & Release feature is dependent on the source of the matched transactions. Three different cases are possible:

1) Hold & Release for settlement instructions derived from guaranteed trades

In this case, the possibility for participants to use the Hold & Release feature is dependent on the enabling of the feature by the central counterparties (CCPs) involved. By default, or if the functionality has not been enabled by the CCPs, it will not be possible to use the Hold & Release feature for settlement instructions involving the CCPs. Following the go live it will be possible for CCPs to enable (or disable) the functionality by informing Monte Titoli with a forty (40) days advance notice during which it will be possible to test the requested change.

Currently, the CCPs which have enabled the Hold & Release feature are:

- EuroCCP (CED code 2983)
- EMCF (CED code 2989)
- SIS-X (CED code 2964)

2) Hold & Release for settlement instructions derived from not guaranteed trades

In this case, the possibility for participants to use the Hold & Release feature is dependent on the enabling of the feature by the market where the trades are negotiated. By default, or if the functionality has not been enabled by the market, it will not be possible to use the Hold & Release feature for settlement instructions derived from not guaranteed trades negotiated on the market. Following the go live it will be possible for the market to enable (or disable) the functionality by informing Monte Titoli with a forty (40) days advance notice during which it will be possible to test the requested change.

Currently, markets which have enabled the Hold & Release feature are:

- MTS (for the MTS and EBM cash market and for the Repo PCT market but with the exception that it will not be possible apply the Hold & Release feature to security exchange transactions - in Italian: "operazioni di concambio")

3) Hold & Release for settlement instructions derived from OTC transactions

In this case, all direct participants to settlement may use the Hold & Release feature for instructions with Net and/or Gross settlement. Indirect participants to settlement may use the Hold & Release feature as long as they have not been inhibited from using it by their settlement agent. By default, unless their settlement agent indicates otherwise, the indirect participant will be able to use the Hold & Release feature for settlement instructions derived from OTC transactions to be settled in the Net and/or Gross settlement systems.

Forwarding of instructions to settlement

Settlement instructions with Net and/or Gross settlement will be forwarded to settlement if they are in Release status for all participants involved. Consequently, settlement instructions set to Hold status for at least one participant will not be forwarded to settlement.

Instructions with gross settlement that are in Release status for all participants involved at the closing of L-1 will be forwarded to the gross settlement system using the current procedure (instructions are forwarded in batch mode the morning of L). Instructions with gross settlement that are acquired or varied to Release status during L for all participants involved will be immediately forwarded to gross settlement.

Instructions with net settlement that are in Release status for all participants involved at the closing of L-2 will be forwarded to the net settlement system using the current procedure (instructions are forwarded in batch mode the night of L-2). Instructions with net settlement that are acquired or varied to Release status during L-1 for all participants involved will be immediately forwarded to net settlement.

Transfer of instructions in Hold status from net to gross settlement

Instructions with net settlement that are in Hold status for at least one participant at the closing of L-1 will not be forwarded to net settlement and will be transferred to the gross settlement system. The transfer procedure entails:

- the creation of a new instruction of type CTC (or more instructions if shaping applies) with gross settlement;
- the logical cancellation of the original instructions with net settlement.

If the relevant Hold & Release automatism is present, it will be applied to the instructions that are transferred from net to gross settlement (see section titled "Hold & Release Automatisms" below).

Resubmission to gross settlement of instructions that are not settled

Instructions that are not settled and are re-submittable to the gross settlement system that are in Release status for all participants involved will be forwarded to the gross settlement system using the current procedure (instructions are forwarded in batch mode at the opening of the gross settlement system, for consecutive days, until they are either settled or the end validity date is reached). Re-submittable instructions in Hold status for at least one participant will not be forwarded to gross settlement.

If the relevant Hold & Release automatism is present, it will be applied to the instructions that are re-submittable to gross settlement (see section titled "Hold & Release Automatisms" below).

Hold & Release Automatisms

The Hold & Release automatisms are an optional feature which direct participants may use to set the Hold/Release indicator of their instructions in two distinct cases:

- Transfer of instructions in Hold status from net to gross settlement
- Resubmission to gross settlement of instructions that are not settled

If present, the automatism will set the Hold/Release indicator for the specific combination of:

- Participant (CED code)
- Settlement system ('01' for resubmissions, '02' for transfers)
- Source (only OTC)
- Market
- Operation type (CVT, CTC, or PCT)
- Settlement account

By default, the automatisms are not present and the instructions subject to transfer or re-submission maintain unchanged the value of the Hold/Release indicator.

Direct participants who intend to set up the Hold & Release automatisms are invited to communicate their preferences using the specific module and excel spreadsheet available for download in the section "Documentazione/Documentazione tecnica X-TRM/Modulistica Hold e Release/Profilo Automatismo Hold e Release" of the MT-X platform, and sending them via email to: mdm@montetitoli.it.

Hold & Release profile for indirect participants (H&R Settlement Account Profile)

The H&R Settlement Account profiles are an optional feature which direct participants may use to manage the Hold/Release functionality for OTC transactions inserted or modified by their indirect participants to settlement (it applies only if the indirect participant has not given an exclusive operational mandate and is therefore able to insert/modify transactions). The direct participant may set up two distinct H&R Settlement Account profiles:

- profile for insertion
- profile for variation

If present, the profile for insertion is used during the acquisition of OTC transactions submitted by the indirect participant to automatically force the transaction to Hold status, independently from the status declared in the transaction itself. By default, the profile is not present and the OTC transaction submitted by the indirect participant is not forced to Hold.

If the profile for variation is present, the indirect participant cannot change the Hold/Release indicator of OTC transactions which may only be varied by the settlement agent. By default, the profile is not present and the Hold/Release indicator of the OTC transaction may be modified by the indirect participant.

The H&R Settlement Account Profiles may be defined for each combination of:

- Participant (the CED code of the indirect participant)
- Settlement system ('01' or '02')
- Settlement account

Direct participants who intend to set up the H&R Settlement Account profiles are invited to communicate their preferences using the specific module and excel spreadsheet available for download in the section "Documentazione/Documentazione tecnica X-TRM/Modulistica Hold e Release/Profilo Conti Liquidatori Hold e Release" of the MT-X platform, and sending them via email to: mdm@montetitoli.it.

4.2 Testing of the functionalities introduced with the new release

To test the new functionalities introduced with this X-TRM release, participants are asked to verify, where applicable, at least the following scenarios:

- for settlement instructions derived from OTC transactions (including those related to CCPs that have enabled the H&R feature) with net and/or gross settlement, the possibility of setting to Hold status the related settlement instructions (compatibly with the cut-offs);
- for settlement instructions derived from trades that are not guaranteed by CCPs negotiated on market platforms that have enabled the H&R feature and with net and/or gross settlement, the possibility of setting to Hold status the related settlement instructions (compatibly with the cut-offs);
- for settlement instructions in Hold status, the possibility of setting them to Release status (compatibly with the cut-offs);
- for settlement instructions transferred from the net to the gross settlement systems, the application of the relevant H&R automatism if present;
- for settlement instructions to be re-submitted to gross settlement, the application of the relevant H&R automatism if present;

- for settlement instructions derived from OTC transactions and inserted or varied by indirect participants, the possibility for the settlement agent to set them to Hold status (compatibly with the cut-offs) and the application of the H&R Settlement Account profiles if present;
- the valorization of the Hold / Release indicators for the trading member and the counterparty in the information report (G56/G70); the presence of only instructions in Release status in the pre-settlement information report (G32);
- bilateral cancellation: for instructions that are not settled and re-submittable, the possibility for participants enabled to the bilateral cancellation function to cancel the instructions compatibly with the end validity date.

For clarification, Hold & Release variation requests will be accepted by X-TRM if the following conditions are met:

- the Hold & Release functionality is applicable to the settlement instruction (see chapter 4.1 above for details);
- the requesting party may use the Hold & Release feature (for instructions derived from OTC transactions the requesting party may be the direct or indirect participant to settlement. For instructions derived from trades negotiated on market platforms the requesting party must be the direct participant);
- the variation request is received during the X-TRM service hours and before the cut-off and the instruction has not been forwarded to settlement or, if it has already been forwarded to settlement, it is not settled and re-submittable.

4.3 Testing of the existing functionalities

Participants are also invited to verify, based on their specific roles, the existing X-TRM functionalities which have not been modified by this release.

5. TECHNICAL AND OPERATIONAL GUIDELINES FOR TESTING

5.1 Contact details

Participants may submit queries concerning the general characteristics of the service, functional aspects, and technical or network issues by sending an e-mail to ptst-so@montetitoli.it or by calling **(+39)02.33635-566**.

6. DAILY TESTING SCHEDULE

The testing day begins at 8.00 and ends at 19.00.

Any changes to the schedule will be promptly notified.

The following timetable summarizes the most significant times (CET) for the test environment.

System	Description	Time	
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	
	<ul style="list-style-type: none"> ✓ For DVP transactions ✓ For FOP transactions 	15.00 15.15	
	<ul style="list-style-type: none"> • Hold Release cut off for gross settlement transactions ✓ Per DVP transactions with L = T ✓ Per FOP transactions with L = T ✓ Per DVP or FOP transactions with L > T 	13.00 13.15 16.00	
	<ul style="list-style-type: none"> • Hold Release cut off for net settlement transactions ✓ Per DVP transactions with L = T + 1 ✓ Per FOP transactions with L = T + 1 ✓ Per DVP and FOP transactions with L > T + 1 	15.00 15.15 16.00	
	Closing of the system	19.00	
	PRE-SETTLEMENT	Information request starting from	09.30
		Closing of the system	15.30
Net settlement	Security and cash settlement overnight cycle (within the following time)	19.00	
	Start of daytime 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 daytime cycle	11.30	
Gross settlement	Opening of the system	08.00	

	Timeout for cancellation of failed transactions arising from the daytime cycle	13.00
	Closing of the system	14.30
M.T. CUSTODY	Opening of the system	08.30
	Closing of the system	14.30

7. TEST OUTCOME NOTIFICATION

Clients participating in the test session are invited to notify Monte Titoli of the outcome of the tests performed by sending an e-mail to client@montetitoli.it , specifying as object "X-TRM test results".