

**M.T.S.**

**RULES FOR THE IMPLEMENTATION OF  
GOVERNMENT BOND MARKET REGULATIONS**

RULES FOR THE IMPLEMENTATION OF PART I OF THE REGULATIONS (General Provisions)

***Art.1. Definitions (Art. 1 Regulations)***

1. The definitions set forth in article 1 of the Regulations are hereby deemed to be included by reference in the Rules for the Implementation of the Government Bond Market Regulations.

RULES FOR THE IMPLEMENTATION OF PART III OF THE REGULATIONS (Dealers)

***Art. 2. Clearing and Settlement Service (Art. 10 a) Regulations)***

1. The Dealers may use any of the following providers of clearing and settlement services:

<b><i>Category of Financial Instruments</i></b>	<b><i>Clearing and Settlement Service Provider</i></b>
Italian government bonds	Monte Titoli Spa
Austrian government bonds	Euroclear Bank NV SA Clearstream Banking Luxembourg
Belgian government bonds	Banque Nationale de Belgique
Danish government bonds (in Danish Crowns)	VP Securities Service
French government bonds	Euroclear France
Finnish government bonds	Euroclear Bank NV SA Clearstream Banking Luxembourg
Greek government bonds	National Bank of Greece
Irish government bonds	Euroclear Bank NV SA Clearstream Banking Luxembourg
Dutch government bonds	Euroclear Bank NV SA Clearstream Banking Luxembourg
Portuguese government bonds	Euroclear Bank NV SA Clearstream Banking Luxembourg
Spanish government bonds	Iberclear
German government bonds	Euroclear Bank NV SA Clearstream Banking Luxembourg Clearstream Banking Frankfurt

(\*) The Management Board of the Company may decide to use one of the listed entities by previous written notification to the Dealers in the form of a Circular.

2. Indirect participation in the clearing and settlement service providers shall take place through an agreement to be attached as annex to the “User Agreement for Participation in the MTS Market” (“*Contratto di Prestazione di Servizi per la Partecipazione al Mercato MTS*”), entered into with another party pursuant to which the latter shall procure the clearing and settlement services, which are required for the execution of the trades entered into on the Market by the indirect participant.

***Art. 3. Criteria for calculation of net equity (Arts. 10.1, 2 a Regulations)***

1. In the absence of specific instructions by the regulatory entities, the net equity of Dealers for supervisory purposes shall be calculated on the basis of the criteria set forth in the international accounting principles issued by the International Accounting Standards Committee (I.A.S.C.).

***Art. 4. Verification of admission requirements (Arts. 10 and 11 Regulations)***

1. The existence of the requirements set forth in article 10 of the Regulations shall be investigated at the time of the examination of the application for admission.

2. Compliance with the net equity requirement will be investigated by the Management Company with reference to the applicant's most recent audited financial statements, or, if more recent, the most recent supervisory report.

3. The Management Company may establish that the applicant complies with the net equity requirement by obtaining a certificate from a public auditor enrolled in the register set forth in Article 161 of the T.U.F. In the case of E.U. Dealers, such certificate may be replaced by a similar certificate issued by a company authorized to conduct mandatory audits in the country of origin.

4. Compliance with the requirement for organizational suitability is determined based on specific requests by the Management Company for information and documentation relating to the technological systems, organizational structure and risk management.

***Art. 5. Procedure for admission to trading (Art. 11 Regulations)***

1. Any party wishing to be admitted to trading on the MTS Market shall submit an application to the Management Company in the form of the schedule set forth in the User Agreement for Participation in the MTS Marke, together with the documentation specified therein. Trading activities may commence on the date indicated by the Management Company.

2. If the annexed documentation is incomplete, the Management Company shall notify the applicant in writing and invite it to provide the missing documents. Until such missing documents have been provided to the Management Company, the period set forth in article 11, paragraph 3 of the Regulations shall be suspended.

***Art. 6. Acts prejudicial to the smooth operation of the Market (Arts. 12.1.c and 44 Regulations)***

1. Acts performed with a view to distorting the correct formation of prices shall be deemed to be prejudicial. This category of acts includes, without limitation, trading activities performed for the sole purpose of increasing market shares without taking significant financial exposure. In addition, acts or omissions which in any way hinder or prevent the due performance of obligations deriving from trades stipulated on the Market shall also be deemed to be prejudicial, including, among others, the failure to deliver securities and cash within the time periods set forth in article 36, paragraph 1.

2. Upon the occurrence of acts or omissions described in paragraph 1 above, the Management Company shall request information from the party concerned through the procedures established for such purpose, including, if it deems it appropriate, the information referred to in article 25, paragraph 1 of the Regulations.

**Art. 7. Fees (Art. 12.1.1 Regulations)**

1. The fee payable by each Dealer for the services provided by the Management Company shall be determined by the Management Company and shall be notified to the Dealers by way of Circular.

**Art. 8. Verification of the continued existence of admission conditions (Artt. 13 and 14 Regulations)**

1. The continued existence of the admission conditions shall be verified on an annual basis and in any case no later than 6 months from the end of the financial year.

2. The Management Company shall verify the continued existence of the net equity requirement on the basis of the most recent approved financial statements, or, if more recent, the most recent regulatory report.

3. A Dealer which, on the basis of the most recent approved financial statements or the most recent supervisory report, whichever is more recent, has a net equity of less than 1.5 times the minimum net equity required for the admission to trading, may also be made subject to verifications at intervals of less than one year. In such case, the verification may be performed on the basis of specific balance sheet information prepared by applying the same criteria as those used in the preparation of the annual financial statements.

4. The three-months period referred to in article 14, paragraph 3 of the Regulations shall run from the date of the notification of the failure to comply with the net equity requirement, or, if more recent, the date in which the Management Company ascertains the failure to comply with such requirement. The relevant Dealer shall promptly comply with the information requested by the Management Company during such period, and prior to the expiry thereof, shall provide evidence on its own initiative of the reinstatement of the minimum net equity required pursuant to article 10, paragraph 1, sub-section c) of the Regulations through a certificate in accordance with article 4, paragraph 3. Such Dealer may request a suspension from trading which the Management Company shall immediately grant. Such suspension shall not affect the obligations pursuant to article 7.

5. The verification of the continued existence of the organizational structure shall be conducted in accordance with the procedures set forth in article 4, paragraph 4, or any other simplified procedures determined by the Management Company.

**RULES FOR THE IMPLEMENTATION OF PART IV OF THE REGULATIONS (Trading)**

**Art. 9. Trading hours (Art. 17.5 Reg)**

**a) Cash segment**

**7.30 - 8.00: Pre Market phase**, during which only Primary Dealers are operating. During this phase, Primary Dealers can issue and amend their Proposals. Primary Dealers may only view their own Proposals.

**8.00 - 8.15: Preliminary Market phase**, during which all Dealers may operate on the basis of the user profile assigned to them. Automatic matching between Proposals is not operational during this phase.

**8.15 - 17.30: Open Market** phase, during which all Dealers may operate on the basis of the user profile assigned to them. Automatic matching between Proposals is active until the closing of the Market.

**17.30 - 7.30: Closed Market** phase, during which no operations may be performed.

**b) Repo segment**

**6.30 – 7.45: Pre-Market** phase, during which Proposals may be submitted, modified and cancelled. Each Dealer has only access to its own Proposals.

**7.45 - 18.30: Open Market** phase, during which all market operations may be conducted. Different trading hours can be established by the Management Company with respect to different Categories of Financial Instruments.

**18.30 - 7.00: Closed Market** phase. Until 18.45 only the determination of General Collateral transactions shall be permitted. Different closing hours can be established by the Management Company with respect to different Categories of Financial Instruments.

***Art. 10. Registration of trades (Art. 17.7 Regulations)***

1. The Management Company shall maintain a specific electronic archive in which data relating to trades concluded on the Market are recorded in real time. Each trade shall be allocated an identification number which identifies:

- a) the contracting parties;
- b) type, object and time and date of conclusion of the trade;
- c) quantity and price.

2. Authorized parties shall be entitled to consult the archive at any time.

RULES FOR THE IMPLEMENTATION OF PART V OF THE REGULATIONS (Settlement and Guarantee)

***Art. 11. Transmission of settlement instructions (Art. 19 Regulations)***

The Company shall provide the data required for the settlement of the trades concluded in the cash segment and the repo segment to the clearing and settlement service providers set forth in article 2.

Trades transmitted to Monte Titoli and not settled within the tenth day following the scheduled settlement date are deemed to have expired. Dealers may however settle expired unsettled trades pursuant to their contractual autonomy.

***Art. 12. Guarantee systems (Art. 20 Regulations)***

The Management Company uses the following entities for the provision of the Central Counterparty Services:

- a) LCH.Clearnet SA
- b) LCH.Clearnet Ltd
- c) Cassa di Compensazione e Garanzia (CC&G)

## RULES FOR THE IMPLEMENTATION OF PART VI OF THE REGULATIONS (Disclosure)

### ***Art. 13. Price fixings (Art. 21.2.e Regulations)***

The minimum, maximum and average weighted price as well as the traded volume of each Financial Instrument shall be calculated based on the trades concluded during the current hour and on the trades concluded in the the previous hours thereto for a reference period determined by the Management Company.

### ***Art . 13 bis MidPrice Information (Art. 21.2.e Reg.)***

Regarding the MidPrice Proposals, the Management Company shall not make available to the Dealers the quantity on the best bid and ask Proposals nor the information related to the next levels of Proposals.

### ***Art.14. List (Art. 21.5 Reg.)***

1. The list referred to in article 21, paragraph 5 of the Regulations shall be prepared at the close of each trading day (reference date) and shall be divided into three sections.

2. With respect to cash trades, the list shall include for each traded Financial Instrument:

- a) the identification code;
- b) the description;
- c) the minimum price;
- d) the maximum price;
- e) the average weighted price;
- f) the last trading price;
- g) the traded volume.

For certain Financial Instruments, the list may also set forth the yield corresponding to the price.

The list relating to the “mid price” trades pursuant to Article 22 of these Implementation Rules shall be calculated according to the same procedure provided in paragraph 2, in a separate section

3. With respect to repo trades, the list shall set forth the following with respect to each traded Financial Instrument:

- a) the identification code;
- b) the description;
- c) the minimum rate;
- d) the maximum rate;
- e) the average weighted rate;
- f) the traded volume.

4. The information described in the paragraphs above is provided on the basis of all trades concluded on MTS on the reference date, provided however that trades with a nominal value below the minimum trading lot shall not be included, as well as cancelled contracts and contracts concluded at prices which are obviously incoherent with market movements, as determined by the Management Company.

RULES FOR THE IMPLEMENTATION OF PART VII OF THE REGULATIONS (Supervision and Disciplinary Measures)

***Art. 15. Disciplinary measures (Art. 24.7 Regulations)***

The remuneration for the Wise Men Committee (“*Collegio dei Probiviri*”) and any other consultants used by the Wise Men Committee shall be determined on a case by case basis taking into account the importance of the subject matter and the required activity, as well as the complexity of the issue, the speed of the proceedings, the number and duration of meetings, and the requirement to perform audits and investigations as opposed to proceedings based exclusively on documents. In any event, the hourly rates of partners in leading international law firms shall be used as indicators.

RULES FOR THE IMPLEMENTATION OF PART VIII OF THE REGULATIONS (Cash segment)

***Art. 16. Review of requirements for the registration in the Primary Dealers’ Register (Art. 28 Regulations)***

1. Compliance with the requirements shall be reviewed in accordance with the procedures set forth in article 4, paragraphs 2, 3, and 4.
2. The Market trading volume shall be determined directly by the Management Company on the basis of data from the Screen-Based Trading System. If necessary, the Management Company shall obtain certificates from the entity set forth in article 4, paragraph 3 with respect to trading activities outside of MTS.

***Art. 17. Verification of continued existence of requirements for registration in the Primary Dealers’ Register (Artt. 28 and 30 Regulations)***

1. The verification of the continued existence of the requirements for the registration in the Primary Dealers’ Register shall mirror the corresponding proceedings set forth in article 8, paragraphs 1, 2, 3 and 4. With respect to the ascertainment of the trading activities outside of MTS, article 16, paragraph 2 shall apply.

***Art. 18. Procedure for the re-registration in the Primary Dealers’ Register (Art. 31 Regulations)***

1. In the event that a party previously cancelled from the Primary Dealers’ Register submits an application for the re-registration in such Register, the Management Company shall evaluate the grounds for such cancellation and their severity on a case by case basis and shall base its decision on whether to allow the re-registration of such Dealer in such Register.

***Art. 19. Limitation of the Primary Dealers’ commitments (Art. 29.1 Regulations)***

1. The market-making obligations of the Primary Dealers set forth in article 29 of the Regulations shall be limited to the cash trading of Italian Government bonds referred to in article 4, paragraph 2 of the Regulations.
2. Upon request of a Dealer pursuant to article 29, paragraph 1 of the Regulations, the Management Company shall extend or restrict such obligation to the cash trading of Financial Instruments of a certain Category.

**Art. 20 Procedures for the allocation of Financial Instruments (Arts. 29.3, 29.4, 29.5 Regulations)**

1. The allocation of Financial Instruments to each of the Primary Dealers shall be based on the following criteria:
  - a) Each month, every Primary Dealer shall be assigned a number of securities equal to 20% of each Category and class of liquidity.
  - b) For each Financial Instrument, a maximum quotation bid/offer spread shall be determined, depending on the Category and class of liquidity of such instrument, as shown in the chart below:

<b>Segment</b>	<b>Bucket</b>	<b>Liquid (ticks)</b>	<b>Not Liquid (ticks)</b>
<b>BTP</b>	A (< 3.5yrs)	8	14
	B (3.5-6.5yrs)	10	24
	C (6.5-13.5yrs)	14	32
	D (>13.5yrs)	40	60
<b>BTPi</b>	A (< 3.5yrs)	15	
	B (3.5-6.5yrs)	20	
	C (6.5-13.5yrs)	25	
	D (>13.5yrs)	45	
<b>CCT</b>	No bucket	10	24
<b>CTZ</b>	No bucket	8	

- c) Each Primary Dealer shall be required to make Proposals on allocated Financial Instruments visible for five hours during the Open Market phase in accordance with the bid/offer spread of each Category and class of liquidity.
2. Any changes shall be resolved upon by the Management Board and shall immediately be published by Circular.

**Art. 21. Primary Dealers' Proposals relating to Categories of Financial Instruments other than those allocated to them (Art. 29.7 Regulations)**

A Primary Dealer may formulate one or more Proposals on the Market with respect to Financial Instruments other than those allocated to it. In this case, the Primary Dealer shall be required to comply with the same requirements regarding the quotation times applicable to allocated securities.

**Art. 22. Proposal management (Art. 33 Regulations)**

1. Proposals shall comprise the following categories:

- a) Double-sided: simultaneous buy and sell Proposals
  - b) Fill and Store (FAS): individual buy or sell Proposals
  - c) Mid price: single buy or sell Proposals, sent at a price calculated by the electronic System using the bid and offer price on the Best page of MTS market. Such price is calculated by the System, with the formula  $Bid + ((Ask-Bid)*50\%)$  only upon meeting all the following parameters, none excluded, considered in the calculation algorithm, concerning:
    - the minimum depth of the book (number of price levels present);
    - the minimum time of permanence of the prices in the book;
    - the number of price levels to be considered for the calculation;
    - the maximum level of the bid and offer spread defined for each individual type of financial instrument.
2. The Double-sided and FAS Proposals for each Financial Instrument are classified by the Screen-Based System by price, and in the case of identical prices, by the volumes underlying the Proposals, which shall be aggregated to a single value on the Depth pages and the Best Page. Processing priority of the aggregated Proposals shall be based on the chronological order of input of each Proposal into the Screen-Based Trading System: Same criterion of processing priority is adopted for the proposals with "mid price" modality, which is, however, published in a separate order book, not visible to the market.

***Art.23 Order Management (Art. 34 Regulations)***

Orders are divided into the following categories:

- Fill and Kill(FAK): may be executed in full or in part. In the case of partial execution-or non-execution, the remaining quantity shall be cancelled.
- All or Nothing (AON): may only be executed for the full amount of the Order, and shall otherwise be cancelled.
- "Mid price" Proposals may be applied through the two categories of Orders

***Art. 24. Conclusion of trades (Art. 35 Regulations)***

1. Orders shall be submitted by indicating the volume and "exclusion price", which shall be the price until which the best conditions for the party submitting the Order are satisfied and which represents the threshold for such party to enter into a trade. The Order shall be executed automatically up to the "exclusion price" (included).
2. Without prejudice to the "exclusion price", the matching of a Proposal and an Order until the desired volume is reached which results in the conclusion of a trade shall occur, in accordance with the following criteria:
  - a) the available Best price is applied;
  - b) if there are more than one Proposal at Best price at such moment in time, the matching is effected in accordance with the chronological order of submission of the Proposal, starting from the oldest Proposal until the most recent;
  - c) if the entire volume of the Order is not matched following the application of the above criteria, the price closest to the Best price shall be applied.
3. The provisions set forth in the paragraphs above shall also be applied in connection with the entering into

trades through the matching of two Proposals.

4. The acceptance of Orders lower than the minimum trading lot shall be at the discretion of the Primary Dealer.

5. The “mid price” trades are executed exclusively between Primary Dealers and only at the “mid price” defined in Article 22, paragraph 1 of these Implementation Rules, through the matching of “mid price” Proposals and Orders (both FAK and AON) or between two “mid price” Proposals of opposite sign. The execution modalities, insofar as applicable, are those defined in paragraph 2 above. The conclusion of “mid price” trades has no interaction with the conclusion of other trades.

***Art. 25. Cancellation of trades (Arts. 18, 23.2, 44.1.b) MTS Regulations)***

1. The cancellation of erroneous trades shall be carried out by the Management Company on the basis of mutual written requests by the relevant parties to be sent by email to the Management Company prior to the closing of the Market or immediately afterwards.

2. If the trade cancellation is requested by only one counterparty to a trade, the following procedure shall apply:

- a) The cancellation request shall be notified by one of the parties to the Company and the other party by telephone or email within 15 minutes of the execution of the trade. In any case it must be confirmed by email. Upon the receipt of the notification, the Company shall immediately contact the trade counterparty with respect to such cancellation.
- b) If the counterparty confirms its agreement to such cancellation request within 15 minutes of receipt, the request shall be treated as a bilateral cancellation request and shall be executed by the Company.
- c) In the event that the other counterparty does not respond within such time or does not agree with the trade cancellation request, in order to proceed with the cancellation the Company will ascertain whether a unilateral cancellation can be performed.
- d) In order to qualify for unilateral cancellation a trade must be proved beyond doubt to deviate considerably from the Fair Market Value of the security in question at the time of execution. To be “inconsistent” with the market value, the trade must have been executed at a price that deviated by more than 50% of the average bid/offer spread from the Fair Market Value of the bid or offer on a specific instrument at the time of its execution.
- e) **Ascertaining Fair Market Value**
  - i. The Company shall ascertain the Fair Market Value of the security in question by immediately requesting five (5) firm two-way inter-dealer electronic quotes for that instrument at the time of execution of the trade
  - ii. The five banks consulted are appointed by the Market Committee and exclude either party of the disputed transaction (the “Selected Participants”).
  - iii. The Selected Participants shall respond to a request in relation to Fair Market Value within 15 minutes by return email.
  - iv. The Company will discard the bid/offer couple containing the highest bid and the bid/offer couple containing the lowest offer and calculate, truncating the result to the third decimal and then rounding to the second one, the average of the remaining bid prices and the average of the remaining offer price, which will determine the Fair Market Values.
  - v. Starting from the Fair Market Values, the Company will then calculate the relevant spread (average bid offer spread).

- f) Once Fair Market Value is ascertained, the trade price in question will be considered to be inconsistent with the Fair Market Value if it deviates by more than 50% (of the average bid offer spread) from the Fair Market Value of the bid or offer – whichever is relevant.

More in details:

- Error sale** (i.e. cancellation request is made by the seller):

Should the price at which the trade was made be lower than the fair bid price by more than 50% of the above defined spread at the time of the execution of the trade, then the transaction will be cancelled.

- Error purchase** (i.e. cancellation request is made by the buyer):

Should the price at which the trade was made be higher than the fair ask price by more than 50% of the above defined spread at the time of the execution of the trade, then the transaction will be cancelled.

*Example:*

Italian BTP 4.750 1 February 2013

The following Best bid-offer prices were on the best page – 107.15/110.25

Seller aggresses bid at 107.15 and then reports it as an error trade (being an error sale).

Following a poll of five market participants, the five quotes are as follows:

- 108.60/109.60
- 108.50/109.65
- 107.90/109.50
- 108.25/109.30
- 108.30/109.20

The couple with the highest bid and the couple with the lowest offer are thrown out which leaves the following:

108.50/109.65  
107.90/109.50  
108.25/109.30

Then, starting from the remaining bid and offer prices, the average bid and the average offer prices are calculated, truncating the result to the third decimal and then rounding to the second one,

- **Avg Bid** =  $(108.50 + 107.90 + 108.25)/3 \Rightarrow 108.22$  truncated to the 3rd and rounded to the 2<sup>nd</sup> which determines the Fair Bid Market Value
- **Avg Offer** =  $(109.65 + 109.50 + 109.30)/3 \Rightarrow 109.48$  truncated to the 3rd and rounded to the 2<sup>nd</sup> which determines the Fair Offer Market Value

Therefore the remaining values are 108.22/109.48 that bring to an **average bid/offer spread** of 126 cts

Applying the 50% deviation margin to the average bid/offer spread (126 cts) the following bid and offer limits are obtained.:

107.59/110.11

The sale executed at 107.15 will be cancelled as the low parameter is 107.59 i.e. all sales < 107.59 may be cancelled should that be requested by the seller in the present example.

- g) If after following the above procedure, the reported trade in question is proven to be off the Fair Market Value based on the criteria listed above, the Company perform the unilateral cancellation of the trade in question in order to maintain a fair and orderly market and avoid the unfair penalisation of members for genuine errors.
- h) The Company will inform the counterparties to the trade in question via telephone (with confirmation via e-mail) of its decision regarding the cancellation request within 45 minutes from the notification of the trade cancellation request.
- i) In the event of transactions carried out on an anonymous basis between two counterparties which use the Central Counterparty Service, the Company is entitled to reveal the identities in order to resolve the trade dispute, if deemed useful to resolve the trade dispute.

3. In the event of a MMI, the Management Company shall cancel the trades affected by such MMI. In connection with such cancellation, the Management Company shall also be entitled to take into account trades entered into outside of the MMI period but affected by the Market malfunctioning; and shall also be entitled to determine that trades entered into during the MMI period have remained unaffected by such MMI. The Management Company may at its discretion consult the Dealers the trades of which have or may be affected by a MMI.

The Management Company shall inform the Dealers and the supervisory authorities in a timely manner of the occurrence of a MMI and shall specify the time of the commencement and end thereof. The parties of the trades subject to cancellation shall be notified within the close of the trading day, unless force majeure prevents such notification.

4. The Management Company shall on its initiative cancel trades or correct data transmitted in accordance with the Regulations which relate to securities the issuance of which has been announced by the issuer and which have not been issued or where the volume of the issuance is significantly lower than announced.

#### RULES FOR THE IMPLEMENTATION OF PART IX OF THE REGULATIONS (Repo segment)

##### ***Art. 26. Proposal management (Art. 39 Regulations)***

Only single side buy or sell Proposals may be submitted.

##### ***Art. 27 Order management (Art. 40 Regulations)***

Orders are divided into the following categories:

- Fill and Kill(FAK): may be executed in full or in part. In the case of partial execution – or non-execution – the remaining quantity shall be cancelled.
- All or Nothing (AON): may only be executed in full, and shall otherwise be cancelled.

##### ***Art. 28. Conclusion of trades (Art. 41 Regulations)***

1. Orders submitted with respect to active Proposals shall be valid for a maximum period of time established by the Management Company. An order which is neither accepted nor refused prior to the expiry of the maximum time limit will be automatically accepted by the system after the time limit.

***Art. 29. Definition of General Collateral (Art. 42 Regulations)***

1. With respect to “general collateral” transactions relating to the Italian Government bonds the maximum number of securities to be delivered in relation to the amount of the transaction is as follows:
  - For transactions from Euro 0 to Euro 10 million :maximum 2 securities;
  - For transactions from Euro 10 million to Euro 75 million: maximum 5 securities;
  - For transactions from Euro 75 million to Euro 125 million: maximum 10 securities;
  - For transactions from Euro 125 million to Euro 500 million: maximum 20 securities;
  - For transactions in excess of Euro 500 million: maximum 30 securities.
  
2. With respect to large “general collateral” transactions relating to the Italian Government bonds, the minimum amount of securities to be delivered is as follows:
  - All securities except for one shall be delivered for an amount equal to or in excess of Euro 75 million;
  - Only one security may be delivered with respect to amounts not exceeding Euro 75 million.
  
3. With respect to “general collateral” transactions relating to foreign government bonds, the minimum amount of securities to be delivered shall be as follows:
  - All securities except one shall be delivered for an amount equal to or in excess of Euro 25 million;
  - Only one security may be delivered for an amount not exceeding Euro 25 million.
  
4. “General collateral” transactions shall be defined by specifying the securities to be delivered within two hours from the execution of the trade. Transactions entered into less than two hours prior to Market closing time shall be defined prior to such closing time.

***Art 30. Cancellation of transactions (Arts. 23.2 e 44.b Reg)***

**1. Notification of Error trades**

The Management Company must be informed of error trades as soon as possible and no longer than 30 minutes from the time of execution. The Management Company will endeavour to resolve the trade dispute within one hour of the trade execution.

**2. Bilateral Agreement to Cancellation**

The Management Company will in all cases attempt to arbitrate and reach bilateral agreement for any trade cancellation request.

Management Company, as soon as possible, will notify the counterparty to the trade that the trade is under review and request that they agree to the cancellation. If there is agreement, then the request will be treated as a Bilateral Cancellation and the trade will be cancelled immediately on receipt of email confirmation.

The counterparty has 10 minutes to reply and if they do not or they do not agree to a bilateral cancellation then the Management Company will follow the procedure below to ascertain whether unilateral cancellation is valid.

In the event of transactions carried out on an anonymous basis between two counterparties that use the Central Counterparty Service, the Management Company shall apply the procedure described above without disclosing the identities of the parties, unless the Management Company deems useful to reveal the identities in order to resolve the trade dispute.

**3. Unilateral Cancellation Procedure**

- a) In the event that agreement cannot be reached on the Bilateral cancellation of a trade the following procedure will be used to ascertain whether a unilateral cancellation can be performed.
- b) In order to qualify for unilateral cancellation a trade must be proved beyond doubt to deviate considerably from Fair Market Value of the security and term in question and to cause a financial loss greater than a certain monetary value threshold, as indicated in letter d). Fair Market Value is defined using the following three steps:-
- o Comparison with last trade executed in same Security/Term *in a size no less than €25m* within the previous 5 minutes.
  - o In the absence of trades within the five minute window, comparison is made with the best proposal *in a size no less than €25m* at the time of the trade execution and on the same side (Bid or Offer). I.e. If the suspected error trade was caused by aggression of a Bid, then the next best Bid is considered. If suspected error trade was caused by aggression of an Offer then the next best Offer is considered.
  - o If there are no trades and no proposals against which an accurate picture of Fair Market value can be formed then the Management Company will immediately request of five member banks their opinion as to fair market value at the time of trade execution.
    - The Management Company will discard the highest and lowest values and calculate the average from the remaining three rates to determine Fair Market Value.
    - The five banks consulted are chosen from the top ten banks trading on the MMF Repo Market, by volume in the previous calendar year, and exclude either party of the disputed transaction.
- c) If after following the three steps above, due to market volatility and the inability of the banks surveyed to make a price, the Management Company is still unable to ascertain Fair Market Value then the Management Company will not be able to proceed with a unilateral cancellation.
- d) Once fair market value is ascertained the alleged error trade must also be shown to deviate from this value by the following amounts and to cause a financial loss greater than the relevant monetary value threshold to qualify for unilateral cancellation:
- Specific trade up to 1 Week in duration by over **100** basis points and causing a financial loss greater than **€2,500**.
  - Specific trade greater than 1 Week and up to 3 Months in duration by over **50** basis points and causing a financial loss greater than **€5,000**.
  - Specific trade greater than 3Months and up to 1 Year in duration by over **25** basis points and causing a financial loss greater than **€5,000**.
  - GC Trade up to 1 Week in duration by over **20** basis points and causing a financial loss greater than **€5,000**.
  - GC Trade greater than 1 Week and up to 3 Months in duration by over **10** basis points and causing a financial loss greater than **€10,000**.
  - GC Trade greater than 3Months and up to 1 Year in duration by over **10** basis points and causing a financial loss greater than **€10,000**.
- e) If after following all of the steps above the reported error trades is proved to deviate significantly from Fair Market value based on the criteria listed above and to cause a financial loss greater than the monetary value thresholds listed above, the Management Company will enforce the unilateral cancellation of the trade.  
The Management Company will inform the interested parties via telephone (with confirmation via e-mail) of its decision regarding the cancellation request within 60 minutes from the notification of the error trade.

#### **4. Major Markey Incident**

In the event of a MMI, the provisions of article 25, paragraph 3 shall apply.