

BONDVISION EUROPE MTF

(Cash segment and GCM segment)

MARKET RULES

EFFECTIVE AS OF 7 AUGUST 2020



SECTION I

GENERAL PROVISIONS

1. Definitions

In these Market Rules the following expressions have the following meanings:

“Applicable Laws”	means all applicable laws, regulations, regulatory requirements (including any guidance, orders or other directions of a regulatory authority), Market rules and / or Market conventions
“BondVision mid-price” or “BV Mid”	Means the BondVision mid-price derived from the Inventory Quote displayed in the Market
“Capital”	means Tier 1 regulatory capital or the equivalent, as defined under the Capital adequacy regime of the Participant’s home state regulator
“Cash Segment”	means one of the two segments in which this market is divided and where Financial Instruments are available for trading
“CCP”	means the central counterparty services selected by MTS
“Click to Trade	Means a functionality of the Market, rather than the RFQ functionality, allowing an End User to send an Executable Order to a single Dealer
“Credit Institutions”	shall be defined as per point (1) of Article 4(1) of Regulation (EU) No 575/2013
“Dealer”	means a Participant authorised by MTS to trade on the Market through Quotes

“Dealer Page”	means a functionality allowing Dealers to stream bilaterally Subject Quotes to selected End Users
“Domestic Markets”	shall be defined to refer to the segments of the MTS Cash Domestic Market MTF
“EEA”	means the European Economic Area
“Executable Order”	means an actionable indication of interest sent by a End User to a Dealer within the Click to Trade functionality of the Market;
“Executable Quote”	means an actionable indication of interest sent by a Dealer to a End User within the Request for Quote functionality of the Market
“Execution Phase”	within the RFQ functionality it means the time period following the Quote Collection Phase up to the point where a Trade is executed or the RFQ elapses
“End User”	means a participant authorised to make quote requests
“Fair Market Value”	has the meaning ascribed to it in Articles 4.8 and 4.9 of these Rules
“Financial Instrument”	means the Financial Instruments referred to in Article 2.1 of these Rules
“GCM segment”	means one of the two segments in which this market is divided and where Repo Contracts are available for trading
“Group”	means the group of companies in accordance with article 11 of the Financial Consolidated Act
“Indicative Quote”	means a non-actionable indication of interest sent by a Dealer to an End User within the Quote Collection Phase

“Inventory Quote”	means a non-actionable indications of interest sent by a specific Dealer to a specific End User within the Click to Trade functionality
“Large in Scale”	means the threshold set from time to time by ESMA in relation to a Financial Instrument, in accordance with Article 9(1)(a) of MiFIR Regulation
“Liquid”	means a Financial Instrument for which ESMA has from time to time classified as having a liquid market, as defined in Article 2(1)(17) of MiFIR Regulation
“Market Rules”	means these Market Rules as may be made, amended or replaced from time to time by MTS
“Market”	Means the electronic platform organised as a multilateral trading facility managed by MTS and denominated BondVision Europe MTF
“Membership Documentation”	means the Application form and the Annexes thereto submitted by Participants to MTS
“MiFIR Regulation”	Regulation (EU) No 600/2014 of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Regulation (EU) No 648/2012
“Minimum Trading Size”	means the minimum quoting and trading quantity for Quotes and Orders as determined by MTS
“MTS”	means MTS S.p.A market management company with registered office in Rome, Via Tomacelli 146.
“MTS Italy”	The regulated market for trading of government bonds operated by MTS S.p.A.
“Multilateral Trading Facility or MTF”	Multilateral Trading Facility pursuant to Article 77-bis of the Consolidated Act on Finance

“Order”	means the acceptance, whether whole or partial, of a Quote, transmitted via the Market and processed immediately by the Market; an Order can be an Executable Order or a Request for Quote
“Participant”	means all participants accepted by MTS to participate in any of the segments of the Market;
“Price”	in respect of the sale of a Financial Instrument traded on the Market means the amount representing the percentage of the nominal amount of the Financial Instrument payable in respect of such sale which may also be expressed by reference to yields unless explicitly stated otherwise;
“Primary Dealer”	means a firm that is allowed by a debt management office to buy government securities directly from the relevant government body also with the intention of reselling them. Debt management offices generally maintain a list of primary dealers. As an example in the following countries Primary Dealers are known as: “Primary Dealers” in Italy, “Specialiste des Valeurs du Tresor” (SVT) in France, “Bietergruppe Bundesemissionen” in Germany, “Operadores Especializados em Valores do Tesouro” (OEVT) in Portugal, “Mediadores del Mercado de Deuda Publica” in Spain, and “Gilt-edged Market Makers” (GEMMs) in the United Kingdom
“Quote”	means the double-sided or single-sided offer to buy or sell a Financial Instrument or Repo Contract via the Market with specification of the quantity and the Price quoted and the security that is intended to trade; a Quote can only be made by a Dealer or Quote Provider; in the Cash Segment Quotes can be either Indicative, Inventory or Executable
“Quote Collection Phase”	Within the RFQ functionality means the time period between a request for quote from an End User and either the initiation of the Execution Phase or the conclusion of

the RFQ (by means of expiration or cancellation by End User or MTS)

“Quote Provider”

means a Participant authorised by MTS to trade on the Market through Orders and/ or Quotes on the GCM Segment, subject to the obligations and commitments established under these Market Rules

“Quote Requester”

means a participant authorised to initiate quote requests and use Trade Registration facility on the GCM Segment

“Rate”

means the interest rate proposed within an Order or Quote submitted by a Participant or agreed between two Participants in a Trade

“Repo Contract”

means a repurchase agreement in which the seller of a transferrable security(s) agrees to repurchase from the buyer on an agreed date in the future at a price agreed on Trade Day the fungible transferrable security(s), subject to their availability for trading by Participants on the Market as specified within these Market Rules

“Request for Quote or RFQ”

means a request under Article 4.2 with regard to Financial Instruments and Article 4.5.4 in relation to Repo Contracts

Regolamento Mercati

Consob regulation no. 16191 of 29 October 2007 “Regulation implementing legislative decree no. 58 of 24 February 1998 on markets, as amended from time to time”

“Size Specific to the Instrument” or “SSTI”

means the threshold set from time to time by ESMA in relation to a Financial Instrument, in accordance with Article 9(1)(b) of MiFIR Regulation

“Technical Specification”

means a series of technical documents, including the so called Technical Bulletin, or any one thereof, published on a web based portal (known as MTS Technology Portal), whose access codes are made available to the Participant, as amended and integrated from time to time by MTS,

describing the functionalities and operations of the relevant Market

Testo Unico Bancario o TUB

Legislative Decree no. 385 of 1 September 1993 “Banking Act”

Testo Unico della Finanza o TUF

Legislative Decree no. 58 of 24 February 1998 “Financial Consolidated Act” as amended from time to time

“Trade”

shall mean the matching of an executable Quote and an Executable Order or the acceptance by an End User or Quote Requester of a firm Quote displayed by a Dealer or Quote Provider following a Request for Quote or the acceptance of a Trade Registration by both counterparties;

“Trade Registration”

shall mean the protocol used for the registration of Trades bilaterally negotiated outside of the Market but in accordance with these Rules

“Trading Day”

means a day on which Financial Instruments or Repo Contracts may be traded on the Market

“Trading Hours”

means the hours of the Trading Day during which Financial Instruments or Repo Contracts may be traded on the Market

“TriParty Repo”

means a transaction for which post-trade processing - collateral selection, payment and settlement, custody and management during the life of the transaction - is outsourced by the participants to a Trade to a third-party agent

“TriParty Basket”

means a basket of transferrable securities acceptable to the two Participants to a TriParty Repo transaction

1.2. Market Rules

1. The objective of these Rules is to regulate the organisation and operation of the Market by establishing the relevant terms and procedures. In particular a) the terms and procedures for admission, exclusion and suspension of Financial Instruments from trading; b) the terms and procedures for admission, exclusion and suspension of Participants from trading, c) the terms and procedures for conduct of trading and the operation of the associated services, d) the procedures for publication and circulation of information, and e) the procedures for supervision and relevant sanctions. These Rules, as updated from time to time, are available on MTS website **www.mtsmarkets.com/Documents/Market-Rules** .
2. The relationship between MTS and the Participants concerning participation in trading on the Market shall be governed by the Membership Documentation, which the Participant knows, understands and accepts, having examined them on the MTS website at **<http://www.mtsmarkets.com/resources/membership-general-terms-and-conditions>** and having had the opportunity to discuss them with MTS. Additionally, the Participants shall examine the technical documentation, available to all Participants in the Technical Portal.
3. Participants are required, when applicable, to pay fees for the services provided in accordance with the amounts, intervals and time limits established by MTS on the basis of transparent, non-discriminatory criteria and indicated in the Fee Schedule.
4. References herein to an Article shall mean an Article of these Market Rules.
5. The Market is divided in two separate segments, the Cash Segment and the GCM Segment, these Rules, unless otherwise specified, shall apply to both segments.

SECTION II

FINANCIAL INSTRUMENTS

2.1 Financial Instruments

1. MTS may make available for trading on the Cash Segment the following Financial Instruments provided that they comply with the criteria indicated in point 2 below:
 - a) Government Securities, meaning Financial Instruments issued by governments in their local currency;
 - b) Sovereign Securities, meaning Financial Instruments issued by governments in a currency other than their local currency;
 - c) Quasi Government Securities, meaning Financial Instruments issued by a supranational issuer or backed by a public guarantee;
 - d) Covered bonds, meaning Financial Instruments collateralised with mortgages and/or public sector loans, issued by banks;
 - e) Corporate bonds.

2. Financial Instruments shall:
 - a) be listed or admitted to trading on a regulated Market or on a multilateral trading facility within the European Union or on the London Stock Exchange;
 - b) be denominated in Euro and/or in any other currencies as determined by MTS;
 - c) be registered with the relevant central securities depository, eligible for settlement and freely transferable;
 - d) have one of the following types of coupon: fixed coupon bearing, zero coupon bonds, and variable coupon;
 - e) with the exception of Government Securities, satisfy additional internal MTS requirements in terms of anti-money laundering provisions and availability of enough information to investors.

MTS can, by issuing a motivated measure, in order to maintain an orderly market and to ensure adequate investors' protection, apply additional criteria if deemed useful.

In accordance to the provision of article 66-ter, section 1, TUF, financial instruments that at any time do not comply any-longer with the parameters indicated here above can be suspended from trading.

3. The full list of the Financial Instruments is available, as updated from time to time, on the trading platform. MTS will use reasonable endeavours to inform Participants of any change of the category of Financial Instruments available on the Market by electronic communications. MTS shall periodically review the Financial Instruments available on the Market.

4. On the GCM Segment MTS may permit Participants to trade Repo Contracts on the following transferrable securities as collateral:
 - a) The categories of Financial Instruments indicated in 2.1.1 above, negotiated either i) as individual ISINs; or ii) as part of a General Collateral Basket; and
 - b) Any other transferrable securities traded as Tri-Party Baskets.

5. MTS, upon request by the competent Authority , shall suspend or remove from the Market any Financial Instruments. Additionally for the purpose of maintaining orderly and fair market conditions, MTS shall have the right to suspend or remove from the Market any Financial Instruments. Suspension or removal of Financial Instruments can also be based on the request of one or more Participants or due to extended lack of trading or as a result of the implementation of Circuit Breakers required in accordance with Art. 48(5) of MiFID II and of the ESMA Guidelines (Calibration of circuit breakers and publication of trading halts under MiFID II) in order to maintain an orderly market. MTS indicates the criteria for the implementation of circuit breakers in the Regulatory Specifications.

2.2 Minimum Trading Size

1. The Minimum Trading Size for each Financial Instrument shall be determined by MTS and made available in the relevant reference data on the Market. Where feasible, MTS shall endeavour to communicate any changes in advance.

SECTION III

PARTICIPANTS

3.1 Participants admission criteria

1. The following institutions may be admitted to trading on the Market:
 - a) Credit Institutions and investment firms authorised as such in a country which is a member of the European Union;
 - b) Credit Institutions and investment firms authorised as such in a country which is not a member of the European Union, and which, in line with article 67 TUF or with any other laws and regulations applicable to the relevant Participant, are allowed to access an MTF like BondVision Europe MTF;
 - c) other persons or firms referred to in article 4-terdecies of TUF which are allowed to trade on a MTF exempted from the authorization requirements such as: monetary authorities, central banks, supranational institutions, public bodies charged with managing the public debt and clearing houses; proprietary trading firms provided that they benefit from the relevant registration / authorization exemption (MTS has the right to ask for evidence of such exemption), insurance companies, collective investment schemes, pension funds and their managers and depositaries;
 - d) multilateral development banks having as their members one or more EU Member States (e.g., the European Investment Bank).
2. To become a Participant, an applicant must satisfy MTS that it complies with the following requirements:
 - a) it has the appropriate regulatory authorisation to trade Financial Instruments on the Market (, such authorisation includes dealing in investments as a principal, or on own account, or as agent without any regulatory limitations other than standard limitations);
 - b) it shall undertake to comply with any provisions issued by the competent authority;
 - c) it shall be able to effect or procure timely settlement of each of its Trades on the Market in accordance with the terms and conditions of settlement of the relevant Financial Instrument;
 - d) its trading staff shall (i) know rules and operating procedures of the Market, and the trading functionalities available, and (ii) have adequate professional qualifications; its compliance function shall (i) have a good knowledge of these Rules and of the rules governing the functioning of the Market and (ii) provide adequate support to its trading structure in their operation; and
 - e) it will have in place adequate systems and controls arrangements as requested by MTS that include an appropriate policy of use of the kill functionality;

- f) the software used to access the Market has undergone the appropriate conformance testing with MTS; and
 - g) it holds a valid ISO 17442 legal entity identifier code.
3. A Participant in the Cash Segment can either be a Dealer or an End User. A Participant in the GCM Segment can be either Quote Requester or a Quote Provider. A Participant shall indicate the roles it intends to take up within the Application Form.
4. To become a Dealer a Participant shall file an application with MTS, it shall satisfy MTS that it complies with the following additional requirements:
- a) For Government Securities and Sovereign Securities (with the exception of those denominated in US Dollars and in sterling):
 - i) The Participant must be recognised as market makers or the equivalent (or have within its Group an entity that is recognised as market maker or the equivalent) in the markets, or at least in one of the segment of MTS Cash Domestic, managed by, MTS S.p.A., EuroMTS Limited, MTS France S.a.s. or MTS Associated Markets S.A., BondSpot SA or
 - ii) The Participant is recognised as a Primary Dealer or equivalent (or have within its Group an entity that is recognised as Primary Dealer) thereof in at least one of the Member States of the European Union.

The admission criteria referred to points (i) and (ii) above, referred to the status of market maker or primary Dealer at a Group level, are considered satisfied subject MTS ascertaining that the group company having the mentioned status of market maker or Primary Dealer has given its consent.
 - b) For Government Securities denominated in US Dollars:
 - i) The Participant must be recognised as Primary Dealer in government securities by the Federal Reserve Bank of New York. Based on MTS evaluation the Participant is able to carry out effectively the activity of Dealer in this type of Financial Instruments.
 - c) For Government Securities and Sovereign Securities denominated in Sterling:
 - i) The Participant must be recognised as Gilt edged Market Makers in the United Kingdom.

MTS reserves the right to admit entities different from those indicated sub point b) (i) and sub c) (i) above that it believes suitable to be a Dealer on Government Securities.

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5. Bank of Italy is admitted to trade on the Market.

3.2 Admission procedures

1. To become a Participant to the Market, MTS shall receive from the applicant a complete application, with all relevant attachments, in the form to be provided by MTS. In examining the application MTS reserve the right to ask the applicant for additional information and documentation if deemed appropriate. Once MTS considers the application to be complete, MTS will reply to the applicant in writing (via email) within 10 working days.
2. MTS will only accept an application for membership based on its own evaluation of the applicant meeting the general objective criteria provided in these Rules, the applicable Consob regulations and MTS operational requirements. MTS shall reject the application if it jeopardises the proper functioning or orderly trading of the Market and/or its electronic Markets and/or if filed for purposes different from trading on the Market. The decision reject an application shall be motivated.

3.3 Participant on-going undertakings

1. Each Participant shall represent, warrant and undertake to MTS that for the whole period in which it is a Participant on the Market and for the following period until there is any outstanding Trade entered by it on the Market:
 - a) The same admission requirements indicated in Section 3.1 above.
 - b) To comply with the Rules and with the established operating procedures for the Market, including safeguarding passwords assigned to the Participant by MTS and other security credentials in accordance with the established operating procedures and not to allow unauthorised access to the Market;
 - c) To comply with all the relevant laws and regulations applicable to Participants for their activity on the Market, including those on market abuse including the Commission Delegated Regulation (EU) 2017/589 of July 2016, supplementing Directive 2014/65/EU of the European Parliament and the Council with regard to regulatory technical standards specifying the organisational requirements of investment firms engaged in algorithmic trading;
 - d) To notify MTS in writing no later than three months prior to any change in the Participant's regulatory status that will either trigger or remove the obligation on MTS under Article 26(5) of MiFIR Regulation to perform transaction reporting in relation to the Participants' Trades on the Market;
 - e) To act with fairness, honesty and care and to refrain from any act that may jeopardise the proper functioning of the Market or undermine the integrity of trading on it;
 - f) To be responsible for the acts and omissions of its employees and agents and ensure those assigned to its trading activities on the Market are competent and appropriately trained;
 - g) To deal with MTS in an open and co-operative manner, including (i) to notify MTS, without delay, of any material change to the information supplied in its application to MTS (including of the relevant Legal Entity Identifier), (ii) to notify MTS

immediately in case of a breach of any of the undertakings in Article 3.3, (iii) to pay not later than the due date all fees payable to MTS, (iv) to notify MTS, without delay, of any interruption in trading due to a software or hardware failure, or an interruption in connectivity and in such an event it shall suspend all its Quotes if it believes it is exposed to a market risk due to a system malfunction or other technical problems, and (vi) to respect and accept the outcome of checks by MTS referred to in Section 7 of these Rules;

- h) If requested by MTS, to demonstrate at least once a year, their continuing satisfaction of the conditions for admission referred to in Article 3.1. MTS may require the presentation of any data, information or documents useful to this purpose, including certifications from auditing companies;
- i) To continue belonging to a relevant settlement institutions either directly or via an agent in relation to the Financial Instruments;
- j) To always effect or procure timely settlement of each of its Trades;
- k) To keep confidential and not to disclose in any way any information or data supplied to or derived from the Market (except in relation to a particular Participant, information relating to Quotes input by such Participant) save as may be required by a regulatory body or court having jurisdiction over it, or to its Group which have entered into a confidentiality agreement with MTS in a form approved by MTS;
- l) It will certify that each algorithm it deploys has been tested prior to the deployment or to a substantial update of a trading algorithm or trading strategy. Upon request by MTS, Participants must provide satisfactory evidence of the successful certification of the testing activities carried out and explain the means used for testing. Additionally it has to ensure that the software used to access the Market has undergone the appropriate conformance testing with MTS when it introduces a new release or version or otherwise modifies any software previously conformed;
- m) To provide to MTS all the data and information required by the Applicable Laws, including specific information required for each Order, Trade or transaction and those required for algorithmic trading.
- n) Where applicable, it undertakes to collaborate in a cooperative and prompt manner with MTS in any request of data or clarification required by MTS in order for MTS to comply with Article 26(5) of MiFIR Regulation. In particular, the Participant undertakes full responsibility on the accuracy of the information provided both in terms of content and formatting that will be used by MTS to comply with the transaction reporting requirements in accordance with the above mentioned legislation. In particular and without limiting the generality of the foregoing, the Participant shall i) declare if it is a MiFID firm or not and keep this information updated at any time; ii) declare if they intend to limit their trading activity to dealing on own account only and to keep this information up-to-date at any time, iii) provide MTS with all the information required by the applicable law for MTS to comply with its reporting obligations (including data of the clients of the Participant); and d) abide to MTS instructions on timing and means for the provision of such information. In addition to any other remedy available, failure to comply with the above will entitle MTS to also immediately suspend the Participant from accessing the Market.

- o) For each Quote and Order placed, cancelled or varied it shall populate all necessary message fields in a complete and accurate manner, including but not limited to information related to the identification of the relevant parties (including their underlying clients where applicable) and their relevant trading capacity.
 - p) To have appropriate controls in place to ensure that each message field is accurately populated, including using the correct short code where relevant. Acceptance of a message by MTS does not provide or imply that MTS considers this requirement has been met. In the event a Participant discovers one or more fields are inaccurately populated, including population of one or more fields with an incorrect short code, the Participant must report this to MTS immediately and provide the correct information for every single Quote, Order and update thereto.
 - q) If it uses short codes, to complete the associated long codes through the MTS designated system (“management profile tool”) as soon as is practical but before associating such short code to a Quote;
 - r) To only use the data and information supplied to or derived from the Market for trading on the Market; further it shall ensure that no data or information supplied by or derived from the Market is allowed or technically able to be redistributed, internally or externally, save with the specific consent of MTS.
2. Dealers shall additionally undertake:
- a) To endeavour, but not be obliged, to respond to a Request for Quote. However if they respond to a Request for Quote they must do it by displaying firm Quotes;
 - b) To endeavour to maintain competitive Price conditions and to always carry out trades in line with the general conditions of the Market and the movements in the prices of Financial Instruments that are the subject of Request for Quote;
 - c) To deal in investments as principal.

3.4 Resignation of Participants

1. Any Participant may resign from membership in the Market by giving not less than 3 months notice in writing to MTS specifying the date on which the Participant wishes to terminate its access. Resignation from the Market shall have no effect on the rights and obligations of the resigning Participant in respect of Trades concluded on the Market prior to the effective date of such resignation. Membership Documentation includes additional relevant provisions on termination.

3.5 Participant suspension from trading

1. Without prejudice to the provisions under Section 7.0, if, in relation to a particular Participant, MTS shall determine that any of the following circumstances apply, or that there are reasonable grounds for presuming that any of the following circumstances apply, it shall suspend that Participant with immediate effect. A Participant which is suspended shall not be permitted to input Quotes or Orders on the Market. MTS may lift a suspension if it is satisfied the circumstances which gave rise to it no longer apply.

2. The said circumstances are:
 - a) the Participant ceases to meet one or more of the eligibility criteria applicable for entry on the relevant list of Participants and when MTS is not satisfied that continued access would be consistent with its rules and procedures for fair and orderly trading. This decision shall be motivated.
 - b) where Participant has been suspended from activity or from trading by the competent authorities, or such competent authority has instructed MTS to suspend its trading on the Market;
 - c) a request for suspension is received from a clearing or settlement agent through which the Participant clears or settles and to which the Participant has given authority to make such request;
 - d) where Consob declared that the Participant is under a market insolvency pursuant to article 72 of the Financial Consolidated Act ; suspension of the management bodies of the Participant pursuant to article 53 of the Financial Consolidated Act and article 76 of the Banking Act; extraordinary administration, administrative liquidation or other insolvency procedures among those listed in Annex A of the Regulation (EU) 2000/1346 of May 29, 2000, as subsequently amended, or any other insolvency procedure applicable to the Participant and in cases of suspension or exclusion by other trading platforms, in Italy or abroad.
3. Notwithstanding paragraphs 1 and 2 above, in all cases in which it shall prove necessary in order to safeguard the Market and its correct functioning as well as in cases of special urgency when there are reasonable grounds to believe that a Participant has committed serious infractions or is in a state of suspected insolvency, MTS may order, as a precautionary measure, the immediate suspension from trading of the Participant involved. The period of precautionary suspension shall be determined by MTS and included in its decision.
4. Any suspension of a Participant, or lifting of a suspension, shall be notified by MTS to all other Participants by such means as MTS considers appropriate.
5. Suspension from a list of Participants shall have no effect on the rights and obligations of the Participant in respect of Trades concluded on the Market prior to the effectiveness of such suspension.
6. In the case of Participants designated as Dealers, MTS may suspend and/or revoke the relevant authorisation to act as a Dealer by providing justification thereof.

3.6 Participant exclusion from trading

1. Without prejudice to the provisions under Section 7.0, if in relation to a particular Participant, MTS shall determine that any of the following circumstances apply, it may delete that Participant from the relevant list of Participants with immediate effect.
2. The said circumstances are:

- a) suspension from trading or from the relevant list of Participants for a period of 2 months; and
 - b) a resolution of MTS that such Participant be deleted from the relevant list of Participants.
3. Any deletion from a list of a Participant shall be notified by MTS to all other Participants by such means as MTS considers appropriate.
 4. Deletion from a list of Participants shall have no effect on the rights and obligations of the Participant in respect of Trades concluded on the Market prior to the effective date of such deletion.

SECTION IV

TRADING

4.1 General systems operations

1. MTS shall adopt all acts necessary for the proper functioning of the Market.
2. MTS shall determine the operational features of the trading protocol of the Market and may change it from time to time.
3. MTS shall monitor the operation of the Market and apply its policies in terms of risk controls, including orders' throttling and pre-trade controls. MTS may, for the purpose of maintaining orderly and fair markets (the following list is not intended to be exhaustive):
 - a) at any time suspend the operation of all or part of the Market, including of single Financial Instruments or categories of the same, suspend Participants and/or cancel Trades, if it determines that normal Market conditions do not apply;
 - b) postpone the start of trading for part of or for the entire Market or extend the Trading Hours for the purpose of improving the functioning of the Market;
 - c) temporarily suspend trading of part of or of the entire Market, in case of serious technical malfunction or other exceptional circumstances as determined by MTS.
4. MTS will use reasonable endeavours to inform the Participants of the events above by electronic communications.

4.2 Trade types

1. In the Cash Segment, the Financial Instruments referred to in Article 2.1 may be traded on the Market using the following contract types:
 - a) sale or purchase with standard (spot) or bespoke value date.
2. In the Cash Segment may be traded through the following functionalities:
 - a) Request for Quote (RFQ);
 - b) Click to Trade; and
 - c) Trade Registration.
3. In the GCM Segment, with reference to Financial Instruments referred to in Article 2.1.4.(a) the following Repo Contracts are available:

- a) Repo contracts in the form of “classic repo”. “Classic repo” is technically one single transaction. In case of a coupon payment falling within the repo duration, the relevant amount will be transferred automatically from the spot buyer to the spot seller of the transferrable security;
 - b) Repo contracts in the form of “buy sell back”. “Buy sell back” is technically comprised of two separate transactions, a spot purchase and a spot sale of the transferrable security. In case of a coupon payment falling within the repo duration, the relevant amount will be transferred to the spot seller of the transferrable security through an adjustment in the counter-value paid at the expiration of the repo trade.
4. In the GCM Segment, with reference to Financial Instruments referred to in Article 2.1.4.(b) (i.e. Tri-Party Basket) only Classic Repo is available.
 5. Repo Contracts may be executed with the maturities permitted by the Market.
 6. In the GCM Segment, the Repo Contracts mentioned in paragraph 3 above may be traded through the following functionalities:
 - a) Request for Quote (RFQ).
 - b) Trade Registration.

4.3 Market trading hours

1. In the Cash Segment, the Market operates in accordance with the following trading Market hours (Central European Time):

Pre-Market phase	7:30 – 8:00 during which Quotes may be submitted, modified and cancelled. Each Participant has only access to its own Quotes.
Open Market phase	8:00 – 18:45 during which all Market operations may be conducted.
Closed Market phase	18:45 - Closed Market phase No Trades can be executed but blotter and statistics are available for download.
Split Definition Only	18:45 – 18:50 In this phase it is only possible to allocate Trades to End Users

2. In the GCM Segment, the Market operates in accordance with the following trading Market hours (Central European Time):

Pre-Market phase	<p>7:30 – 8:00</p> <p>during which Quotes may be submitted, modified and cancelled.</p> <p>Each Dealer has only access to its own Quotes.</p>
Open Market phase	<p>8:00 – 18:45</p> <p>during which all Market operations may be conducted.</p>
Closed Market phase	<p>18:45 – Closed Market phase</p> <p>during which no operations may be performed.</p>

3. Trading days: every business day in accordance with the relevant trading calendar.
4. Trading shall take place continuously during the hours specified in this Article 4.3 above. However, different trading hours can be set for specific Financial Instruments.

4.4 Quotes and Orders in the Cash Segment

1. There are two functionalities in the Cash Segment: RFQ and Click to Trade.
2. In the RFQ functionality there are two different types of Quotes:
 - a) Indicative Quotes: a non –actionable Quote generated by a Dealer during the Quote Collection Phase;
 - b) Executable Quotes: an actionable Quote generated by a Dealer during the Execution Phase.

A Request for Quote is a request by an End User to at least one Dealer to quote a set of one or more Financial Instruments. A Trade is generated when the End User accepts an Executable Quote. Both counterparties know each other’s identity pre-trade.

3. In the Click to Trade functionality there are the following types of Quote and Order:
 - a) Inventory Quotes: means a non-actionable indications of interest sent by a Dealer to a specific End User; and
 - b) Executable Order: means an actionable indication of interest sent by an End User to a specific Dealer.
4. Dealers may enter Quotes which shall contain at least the following information:
 - i) the Financial Instrument to be traded;
 - ii) the quantity (not mandatory for Inventory Quotes);
 - iii) the Price;
 - iv) the maximum time before which an Executable Quote will be suspended, unless it is updated;

- v) the name of the Dealer.
- 5. At the close of each trading day, Quotes still displayed on the Market will be deleted automatically.
- 6. A Request for Quote can be:
 - a) outright, when only one instrument is traded;
 - b) switch, if there are two instruments; the instrument can be the same; the two instruments have to be on opposite side to allow a switch;
 - c) butterfly, if there are three instruments; two instruments will have to be on opposite side to the third;
 - d) list, where each leg may be traded independently.
- 7. MTS indicates the maximum duration of each Request for Quote in the Regulatory Specifications.
- 8. MTS can define the different maximum number of Dealers and/or the total duration of a Request for Quote for specific types of Financial Instruments.

4.5 Quotes and Orders in the GCM Segment

- 1. Quotes Providers may enter Quotes into the Market in response to an RFQ originated by a Quote Requester. The Quote shall contain at least the following information:
 - i) the Repo Contract to be traded;
 - ii) the quantity;
 - iii) the repo rate;the name of the Quote Provider.
- 2. Quote Providers may additionally publish Indicative Quotes to the Market to give an indication of interest to trade a Repo Contract. A Quote Requester cannot hit/lift an Indicative Quote, but may generate a RFQ from it.
- 3. At the close of each trading day, Quotes still displayed on the Market will be deleted automatically.
- 4. An RFQ is a request by a Quote Requester to at least one Quote Provider to quote one or more Repo Contracts. A Trade is generated when the Quote Requester accepts a firm Quote. Both counterparties know each other's identity pre-trade.
- 5. The total duration of a Request for Quote shall be as determined by MTS on the Market. MTS can set a different maximum of Quote Providers and/or a different total duration of a Request for Quote for specific types of Repo Contract.
- 6. A Request for Quote can be:
 - a) outright, when only one Repo Contract is traded;

- b) multi-leg (list) – the maximum number of Repo Contracts allowed is thirty. Each leg is considered autonomous and may be traded independently, but there must be no duplication of Repo Contracts.

4.6 Conclusion and registration of Trades on the Cash Segment

1. The RFQ functionality is divided into 2 phases: a Quote Collection Phase and an Execution Phase.
 - a) Quoting Collection Phase:
 - i) The End User can launch an RFQ by requesting a Quote for a particular Financial Instrument in a certain size up to the maximum number of Dealers, depending on the Financial Instrument type. Dealers may respond to the RFQ with Indicative Quotes. Indicative Quotes will be automatically suspended if they are not updated by the Dealer.
 - ii) Based on the responses from one or more Dealers, the End User may decide to initiate the Execution Phase for the purpose of executing a Trade.
 - b) Execution Phase:
 - i) Dealers are then made aware on the System that their Indicative Quotes, and any updates thereafter, have now become Executable Quotes. These Quotes are simultaneously made public as pre-trade information.
 - ii) The End User must subsequently accept their preferred Executable Quote to execute the Trade. At the discretion of the End User this action may be automated or performed manually. The Trade will then be published as post-trade information. In the event that the Execution Phase is extended by the End User, an Executable Quote may enter into a suspended status. In this case, the Dealer will be required to refresh their Executable Quotes for a successful confirmation of a Trade. Should the End User choose not to execute a Trade, then MTS will close the Execution Phase after a predefined period of time.
2. In the Click to Trade functionality, Dealers may send Inventory Quotes addressed and visible only to specific End Users. End Users may send an Executable Order to one of these Dealers, including a size within the range specified in the Dealer's Inventory Quote and for the price specified in the Dealer's Inventory Quote. This Executable Order is only executable by the specific Dealer and this information will be made public immediately as pre-trade information. The Dealer may accept the Executable Order of the End User within a defined period of time. If the Dealer accepts, the trade is concluded and is published immediately as post-trade information.
3. In the Trade Registration functionality, a directly negotiated trade is considered a Trade concluded on the Market, if the counterparties have agreed for such Trade to be concluded under these Rules and such trade is also reported to, and accepted by, MTS in its discretion. MTS might not accept a Trade Registration also in case it falls outside its relevant price and quantity parameters. The Trade Registration functionality can be used by Participants only when the pre-trade transparency obligations, provided by the

Applicable Laws, do not apply for any reason, such as, for example, pre-trade transparency waivers having been granted by the competent authority. In this scenario, a Trade, reflecting the details of a directly negotiated trade, shall be deemed executed when the End User initiates an RFQ transaction, the Dealer replies to the request and the End User accepts it. MTS will only consider information entered into the Market by Participants, and not any details discussed or agreed outside the Market. Each of the Participants will know the identity of the other counterparty. Once accepted by both counterparties clause 5.1 (Clearing and Settlement in the Cash Segment) below shall apply. Participants must ensure that a directly negotiated Trade is reported to MTS within fifteen minutes or the different timeframe that might be set by MTS from time to time. Participant must record the time of the verbal or written agreement of the terms of the directly negotiated Trade. This may be requested by MTS from time to time to evidence the timely submission of the directly negotiated Trades. Participants shall not pre-arrange transactions except in accordance with this Article.

4.7 Conclusion and registration of Trades on the GCM Segment

1. In GCM Segment, Trades shall be concluded when a Quote Requester, after presenting a Request for Quote, accepts the quantity and Price of a Quote entered by a Quote Provider. A Quote Requester shall be free to accept the Quote they prefer; each Quote Provider knows the number of other Quote Providers the same Request for Quote has been sent to.
2. In case of centrally cleared Trades, the execution of the Trade shall be subject a) to the acceptance of the Trade by the agent member, and b) to the registration of the Trade by the CCP. In case the Trade is rejected by the agent member and/or not registered by the CCP, the Trade shall be considered null and void from the start.
3. In case of Trade Registration a Trade shall be deemed executed when the details of a pre-agreed trade are entered into the Market and accepted by both counterparties. Each of the Participants will know the identity of the other counterparty. Once accepted by both counterparties clause 5.2 (Clearing and Settlement in the GCM Segment) below shall apply.

4.8 Cancellation of Trades in the Cash Segment

1. Cancellation of erroneous Trades shall be carried out by MTS on the basis of request to be sent via email to MTS at mts.cancellations@euronext.com prior to the closing of the Market or immediately afterwards.
2. Participant shall make sure that only properly authorized employees send the relevant request to MTS and therefore MTS shall not be liable for auctioning any non authorized cancellation requests
3. MTS shall promptly contact the counterparty as soon as the request of the cancellation is received and:

- a) If the counterparty promptly confirms its agreement to such cancellation request, the request shall be treated as a bilateral cancellation request and shall be executed by MTS. Bilateral cancellation can be executed up to the closing of the Market or immediately afterwards.
 - b) In the event that the other counterparty does not respond promptly or does not agree with the Trade cancellation request, in order to proceed with the cancellation MTS will ascertain whether a unilateral cancellation can be performed. The procedure for the unilateral cancellation can be started only if the cancellation request has been notified to MTS via email at the address indicated above within 5 minutes of the execution of the Trade.
4. In order to make unilateral cancellation possible, MTS shall verify that the value at which the Trade was executed is clearly inconsistent with the Fair Market Value of the subject Financial Instrument. To this end MTS shall:
- i) ask five Dealers, other than the parties involved in the trade, via e-mail the Fair Market Value of the Financial Instrument at the time the Trade was executed;
 - ii) calculate the average of the prices confirmed by the five Dealers, excluding the two extremes, to establish the Fair Market Value.
5. Once the Fair Market Value has been established, MTS shall verify whether the Trade that is the subject of the cancellation request diverges from that value by at least the amounts contained in the following table:

Bucket maturity	Ticks discrepancy requested for unilateral cancellation (rounded to the nearest unit)
<= 6.5 anni	10 basis points, i.e. the BPV of the instrument*10
> 6.5 anni	7 basis points, i.e. the BPV of the instrument*7

BPV = 8.71191 (on 19/01/2009)

Ticks discrepancy: $7 \times 8.71191 = 60.98 = 61$ ticks

- 6. If the disputed Trade was concluded at a value that differs from the Fair Market Value in accordance with the criteria established, MTS shall give effect to the request for unilateral cancellation.
- 7. MTS shall inform the parties of its decision by telephone (with e-mail confirmation).

4.9 Cancellation of Trades in the GCM Segment

- 1. Cancellation of erroneous Trades shall be carried out by MTS on the basis of request to be sent via email to MTS at **mts.repo.cancellation@euronext.com** prior to the closing of the Market or immediately afterwards.

2. Participant shall make sure that only properly authorized employees send the relevant request to MTS and therefore MTS shall not be liable for auctioning any non authorized cancellation requests
3. MTS shall promptly contact the counterparty as soon as the request of the cancellation is received and:
 - a) If the counterparty promptly confirms its agreement to such cancellation request, the request shall be treated as a bilateral cancellation request and shall be executed by MTS. Bilateral cancellation can be executed up to the closing of the Market or immediately afterwards.
 - b) In the event that the other counterparty does not respond promptly or does not agree with the Trade cancellation request, in order to proceed with the cancellation MTS will ascertain whether a unilateral cancellation can be performed. The procedure for the unilateral cancellation can be started only if the cancellation request has been notified to MTS via email at the address indicated above within 5 minutes of the execution of the Trade.
4. In order to qualify for unilateral cancellation a Trade must be proved beyond doubt to deviate considerably from Fair Market Value of the repo contract and term in question. Fair Market Value is defined using the following steps:
 - Comparison with last Trade executed on the relevant interdealer repo market organised by MTS S.p.A. in the same repo contract/term in a size no less than €5m within the previous 30 minutes, regardless of the side (whether the last Trade was hit or lifted).
 - If there are no qualifying Trades, MTS shall determine the Fair Market Value of the relevant repo contract and of the relevant repo term by requesting with no delay up to five (5) and in any case not less than three (3) Dealers of the MTS S.p.A Repo market the inter-dealer quotations (bid and ask rate) for the relevant repo contract at the time of Trade execution on the relevant MTS S.p.A. interdealer repo market.
 - MTS will calculate average bid and ask rates from submitted rates. Fair Market Value will be taken as the average bid rate in the event of a repo seller requesting cancellation and the average ask rate in the event of a repo buyer requesting cancellation.
 - The Dealers consulted are chosen from the top ten dealers, ranked by volumes traded in the relevant Instrument Class in the previous calendar year on the MTS Repo Market, and exclude either party of the disputed transaction.
5. If after following the three steps above, due to Market volatility or the inability of the banks surveyed to provide a bid and ask, MTS is still unable to ascertain Fair Market Value then MTS will not be able to proceed with a unilateral cancellation.
6. Once Fair Market Value is ascertained, the alleged error Trade must be shown to deviate by over 50 basis points from the Fair Market Value to qualify for unilateral cancellation.
7. If after following all of the steps above the reported error Trade is proved to deviate significantly from Fair Market Value based on the criteria listed above, MTS will enforce

the unilateral cancellation of the Trade. MTS 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.

SECTION V

CLEARING AND SETTLEMENT OF TRADES

5.1 Clearing and Settlement of Trades on the Cash Segment

1. Participants shall send to the settlement services, using the procedures established by the same, the data on the Trades they have concluded in good time for their settlement, in accordance with the time limits agreed between the parties. Trade checking shall be performed by the Participants in accordance with their procedures and within the time limits that permit orderly settlement.
2. The settlement cycle will generally follow the market practices for each Financial Instrument unless both parties to a Trade agree to settle in accordance with a different settlement cycle (forward).

5.2 Clearing and Settlement of Trades on the GCM Segment

1. Trades can be either settled bilaterally or, subject to eligibility, centrally cleared.
2. In case of bilateral settlement, Participants shall have the following choices:
 - a) At the time of on-boarding each Participant shall indicate whether they wish to manually instruct their settlement service or whether they wish instructions to be automated by MTS. Participants can change this set up at any time by giving instructions to MTS.
 - i) If the Quote Requester has chosen to give instructions manually then both counterparties to a Trade shall send to the relevant settlement services, using the procedures established by the same settlement services, the data on the Trades they have concluded in good time for their settlement, in accordance with the time limits agreed between the relevant parties. Trade checking shall be performed by the Participants in accordance with their procedures and within the time limits that permit orderly settlement.
 - ii) If the Quote Requester has chosen automatic settlement then MTS will send the settlement instructions to the settlement service(s) chosen by both counterparties to the Trade as soon as trades are executed, in accordance with the mandate received. Trade checking shall be performed by Participants in accordance with their procedures and within the time limits that permit orderly settlement.
 - b) In case of centrally cleared Trades instructions will be automatically sent to the relevant CCP.

SECTION VI

PROVISION OF DATA AND INFORMATION

6.1 Provision of data to the public

1. Subject to paragraph 3 below, for the Cash Segment, for each Financial Instrument, MTS makes available to the public, as close to real time as possible and on a reasonable commercial and no discriminatory basis, at least the following information:
 - a) Price, size and time of each Executable Quote;
 - b) Price, size and time of the each concluded Trade.

For Executable Quotes that are above the relevant SSTI but below the relevant LIS, or for a Package Order where all components are for a size equal to or above the pre-trade Size Specific to the Financial Instrument threshold, but below the pre-trade Large in Scale threshold, MTS shall publish, as close as real time as possible, simple average of prices of those Executable Quotes.

2. Subject to paragraph 3 below, for the Cash Segment, for each Financial Instrument, MTS makes publicly available, delayed, the information mentioned in paragraph 1 above.
3. MTS, upon request by Consob, shall suspend the publication of certain data on a specific Financial Instrument.
4. MTS in accordance to the pre-trade transparency Waiver, shall waive the obligation of pre trade publication of certain data. In relation to pre-trade transparency obligations, Executable Quotes will be published unless one the following exceptions applies:
 - a) A counterparty is exempted from the pre-trade transparency obligations;
 - b) the Financial Instrument is not liquid or Consob has requested the suspension of the transparency obligations on that Financial Instrument;
 - c) the RFQ is for a size equal to or above the pre-trade Large in Scale threshold;
 - d) the RFQ is a Package Order which has at least one component with a bond for which there is not a liquid market or for a size above the pre-trade Large in Scale threshold unless the Package Order is liquid in its entirety.

MTS in accordance to the Deferral shall differ the publication of certain post-trade data when one of the following exceptions applies:

- i) the Financial Instrument is not liquid;
- ii) the RFQ is for a size equal to or above the post-trade SSTI threshold;
- iii) the RFQ is for a size equal to or above the post-trade LIS threshold;

iv) the RFQ is a Package Order which has at least one component with a bond for which there is not a liquid market or for a size above the post-trade Large in Scale threshold unless the Package Order is liquid in its entirety.

MTS in accordance to the Supplementary Deferral shall differ further the publication of certain post trade data as indicated in the Regulatory Specifications.

5. MTS shall make available on its website, in accordance with the Applicable Laws, on at least a quarterly basis a report containing data relating to the quality of execution of transactions occurred on the Market during the relevant period. The report shall include details about the price, speed, cost and likelihood of execution for individual Financial Instruments.
6. For the GCM segment, MTS shall determine if and what type data, in an anonymous and aggregate format, can be distributed to the public.

6.2 Provision of data to Participants

1. For each Financial Instrument and Repo Contract, MTS makes available to each Participant, as close to real time as reasonably possible, the following information:
 - a) To each Dealer / Quote Provider: its own Prices and quantities of all Quotes displayed in accordance with these Market Rules and, where applicable, details of the Trades in which they are a counterparty;
 - b) To each End User / Quote Requester: the current status of all Quotes displayed to them, and where applicable, details of the Trades concluded.
2. MTS may delay publication of the information referred to in the preceding paragraph in the event of serious technical malfunctions that make it impossible to establish the correct data and the information to be published.
3. MTS shall make the following information available to Participants on specific pages of the Market:
 - a) a table with the ID codes of the Financial Instruments;
 - b) a table with the ID codes and descriptions of the Participants.

6.3 Provision of data to Authorities

1. MTS shall supply to Consob data and information on the Trades concluded and the activities carried out by Participants on the Market and all other data, information, acts or documents as and when so requested by Consob or other competent authorities.

6.4 Provision of data to debt management offices

1. Provided that it is in compliance with applicable regulatory requirements, MTS may submit to the relevant debt management office, upon request, data and information related to:
 - a) the quoting activity on the Market; and
 - b) the activities carried out by Participants on the Market.

6.5 Amendments and communications

1. MTS can amend the Rules in accordance with the provision of the General Terms and Conditions, as published from time to time on MTS website **<http://mtsmarkets.com/Documents/General-Terms-and-Conditions>**. The communication of such amendments will also follow the provision of the General Terms and Conditions.
2. MTS from time to time will communicate to the Participants information necessary for their trading activity on Market in accordance with the relevant provision of the General Terms and Conditions.

SECTION VII

SUPERVISION AND PENALTIES

7.1 Supervision of regular conduct of trading

1. MTS shall supervise the conduct of trading through a specific monitoring department and shall verify the compliance with these Rules. In addition, MTS shall adopt any measure that is required or appropriate to ensure the smooth operation of the Market.
2. MTS shall perform, inter alia, the following activities:
 - a) monitors general Market conditions and the price trend of each Financial Instrument;
 - b) monitors the activities carried out on the markets by Participants and compliance by the Dealers with the provisions of article 3.3., paragraph 2;
 - c) require Participants any information that it deems necessary in connection with particular Market conditions;
 - d) verify the proper updating of the databases, the procedures and whatever else is necessary to ensure fair and orderly trading;
 - e) monitor the functioning of the technical infrastructure and of the transmission networks of the Market;
 - f) intervene in the trading on the Market in accordance with these Market Rules;
 - g) timely inform Participants of any actions that may affect the functioning of the Market.
3. In addition, MTS, within the framework of its monitoring activities, may:
 - a) postpone the start of trading with respect to the entire Market, individual Segments, individual Financial Instruments or specific Categories of Financial Instruments or extend the duration of trading hours, in order to improve the efficient functioning of the Market;
 - b) temporarily suspend trading on the entire Market, individual Segments, individual Financial Instruments or specific Categories of Financial Instruments in the event of severe technical dysfunctions or other extraordinary events;
 - c) temporarily suspend one or more Participants from trading;
 - d) amend errors related to input of Orders, according to the procedures set forth in these Rules.
4. Without prejudice to any measures required in connection with the management of trading, the applicable provisions or law and regulations and the provisions set forth in these Rules regarding provision of information, MTS shall keep confidential any

information acquired in connection with its management and Market supervisory activities.

5. MTS shall promptly inform the relevant Authority of the adoption of any of the above mentioned measures.

7.2 Disciplinary measures

1. A Participant failing to comply with the obligations deriving directly or indirectly from the application of these Rules and of the Provisions or otherwise failing to comply with the System's operational procedures, shall be subject to the disciplinary measures set out below, taking into account the nature and the severity of the violation and any previous breaches by such Participant:
 - a) written reprimand;
 - b) monetary penalty ranging from € 10,000 to € 500,000;
 - c) suspension from trading for a period not exceeding two months;
 - d) exclusion from trading;

MTS shall apply the disciplinary measure in a non-discriminatory fashion.

2. In order to adopt the measures referred to in the paragraph 1, MTS shall take the following criteria into account:
 - a) the actual and potential impact on the Market and the external importance of the breach;
 - b) the size, duration and nature of the breach;
 - c) how MTS became aware of the violation;
 - d) the benefits accrued by the Participant from the breach;
 - e) the Participant reaction to MTS' requests and its actual and previous behavior;
 - f) magnitude of fraud and negligence;
 - g) functioning of system used for internal control and prevention of violations;
 - h) numbers and magnitude of breaches previously committed by the same Participant;
 - i) size of the Participant and of the group it belongs to; and
 - j) the cases in which various provisions are breached or the same provision is breached more than once.
3. The use to which fines are put shall be established on a general basis by MTS in an ad hoc resolution communicated to the relevant authorities.
4. A party which has been excluded from trading may be re-admitted to trading, at MTS' discretion, subject to the filing of a new Application Form.

5. Where a measure of suspension or exclusion from trading is adopted, from the time such measure takes effect the market intermediary to which it is applied shall only be permitted, under the surveillance of MTS, to close out any positions still open and carry out any related transactions that are necessary to protect customers' interests, if any.

7.3 Procedure for verifying violations

1. In order to apply the measures referred to in Article 7.2 above, the procedure described in this article shall be initiated within one year of the presumed violation or of the later date on which MTS learned of the presumed violation. In the latter case the procedure described in this article may not be initiated after three years have elapsed from the date of the presumed violation.
2. For the purpose of applying the measure referred to in Article 7.2 MTS sends the relevant Participant a letter:
 - a) containing a description of the alleged breach;
 - b) setting a time limit of not less than 15 days within which a written brief may be submitted and possibly a request for a hearing in which to discuss the topic.
3. The letter referred to in paragraph 2 may indicate the measure MTS intends to apply. In such case, if the time limit referred to in paragraph 2(b) expires without the Participant having submitted a written brief or requested a hearing, MTS shall apply the measure indicated in the letter.
4. If the Participant requests a hearing in which to discuss the issue or if MTS considers such a hearing to be necessary, MTS shall establish the date for the hearing and inform the Participant accordingly. The market intermediary shall be represented in the meeting either by its legal representative or by a person appointed for the purpose, being allowed to be assisted by a lawyer of its choice. If the Participant fails to attend the hearing without due cause, MTS shall proceed on the basis of the evidence collected up to that time. At the end of the hearing, at the request of the interested party, MTS may set a new time limit of not less than 10 days for the submission of another written brief.
5. On the basis of the evidence collected as part of the procedure referred to in the preceding paragraphs, MTS shall decide within 45 days of the hearing or the subsequent expiry of the time limit for the submission of another written brief as provided for in paragraph 4, or if no such hearing is requested or scheduled by MTS, within 45 days of the expiry of the time limit set pursuant to paragraph 2(b).
6. Decisions adopted pursuant to the preceding paragraph shall be promptly communicated to the relevant party giving the reasons for the decision. If one of the measures referred to in Article 49 is applied, the costs of the procedure and in particular those in relation to the examination of the written briefs submitted and the hearings requested, including MTS internal costs, shall be charged to the Participant.

7. MTS shall promptly inform the relevant Italian authorities of the initiation of the procedure referred to in this article and of the related decisions.

7.4 Review of Measures and Public Disclosure

1. The Participant may ask for the review of the measures applied pursuant to Article 7.2 within 15 days of the communication of the relevant measure by means petition to the Appeals Board established pursuant to Article 7.6 below.
2. Applications of the measures referred to in Article 7.2, paragraph 1, shall be made public via MTS Client Service Notices after 15 days have elapsed from the communication of the measure to the interested party without the question being referred to the Appeals Board or, where it has been so referred, after 10 days have elapsed from the communication of the Appeals Board's decision to the parties.
3. At the request of the Participant, the complete text of the measure shall be made public, possibly together with all the acts of the proceedings, including the decisions of the Appeals Board.

7.5 Disputes

1. Any disputes arising out or relating to this Regulation or other provisions governing the operation of the Market, shall be finally settled by a Board of Arbitration appointed in accordance with Article 7.7.
2. Completion of the procedure before the Appeals Board in accordance with Article 7.6 is a condition to the commencement of arbitration proceeding before the Arbitration Board.

7.6 Appeals Board

1. The Appeals Board shall be composed of three members appointed by the Board of Directors of MTS, which shall also appoint one of the members to be the chairman. The seat of the Appeals Board shall be at MTS.
2. The members of the Appeals Board shall be chosen from among independent persons of proven expertise in matters concerning financial markets.
3. The appointment shall be for three years and may be renewed. Where one of the members vacates the position before the termination of the appointment, the Board of Directors of MTS shall appoint a substitute; such appointment shall last until the termination of the appointments of the other members of the Appeals Board.
4. The decisions of the Appeals Board shall be adopted in accordance with law allowing debate within 30 days of the date of the petition for review and shall be promptly notified to the parties. The language of the proceedings shall be the Italian language.

5. In agreement with the other members of the Appeal Board, the chairman may assign a question to a single member of the Appeal Board.
6. The decisions of the Appeals Board shall not be binding on the parties and where one of the parties initiates arbitration, they shall not be binding on the arbitrators, who shall have the broadest prerogatives and powers to re-examine the entire dispute without any preclusion.
7. The fees of the members of the Appeals Board shall be borne by the losing party.

7.7 Board of Arbitration

1. The Board of Arbitration shall be composed of three members appointed as follows:
 - a) the party that initiates the arbitration procedure shall send an instrument to the other party in which it:
 - declares its intention of initiating the arbitration procedure;
 - indicates the subject of the case;
 - designates its arbitrator;
 - invites the other party to designate its arbitrator;
 - b) the party that receives the invitation referred to in subparagraph a) shall designate its arbitrator within 20 days of receiving the notice; in the event of its omitting to do so, the second paragraph of Article 810 of the Code of Civil Procedure shall apply;
 - c) the third arbitrator, who shall act as Chairman of the Board of Arbitration, shall be appointed consensually by the arbitrators referred to in subparagraphs a) and b); where they fail to agree within 20 days, the third arbitrator shall be appointed by the Chairman of the Milan Court.
2. The arbitration proceedings thus instituted shall be ritual and shall comply with the provisions of the Italian Code of Civil Procedure. The procedure must be initiated, to avoid debarment from action, within 60 days of the notification referred to in Article 7.6, paragraph 4. The dispute shall be settled in accordance with the provisions of Italian law and the language of the arbitration proceedings shall be the Italian language.

The seat of the Board of Arbitration shall be in Milan or Rome, in the place designated by its Chairman

7.8 Suspension of Terms

All terms provide under this Section shall be suspended as from the 1st to the 31st of August of each year.

SECTION VIII

FINAL PROVISIONS

8.1 Applicable Law

All Trades executed on the Markets shall be governed by Italian law and any disputes in connection thereto shall be subject to the exclusive jurisdiction of Italian courts except, in both cases, whether the parties have otherwise agreed in advance in accordance with Italian law. Any choice of foreign law or any foreign competent forum shall be however ineffective to the extent it may cause, either directly or indirectly, the inapplicability of these Regulation or of the General Terms and Conditions.

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