

SeDeX

Investment Certificates



“Investing in a certificate, with a single trade and a small amount, allows to access an investment strategy otherwise not easily achievable.”

SeDeX

Foreword

Innovative and highly flexible products

Investment certificates represent a very wide-ranging family of innovative and particularly efficient financial products.

Since they were first introduced in Italy ten years ago, certificates have developed significantly and constitute a growing percentage of investor assets.

Owing to their flexibility in adapting to new underlyings and incorporating new investment strategies, they are ideal instruments for optimising portfolios. Certificates are listed on the SeDeX market of the stock exchange and are easily accessible to all investors.

“A growing share of Italian investors portfolio.”

Diversification

Diversification instruments with limited capital

For investors who manage their savings autonomously, the investment certificate market provides a variety of financial solutions conceived for all investment needs. Certificates offer the possibility to invest, at a limited cost, in otherwise not directly accessible underlyings, such as emerging country indices, raw materials and currencies. The range of structures available on the market, in terms of different risk/return profiles, allows investors to find the instrument most suited to their risk propensity at the prevailing market conditions.

Tradability

Ease of access for optimisation of portfolios

Investment Certificates, as with all instruments listed on the SeDeX, are easily tradable during market trading hours. Whatever the chosen structure and reference underlying, all certificates can be purchased and sold at any time, in the same easy manner as shares are traded. Since the minimum tradable amount is low, investors are able to carry out investments even for small sums on niche structures and underlyings. Thus with a limited amount of capital it is possible, for example, to gain exposure to an entire stock index..

General features

How they work

They are financial derivatives

They refer to an underlying (shares, indices, commodities, currencies, interest rates)

They are normally issued by banks and are subject to issuer risk

They are passive management instruments. They replicate the trend in the underlying or the investment strategy incorporated in their structure and do not envisage active management elements such as funds

Many Investment Certificates are less risky than their reference underlying

They are issued on the basis of a prospectus approved by CONSOB or by another European authority

They are legally classed as bearer securities

They are traded in the SeDeX market of the Stock Exchange

What are they?

The Certificates are financial derivatives that offer the possibility to invest in any market of interest and incorporate structures ranging from the most simple passive replication of the trend in the underlying asset to more complex structures combining different components in order to implement certain investment strategies. The number of investment products and variety of available structures covered by this definition are now greater than ever. From a legal standpoint, since they are negotiable bearer securities, certificates are classed as securitised financial instruments.

Versions

Quanto: "quanto" is used to define those certificates whose underlying is expressed in a currency other than Euro, but which are structured in such a way as to avoid being subject to fluctuations in the exchange rate between the currency of the underlying and the Euro. These certificates relate only to the performance of the underlying in the reference market.

Autocallable: this is used to define investment certificates that provide for possible early repayment of the nominal value plus a premium, upon the occurrence of a certain condition (normally the underlying exceeding a specific level).

Cap: this represents a limitation on the certificate's participation in the upward trend of the underlying. In case of rises beyond such level, at maturity the investor will receive the Cap level.

The range of Certificates

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Most successful types of investment certificates.

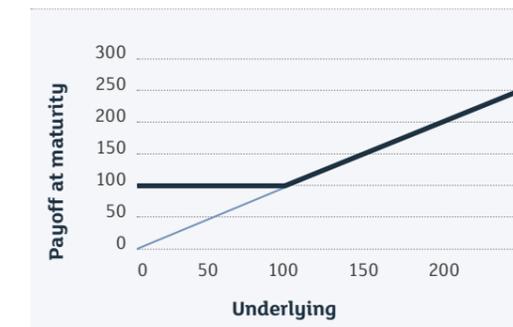
The Certificates enable holders, by way of a single financial instrument, to implement investment strategies otherwise reserved for institutional investors.

Below we consider the most successful structures made available to investors by SeDeX.

Equity Protection Certificates

Capital-protected instruments

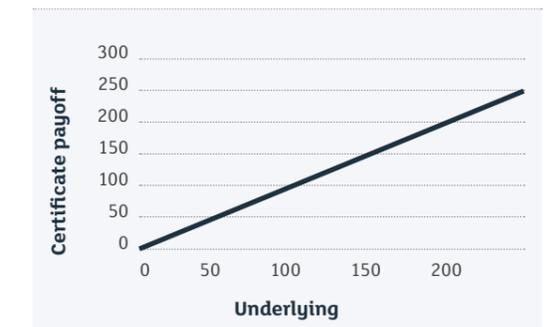
These offer the possibility to partially or totally protect the capital invested against the risk of a downturn and enable participation to a variable extent in upward trends, if any, in the underlying. This category of instrument is suitable for investors with bullish expectations, but with a low risk propensity.



Benchmark Certificates

Non-capital-protected instruments

These replicate the trend in the underlying asset, without leverage effect. For underlyings in non-Euro currencies the "quanto" version is possible. These are passive instruments which replicate the performance of the reference underlying, allowing investors to gain exposure to the market of interest, with a risk level similar to an investment in the underlying.



Legend
■ Certificate payoff
■ Benchmark

Equity protection certificates are less risky than their own underlying.”

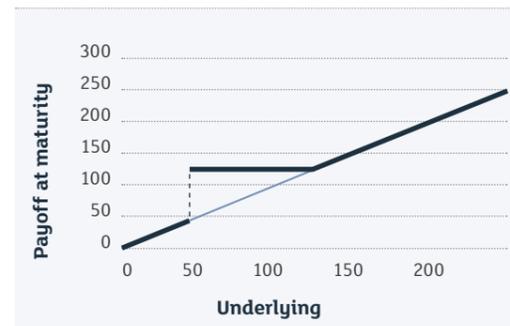
Bonus and express are the most traded types of certificates

Bonus Certificates

Conditionally-capital-protected instruments

These guarantee a minimum yield at maturity, referred to as the "bonus", with respect to the initial level of the underlying. In case of a downturn in the underlying, the minimum yield continues to be guaranteed provided that the underlying does not go below the barrier level, on reaching which the "bonus" ceases to apply and the instrument becomes a benchmark certificate.

Bonus Certificates enable participation in rises of the underlying, limiting the risk in the event of a fall and ensuring an attractive yield even in the case of stagnation of the underlying.



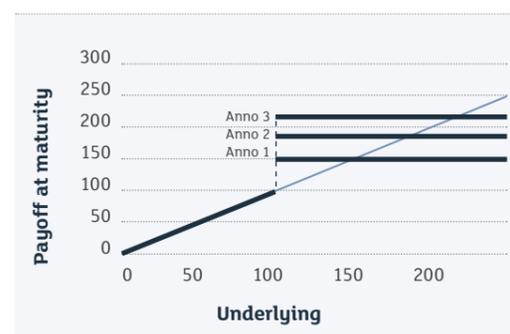
Legend
 ■ Certificate payoff
 ■ Benchmark

“They guarantee a minimum return at maturity, if the barrier event has not occurred.”

Express Certificates

Conditionally-capital-protected instruments

If, at set dates (six-monthly or annual) during the life of the certificate, the underlying rises above its initial level, express certificates will expire in advance and holders will be repaid the nominal value plus a premium. At maturity, if the underlying is below its initial value, the nominal value will in any case be repaid, provided that the underlying has not dropped beyond a second strike level. In such event the negative performance of the underlying is repaid.



Legend
 ■ Certificate payoff
 ■ Benchmark

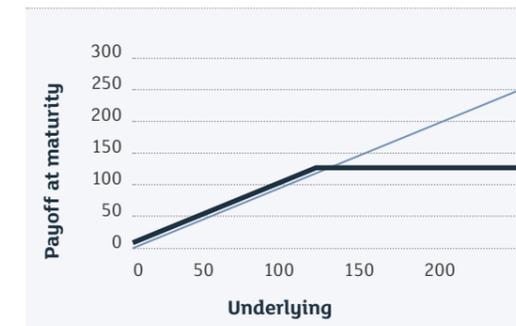
“In case of early redemption event, they redeem the nominal value increased of a premium.”

La gamma di certificati di investimento è in continua evoluzione

Discount Certificates

Non-capital-protected instruments

These follow in a linear manner the trend in the underlying, but differ from the benchmark, in that they allow the purchase to be made "at a discount", namely at a lower price with respect to the price quoted at the time of purchase. In case of an upturn, participation in the underlying's rises is however restricted to a certain pre-established level. This is suitable for investors that have limited growth expectations within a stable market context; in this case, a discount achieves a performance above that of the underlying.



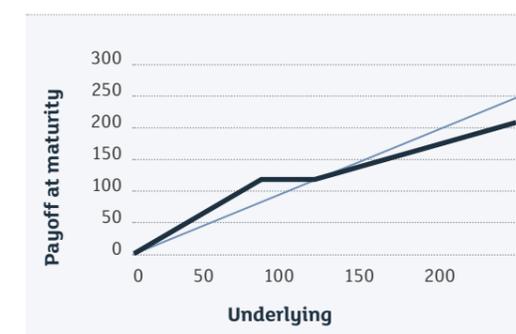
Legend
 ■ Certificate payoff
 ■ Benchmark

“They allow to buy the underlying at a discounted price.”

Airbag certificates

Conditionally-capital-protected instruments

These guarantee participation in rises of the underlying and protect in case of a downturn up to a certain level of protection. If the underlying drops below the protection level, the certificate participates in the downward trend, although to a lesser extent with respect to purchase of the underlying (so-called airbag effect that mitigates the fall). In some airbag certificates, participation in rises may be less than 100%.



Legend
 ■ Certificate payoff
 ■ Benchmark

“Airbag effect protects from small decreases.”

The underlyings

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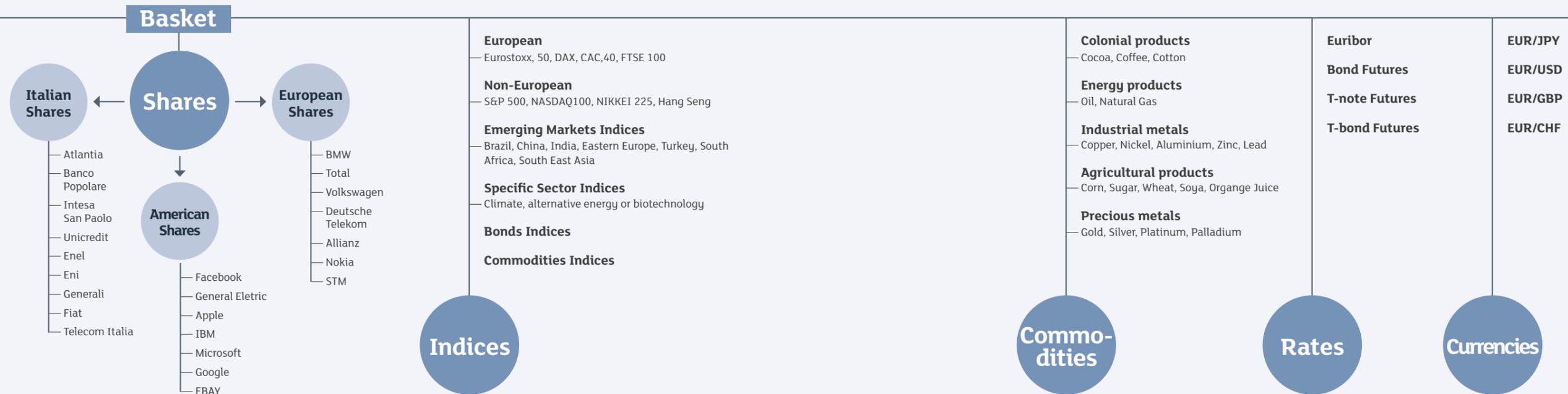
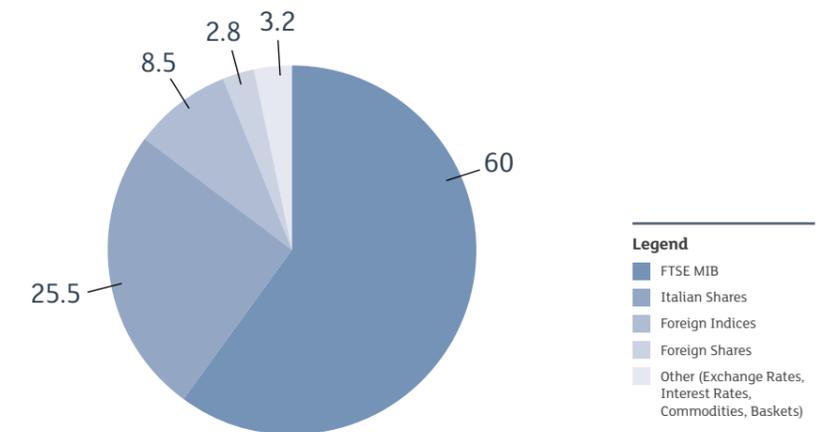
classes of different underlying assets

Certificates enable access to a vast range of underlyings (over three hundred), both domestic and listed on international markets. Not just shares and indices, but also exchange rates, interest rates, commodities and baskets.

Shares	Italian, European, American, Asian
Indices	FTSE MIB, European (Eurostoxx 50, DAX, CAC 40, FTSE 100), Extra-European (S&P 500, NASDAQ100, NIKKEI 225, Hang Seng), Emerging Markets (es. Eastern Europe, Russia, Brazil, South Africa, India, China e Southeast Asia), Bond Indices, commodities Indices and specific sectorial indices
Commodities	Energy (oil, natural gas), precious metal (gold, silver), Agricultural products and relevant futures
Rates	Official interest rates
Currencies	Main currencies exchange rates: EUR/USD, EUR/JPY, EUR/GBP, EUR/CHF
Basket	Basket of the above underlying assets
ETFs/Funds	ETFs and Funds

As of August 2013

Share (%) of volumes per underlying



SeDeX market

SeDeX is Borsa Italiana's regulated electronic market dedicated to the trading of certificates and covered warrants. Owing to the continuous quotations guaranteed by the specialists, investors can, at all times, sell the instruments purchased, increase their exposure or simply monitor the performance of their investment

Trading

As with all the other instruments listed on the SeDeX market, Investment Certificates can be purchased in a manner similar to shares.

Trading on the SeDeX is carried out continuously from 9.00 a.m. to 5.25 p.m. (without an opening

or closing auction). During continuous trading orders can be entered through a respective intermediary or online broker.

Trades are concluded via the automatic matching of buy and sell orders based on priority criteria firstly of price and then of time.

In case of partially executed orders, the residual portion remains on the book.

Settlement of contracts takes place at Monte Titoli on the third trading day following the execution of trades.

Specialist and liquidity

At any time during the continuous trading phase, investors will always find a price updated in real time and buy and sell orders entered by the specialist which can be used to conclude a trade.

SeDeX in fact requires the mandatory presence of a specialist who must undertake to observe the following quotation obligations:

- To constantly display updated buy and sell prices throughout the continuous trading phase (or in bid-only, for bid-only specialists);
- To restore quotations within a maximum of 5 minutes following partial or total allocation of a buy/sell order entered by the specialist, causing quantities to fall below the minimum;
- To quote a minimum quantity at least equal to that established by Borsa Italiana;
- To quote prices that do not differ more than the maximum spread (spread obligation). Spread Obligations do not apply to Investment Certificates of Class B.

“Market liquidity is assured by the specialist mandatory quotation obligations.”

Useful information

Borsa Italiana's website includes an entire section dedicated to the SeDeX market, which can be accessed from the homepage www.borsaitaliana.it by selecting “Quotes” followed by “CW & Certificates”.

From here it is possible to access the product sheets for individual instruments listed by keying in the instrument's ISIN code or via the search engine.

The product sheet sets out all information pertaining to the instrument, including market information such as the trading book and the security's performance.

It is also possible to view the latest listings, market news, barrier events, underlyings in which to invest, the newsletter, statistics, real-time volumes, prospectuses, issuers and related specialists and various educational documents concerning the products listed on the SeDeX.

“SeDeX assures clear, complete and promptly updated information on all listed products.”

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