

“BONDVISION” REGULATIONS

REGULATIONS GOVERNING THE WHOLESALE ONLINE TRADING MARKET IN GOVERNMENT BONDS

PART I **GENERAL PROVISIONS**

Art. 1 - Definitions

In these regulations, the expression:

- “Application” shall mean acceptance, whether whole or partial, of a Proposal transmitted through and immediately processed by the System
- “Categories of Financial Instruments” shall mean a set of Types of Financial Instruments having similar characteristics
- “CLFI” shall mean Legislative Decree no. 58 of 24th February 1998 containing the Consolidated Law on Financial Intermediation.
- “Deposit Service” shall mean the Financial Instrument deposit and centralised management service performed by the institutions referred to in art. 80 of the CLFI or identified by the Management Company by means of the Provisions, in accordance with the regulations laid down by CONSOB in agreement with the Bank of Italy
- “Financial Instruments” shall mean the instruments traded on the market by means of the contracts referred to in art. 21 para 1
- “Group” shall mean all the companies directly or indirectly controlled by the same parent company and including that parent company itself; the concept of control being applied for that purpose is that referred to in s. 23 of Legislative Decree no. 385 of 1st September 1993
- “Regulated Markets” shall mean the markets included in the list referred to in section 63 sub section 2 of Legislative Decree no. 58/98
- “Management Company” shall mean MTS S.p.A.
- “MTS” shall mean the regulated market for Government bonds through the screen-based trading system managed by MTS S.p.A. and authorised with the Decree of the Ministry of the Treasury dated 28th June, 1998, pursuant to Art. 66 of CLFI
- “Participants” shall mean all parties admitted to trade on the System
- “Primary Dealers” shall mean the Participants registered in the Primary Dealers’ Register kept by the Management Company
- “Price” shall mean the consideration, which may be expressed by reference to a rate or to a price differential, in accordance with the procedure indicated in the Provisions
- “Proposal” shall mean an offer to purchase or sell a security, issued by a Primary Dealer through the System, by entering into one of the contracts referred to in art. 21 para. 1 and indicates the quantity and price offered and the Type of Financial Instrument it is proposed to trade
- “Provisions” shall mean the provisions for implementation of these Regulations
- “Request for Quote” shall mean a competitive request issued by Participants to Primary Dealers
- “Settlement Service” shall mean the settlement and clearing service for contracts relating to the financial instruments referred to in art. 69 of the CLFI or a similar settlement procedure managed by the institutions identified by the Management Company in the Provisions, in accordance with the regulations laid down by CONSOB (the Italian Securities and Exchange Commission) in agreement with the Bank of Italy
- “System” shall mean the screen-based trading system called “BondVision” connected to the Internet or Intranet, by means of which Financial Instruments are traded
- “Type of Financial Instrument” shall mean, in the ambit of the financial instruments traded, the set of securities identified by the same ISIN code which form the subject of the same line of quotation and/or the set of contracts governed by to the same standard contract and form the subject of the same line of quotation

Art. 2 - Purpose of the regulations

These regulations govern the operation, organisation and management of a system of electronic trading in the Financial Instruments as set out in art. 4 hereof by means of a competitive auction between one or more Primary Dealers and Participants.

Art. 3 – Regulations of the market

The market is regulated by:

- a) the Regulations approved by the General Meeting, which establish market principles
- b) the Provisions for the implementation of the Regulations issued by the Board of Directors of the Management Company
- c) the standard contracts, application forms for participation and contracts for the handling of the clearing instructions
- d) the Company's circulars, issued by the Board of Directors, which contain resolutions relating to technical details and operational specifications.

The Provisions referred to in article 3 b) and the circulars referred to in article 3 d) of this article shall be notified promptly to Participants by means of specific notices, which may be published on the information pages of the System.

PART II FINANCIAL INSTRUMENTS

Art. 4 - Negotiable securities

Italian and foreign Government bonds may be traded on the market by means of the contracts referred to in art. 21.

Securities whose issuance has been announced by the issuer may be admitted for trading; to be admitted for trading, account will be taken of the volume of the announced issue instead of its distribution.

The performance of contracts relating to securities whose issue has been announced by the issuer shall take place as from the due date for settlement of subscription operations (on the primary market) for securities of the same kind.

If securities traded on the basis of the announcement of their issue are not actually issued by the announced date, the Management Company will immediately cancel the corresponding line of quotation and the related contracts.

Art. 5 - Conditions for admission to trading

Financial Instruments may be admitted to trading on request by Participants. The said Financial Instruments must be freely transferable. There must be no limitation or hindrance to the exercise of the owner's rights.

Art. 6 - Procedure for admission to trading

The Management Company will establish which of the securities referred to in art. 4 may be traded on the market, and will define the procedures and its date of entry onto the System in specific circulars.

Art. 7 - Suspension and exclusion from trading

- 1) The Management Company may suspend or exclude from trading any Type of Financial Instrument traded where there has been:
 - a reasoned request by Participants
 - lengthy absence of trading
 - lack of orderly trading.
- 2) Within six months of the date of suspension of a Type of Financial Instrument, the Management Company may readmit it if the reasons or causes which led to its suspension no longer exist.

Art. 8 - Determination of minimum negotiable lot

- 1) Financial Instruments shall be traded in the minimum quantities established in the Provisions issued by the Management Company; the said minimum quantities shall be determined on the basis of the wholesale characteristics of the market, the amount of the Financial Instruments issued and the liquidity of the market, always taking account of the directives issued by the Ministry of Economy and Finance for wholesale markets pursuant to section 61 sub-section 10 of Legislative Decree no. 58 of 24th February 1998.

- 2) The minimum negotiable amounts may be differentiated for individual Types or Categories of Financial Instruments.

PART III PARTICIPANTS

Art. 9 - Admission conditions

- 1) The following parties may be admitted to trade on the System:
 - a) EU and non-EU banks authorised to operate the service specified in section 1 sub-section 5a of Legislative Decree no. 58 of 24th February 1998
 - b) EU and non-EU investment companies authorised to operate the service referred to in section 1 sub-section 5a of Legislative Decree no. 58 of 24th February 1998
 - c) Italian insurance companies
 - d) Italian asset management companies
 - e) foreign insurance companies and foreign parties which perform asset management if suitable forms of supervision exist in their country of origin.
- 2)
 - a) The Ministry of Economy and Finance and the Bank of Italy are automatically admitted to trading on the System.
 - b) Monetary authorities, central banks, public entities responsible for managing the public debt and other entities which have similar functions in EU, and non-EU, countries are also admitted to trading on the System subject to the conditions set forth in the Decree of the Ministry of Economy and Finance dated 25th September, 2002.
- 3) In order to be admitted for trading on the System, the parties referred to in para. 1 and 2 shall:
 - a) guarantee settlement of operations concluded on the market by participating (directly or through another Participant) in the clearing and settlement systems;
 - b) deal with institutions which perform the Deposit Service in accordance with the procedures specified by the Management Company in the Provisions;
 - c) have a suitable organisational structure which enables them to operate correctly on the market and fulfil their obligations to perform contracts
 - d) have a net asset value, calculated in accordance with the criteria indicated in the various regulatory instructions issued for supervisory purposes or, if none have been issued, with similar criteria specified in the Provisions, which is at least equal or equivalent to ten million euros. For the subjects indicated under Art. 9.1 c), d) and e) the net asset value shall have to be at least equal or equivalent to one million euros.
- 4) The Management Company may allow indirect participation to institutions which perform the Deposit Service referred to in paragraph 3b) through another single party which participates therein acting as “agent bank” in the ways specified in the Provisions.
- 5) The Management Company, applying objective, non-discriminatory criteria, may reject an application for admission on stated grounds if such admission could prejudice the smooth operation of the market.

Art. 10 - Admission procedure

- 1) Parties referred to in art. 9 para. 1 wishing to be admitted to trade on the market shall deliver a written application to the Management Company in the form annexed to the Provisions, which shall be signed by their authorised representative.
- 2) The Provisions specify the deeds which must be produced with the application referred to in para. 1. In any event, the document evidencing participation in the institutions referred to in art. 9 para. 3a shall be delivered together with the items specified in art. 33 or, if participation is indirect, pursuant to art. 9 para. 4, a certified copy of the deposit and settlement agreement entered into with a direct participant in the institutions which perform the corresponding Deposit Service, in accordance with the instructions of the Management Company.
- 3) The Management Company will examine applications for admission on the basis of the objective, non-discriminatory criteria listed in the Provisions, and will normally issue its ruling within ninety days of the date of receipt of the application conforming to the requirements set out in the preceding paragraphs.

- 4) Together with the notice of acceptance pursuant to para. 3, the Management Company shall specify the date on which the applicant may start trading on the market.
- 5) Dealings between the Management Company and Participants shall be governed by the terms set out above, the Provisions, the application for participation, and the users' agreement drawn up in accordance with the form annexed to the Provisions.

Art. 11 - Participants' obligations

- 1) Each Participant:
 - a) shall comply with these Regulations, the Provisions and the circulars
 - b) shall conduct itself in accordance with principles of fairness and honesty and operate on the basis of criteria of professionalism and diligence
 - c) shall not perform acts which could prejudice the smooth operation of the market
 - d) shall ensure that the conditions referred to in art. 9 para. 3 are maintained
 - e) shall comply with all declaration and transparency obligations laid down by Italian and EU legislation
 - f) solely owns all right, title and interest in the data posted to the System. Each Participant grants to the Management Company a non-exclusive, perpetual, royalty-free licence to use, distribute, sublicense and sell such data and to compile such data with other data provided that the Management Company does not disclose that the Participant is the source of such data.
 - g) subject to the previous paragraph, acknowledges and agrees that the Management Company owns all right, title and interest, including all intellectual property rights, in the aggregate data posted to the System by all Participants and shall not distribute them .
 - h) shall ensure that the personnel performing trading activities have suitable skills and in particular sufficient knowledge of the rules and operating procedures of the market and the procedures for use of the technical instruments used for trading activities on the market
 - i) shall provide the contact details for at least two contact persons responsible for liaising with the Management Company associated with trading on the market
 - j) shall provide on specific request by the Management Company or periodically, in the manner and at the times established by the Company in specific circulars, which may be differentiated for different categories of Participants, information and data relating to activities performed on and off the market relating to the instruments traded on the market, the suitability of the organisational structure and the skills of the personnel involved in trading
 - k) shall pay the fees due for the use of the System and other ancillary services supplied, in the amount and by the dates that are established by the Management Company also taking into account possible membership of Participants in the markets operated by MTS according to the content of the Provisions and related schedules.

Art. 12 - Continued existence of admission conditions

- 1) Participants shall demonstrate at least once a year, by the dates and in the ways established by the Management Company, that the conditions of admission referred to in art. 9 paras. 1 and 2 still exist. The Management Company may request Participants, including individual Participants, to supply all data, information and documents useful for this purpose, including auditors' certificates.
- 2) Participants shall inform the Management Company as soon as possible of all significant variations in the conditions to which the information and documentation supplied on presentation of the admission application relate.

Art. 13 - Suspension from trading

- 1) Without prejudice to the terms of para. 2, if the Management Company establishes that even one of the conditions referred to in art. 9 para. 3 no longer exist, or the Participant fails to demonstrate that all the said conditions still exist, the Management Company will suspend the Participant. The said suspension will also be ordered if there are good grounds to believe that even one of the said conditions no longer exists, or following a declaration of market insolvency issued by CONSOB pursuant to s. 72 of the CLFI.
- 2) In the event that the Participant no longer satisfies the requirement referred to in art. 9 para. 3a, the suspension may be limited to the market segment on which contracts to be performed through the service indicated therein are negotiated. In the event that the Participant no longer satisfies the requirement referred to in art. 9 para. 3d), the net asset value shall be reconstituted, and its reconstitution shall be proved to the Management Company within 3 months as specified in art. 12 para. 1, failing which the Management Company will suspend the Participant. The Management Company shall be entitled to order the suspension in any event even before expiry of the said period if there are good grounds to believe that the net asset value will not be reconstituted within the said period.

- 3) A Participant will be automatically suspended if the authorities have issued an order suspending it from performing investment business.
- 4) The Management Company may suspend a Participant against which suspension or exclusion measures have been issued by other Italian or foreign regulated market management companies.
- 5) Suspension may also be ordered in the cases specified in art. 31 in accordance with the procedures laid down in art. 32.
- 6) In cases other than those specified in para. 5, the suspension shall be ordered by the Board of Directors of the Management Company or, in case of urgency, by the chairman or, in the event of his absence or inability to act, by another party having power to act in accordance with the Management Company's By-laws.
- 7) The suspension will be revoked by resolution of the Board of Directors when the reasons which led to its imposition no longer exist.

Art. 14 - Exclusion from trading

- 1) The Management Company will exclude a Participant from trading if:
 - a) it ceases to belong to the categories referred to in art. 9 para. 1
 - b) it is in a state of confirmed insolvency
 - c) it has been suspended from trading pursuant to art. 13 para. 1, and 12 months have elapsed without its having demonstrated that the conditions referred to in art. 9 para. 3 have been reinstated.
- 2) A Participant will be automatically excluded if an order for exclusion from trading is issued against it by the authorities.
- 3) Exclusion may also be ordered in the cases specified in art. 31, in accordance with the procedure specified in art. 32.
- 4) In cases other than those referred to in para. 3, the Board of Directors of the Management Company shall have power to order the Participant's exclusion.

Art. 15 - Withdrawal from participation in the market

A Participant wishing to withdraw from participation in the BondVision market shall send a written notice to the Management Company in the ways and within the period specified in the Agreement referred to in art.10 para. 5.

PART IV PRIMARY DEALERS

Art. 16 - Registration in Primary Dealers' Register

- 1) A "Primary Dealers' Register" will be kept by the Management Company for each segment or similar group of instruments traded, in which the Management Company will register Participants which apply for such registration within the periods and in the ways laid down in the Provisions, and which possess the requirements laid down in these Regulations. The Provisions specify the segments for which each Participant may apply for registration as a Primary Dealer.
- 2) Only the Participants referred to in art. 9 paras. 1a and b which meet all the following conditions may be entered in the Register:
 - a) possession, either directly or by means of suitable contractual relationships, of a suitable organisational structure which allows full and correct performance of the obligations for which Primary Dealers are responsible, and in particular those referred to in art. 17. When the suitability of the structure is evaluated, account will be taken (*inter alia*) of the number and expertise of the personnel, the connection and data transmission systems used, and the hardware and software equipment employed.
 - b) for each market segment: (i) participants recognised as primary dealers or the equivalent in at least one European Union member state, and /or (ii) participants recognised as Primary Dealers of MTS Italy, France, Belgium, Amsterdam, Portugal, or any other MTs market and the European Primary Dealers and Single Market Specialists of EuroMTS.

Art. 17 - Obligations

- 1) Registration in the Register referred to in art. 16 involves the commitment to:

- a) respond to Requests for Quotes relating to the Types of Financial Instrument referred to in requests formulated by Participants within the period specified in the Provisions
 - b) contribute to forming an anonymous indicative Price as stated in the Provisions.
- 2) In order to fulfil the commitment referred to in para. 1, parties registered in the Register referred to in art. 16 shall maintain competitive price conditions and perform quantitatively and qualitatively significant trades. In particular, Proposals issued in response to Participants' Requests for Quotes shall be in line with general market conditions and consistent with the price trend of the Financial Instruments referred to in the Participant's request.
 - 3) Where there exist serious and justifiable reasons, a Primary Dealer may ask the Management Company to suspend the commitment referred to in para. 1 temporarily. In any event the Management Company shall be immediately informed of any interruption in trading caused by malfunctions of the System.

Art. 18 - Periodic assessment of requirements

- 1) Primary Dealers shall demonstrate periodically by the dates and in the manner laid down in the Provisions that the conditions referred to in art. 16 are still satisfied. The Management Company may request Primary Dealers, individually or collectively, to supply all data, information and documents useful for this purpose, including auditors' certificates.
- 2) Primary Dealers shall inform the Management Company without delay of any significant variations in the conditions which relate to the information and documentation supplied with the application for inclusion in the Register.

Art. 19 - Suspension from functions and cancellation from Register

- 1) Without prejudice to the terms of para. 2, if the Management Company establishes that even one of the conditions referred to in art. 16 is no longer satisfied, or the Participant fails to demonstrate that the said conditions are still satisfied, the Management Company will suspend it as a Primary Dealer. Suspension will also be ordered if there are good grounds to believe that the said conditions no longer exist.
- 2) The Management Company will cancel from the Register referred to in art. 16 the Participant suspended from the function of Primary Dealer in accordance with the preceding paragraphs if it fails to demonstrate within six months of the start of the suspension period that it now satisfies those conditions.

Art. 20 - Other applicable terms

With regard to any matter not excluded by and not incompatible with the terms of this Part of these Regulations, the terms of Part III shall apply to each Primary Dealer.

PART V TRADING

Art. 21 - Types of contract admitted

- 1) The securities referred to in art. 4 may be traded on the market by means of the following types of contract:
 - a) buying and selling, spot or forward
 - b) repos
 - c) basis trading
 - d) spread and switch (these terms, commonly used in the financial markets, refer to quoting methods that allow quoting of a difference expressed in price or yield basis points between financial instruments of the same or different kinds. Application of these quoting modalities gives rise to two distinct buying and selling agreements of opposite sign concerning the instruments for which the price or yield differential is quoted).
- 2) Each type of contract indicated in para. 1 may include different standard contracts. Each standard contract will be approved by the Management Company's Board of Directors, annexed to the Provisions, and notified to Participants by means of circulars which specify the times for input into the System.

Art. 22 - Conduct of trading

- 1) Trading shall take place solely through connections to the System which allows the issue of competitive Requests for Quotes by Participants, the display of Proposals by Primary Dealers, the conclusion of contracts, and forwarding of the information required to settle trades to the institutions which perform the Settlement Service and those which perform the Deposit Service and notification to Participants of information relating to market conditions.

- 2) The Management Company will identify, through the Provisions, the layout of the operating and information “pages” of the System, and make all modifications to the System which become necessary or useful to ensure its more efficient operation, giving prompt notice thereof to Participants in specific circulars.
- 3) Primary Dealers shall trade in their own name and on their own account. For the purposes specified in art. 33 para. 1b, trading shall be deemed to be performed on conditions consistent with the market trend, in accordance with the criteria specified in art. 17 para. 2. Operations may also be performed by parties in their own name, but on behalf of third parties by subjects managing assets.
- 4) The operation of the System depends on the presence of a number of Participants and Primary Dealers sufficient to ensure an adequate level of competition between them.
- 5) Trading shall take place continuously during the hours specified in the Provisions. The rules may specify different trading hours for different Categories of Financial Instruments.
- 6) Contracts concluded on the Market are governed by Italian law and disputes deriving thereof shall be subject exclusively to the Italian Courts jurisdiction, unless the contracting parties had previously opted for a different governing law and jurisdiction in line with the applicable law. The adoption of a law and /or jurisdiction different from the Italian one shall however be void should it, directly or indirectly, conflict with the Market Rules, the Provisions and the User Agreement signed with the Management Company

Art. 23 - Proposals

- 1) Proposals may only be displayed by Primary Dealers, and are binding against Participants only, to the extent indicated in art. 23, para. 3.
- 2) Proposals may be formulated for amounts equal to the minimum tradable lot or multiples thereof. Modifications to purchase and sale price terms by a Primary Dealer shall be made in accordance with the procedures and within the periods stated in the Provisions.
- 3) Proposals may have a merely indicative value. The Participant may request further modifications to the original order. The Primary Dealer may modify Proposals issued by it at any time. However, it shall be obliged to conclude the contract if the Proposal is accepted by the Participant for the proposed price, for not more than the quantity offered, and within the validity period. If the Participant sends an acceptance at a price which is no longer active, the Primary Dealer may reserve the right to enter into the contract.
- 4) With regard to the method of display on the specific pages, Proposals for each Financial Instrument are sorted by the System in order of price and, within that classification, on the basis of the time of input into the system.
- 5) At the close of each day’s trading, Proposals still displayed on the System will be automatically deleted.

Art. 24 – Requests for Quotes

- 1) Requests for Quotes may only be displayed by Participants and are only binding on Primary Dealers, to the extent indicated in art. 24, para. 2. Requests for Quotes may also be sent with reference to Proposals which are no longer active, in which case the Primary Dealer may reserve the right to enter into the contract.
- 2) Requests for Quotes may be sent to the maximum number of Primary Dealers established by the Provisions. The said Primary Dealers may be selected on each occasion from among those appearing in the list referred to in art. 16.
- 3) Requests for Quotes may relate to prices, quantities, currency, bids or offers, or a combination of these factors.

Art. 25 - Conclusion and registration of contracts

- 1) Contracts are concluded when the Proposal is accepted by the Participant, in accordance with the procedures established in the Management Company’s Provisions.
- 2) All contracts concluded on the market are recorded in a specific electronic archive in accordance with the procedures established by the Management Company in the Provisions, in compliance with art. 65 of Legislative Decree no. 58/98 and the corresponding implementing regulations.
- 3) At the close of each day’s trading, all available information relating to Requests for Quotes, Proposals input into the System and to concluded contracts will also be filed.

Art. 26 - Performance of contracts

- 1) Where applicable, the System will transmit the data required for performance of contracts to the institutions responsible for the deposit and settlement services referred to in art. 9 para. 3a, identified by the Management Company for the purpose of clearing and settlement or gross settlement. Trade-checking will be performed in accordance with the procedures and within the periods established in the Provisions.
- 2) For the purpose of para. 1, a specific information page of the System will make available to all Participants a subjective table containing the company names of the parties which participate indirectly in the deposit and settlement services for contracts pursuant to art. 9 para. 4, and the parties which participate directly in the said service.
- 3) The publication of the table referred to in para. 2 and the updates thereto shall constitute notification to other Participants for all purposes of the party to which payments in favour of a Participant with which they have concluded a contract shall be made, and shall authorise the Participants which undertake the payment and receipt service to perform the corresponding operations on behalf of their principal with the latter's contracting parties.

Without prejudice to the Rules issued by the Bank of Italy by agreement with CONSOB pursuant to s. 69 of Legislative Decree no. 58/98, and the Provisions relating to the depository institutions identified by the Management Company, spot contracts shall usually be performed on the third market opening day after their stipulation.

- 4) Contracts relating to securities whose issue has been announced by the issuer shall be performed from the date announced for the settlement of subscription operations (on the primary market) for securities of the same type.

Art. 27 - Cancellation of contracts

On request by two contracting Participants, a contract concluded on the market may be cancelled if trading has taken place accidentally or as a result of a System malfunction. If only one of the two Participants requests the cancellation of the contract, the Management Company shall check the market conditions existing at the time of the trade, using the official cancellation procedure as indicated in the Provisions. Recourse to the official cancellation procedure must be requested by the Participant within the maximum periods specified in the Provisions.

PART VI INFORMATION NOTICES

Art. 28 - Information notices to investors

- 1) The Management Company will make available to Participants all information necessary for the correct performance of trading activities and performance of concluded contracts.
- 2) In any event, for each Financial Instrument traded on the market, the Management Company will provide each Participant in real time, through the System, with information on the day's trading relating to:
 - a) Requests for Quotes displayed in the System for each Participant
 - b) Proposals displayed in the System, including details of price and quantity
 - c) prices and quantities of the best purchase and sale Proposals
 - d) minimum, maximum and weighted average price and traded quantities calculated on contracts concluded during the day until the time of calculation
 - e) the current status of all Proposals issued by the Participant and details of contracts concluded by it.
- 3) The Management Company will supply Participants with the following tables through the System:
 - a) objective table containing codes identifying the Types of Financial Instruments
 - b) objective table containing standard contracts used on MTS and the corresponding codes
 - c) subjective table containing codes identifying Participants and the corresponding description, and also indicating Participants which participate indirectly in the contract Deposit Service and Settlement Service and parties which directly participate in the said service and have entered into the payment and receipt agreement referred to in art. 10 para. 2 with them.
- 4) The contents of the information referred to in the preceding paragraphs and the procedures for providing it will be identified in detail by the Management Company through the Provisions.

- 5) At the close of each day's trading, the Management Company will publish a list drawn up as specified in the Provisions, which contains at least information relating to the minimum, maximum and weighted mean price of each Financial Instrument traded on the market and the total quantities traded, based on the contracts concluded during the whole day. The Provisions may specify cases in which no account is taken of trades deemed to be abnormal for the purpose of the said calculation.
- 6) The Management Company may delay publication of data and information in the event of serious technical malfunctions which make it impossible to establish the correct data and information to be published, on giving prior notice to the Bank of Italy and CONSOB.

Art. 29 - Information provided to the authorities

- 1) The Management Company will supply the Bank of Italy and CONSOB with data and information relating to the contracts concluded and activities performed by Participants on the market and all other data, information, deeds and documents requested by the Bank of Italy pursuant to s. 76 of the CLFI.
- 2) The Management Company will send the Ministry of Economy and Finance and the Bank of Italy an advance copy of the Provisions it proposes to issue pursuant to art. 3 para. 1.

PART VII
SUPERVISION AND DISCIPLINARY MEASURES

Art. 30 - Monitoring of proper conduct of trading

- 1) The Management Company will supervise the conduct of trading through a specific monitoring department, and will ensure that these Regulations and the Provisions are complied with; it will also take all measures required to ensure the smooth operation of the market.
- 2) The Management Company will perform (*inter alia*) the following activities:
 - a) monitoring of compliance with the obligations specified in art. 17 para. 2, by means of the system information flow; if any doubts should arise in this respect, it will promptly request clarification from the Primary Dealer involved, which shall supply such clarification as soon as possible
 - b) monitoring to ensure that files, procedures and anything else required to ensure the orderly conduct of trading are suitably updated
 - c) monitoring of the operation of the technical structures and transmission networks of the System
 - d) prompt information to Participants, by means of written notices and announcements published on specific pages of the System, relating to its actions which affect trading on the market
 - e) management of errors in the input of orders into the System, in the ways specified in the Provisions.
- 3) In the exercise of the market management activity, the Management Company may (*inter alia*):
 - a) postpone the start of trading on the entire market or for individual Types or Categories of Financial Instruments, or extend its duration beyond the usual hours, to ensure more efficient operation of the market
 - b) temporarily suspend trading on the entire market or for individual Types or Categories of Financial Instruments in the event of serious technical malfunctions or other exceptional events
 - c) request Participants to send data and information, possibly periodically, and transmit documents, relating to trading on and off the market in the instruments traded on the market, the suitability of organisational structures, and the expertise of trading personnel
 - d) perform audits at Participants' premises for the sole purpose of checking on their compliance with the organisational requirements with reasonable prior notice and according to the possible procedures described in the Provisions.
- 4) Without prejudice to any measures necessary for the electronic management of trading and the terms of articles 26 and 28, the Management Company shall keep all the information it obtains in the course of its market management and supervision activities confidential. The available information will be accessed on the System by means of passwords.
- 5) In the case of contracts for securities whose issue has been announced by the issuer, the Management Company shall void positions and, where applicable, correct data already transmitted for settlement procedures on its own initiative if the said securities are not actually issued, or the quantity of the issue is significantly lower than that announced.

Art. 31 - Disciplinary measures

- 1) Participants which fail to fulfil the undertakings derived directly or indirectly from the application of these Regulations and the Provisions or otherwise fail to comply with the operational procedures laid down for the operation of the System shall be liable to one of the following disciplinary measures, taking account of the gravity of the matter and any previous breaches committed by the same Participant:
 - a) written warning
 - b) fine of 1000 to 25,000 euros
 - c) suspension from trading for a period not exceeding two months
 - d) exclusion from trading
 - e) suspension from functions of Primary Dealer for a period not exceeding two months
 - f) termination from list of Primary Dealers.The Management Company shall apply the disciplinary measures in a non-discriminatory way.
- 2) A Primary Dealer which, after having been subjected to one of the disciplinary measures referred to in para. a) or b) of the preceding paragraph due to an ascertained breach of the obligations set out in art. 17 para. 2, breaches the said obligations again within six months, shall be liable to suspension for a period of not less than 10 days.
- 3) If the measures of suspension or exclusion from trading are imposed, as regards trading on the System, the Participant concerned shall only remain entitled to settle contracts still in existence on the date on which the disciplinary measure comes into effect, under the supervision of the Management Company.
- 4) The disciplinary measures referred to in para. 1 will be taken by the Wise Men Committee on behalf of the Management Company at the end of the procedure referred to in article 32. The said Wise Men Committee consists of a Chairman, two regular members and two substitute members, who are independent persons of proven expertise on financial instrument markets appointed by the Board of Directors for two years, and whose appointment may be renewed. The fees payable to members of the Wise Men Committee shall be established by the Board of Directors on their appointment.
- 5) The Wise Men Committee referred to in para. 4 shall pass resolutions on a majority vote by its members. A regular member who holds an administrative, supervisory or executive function in a Participant company or has a consultancy arrangement with it shall be replaced by a substitute member in decisions relating to the conduct of that Participant.
- 6) The operating rules of the Wise Men Committee shall be established by that Board and approved by the Board of Directors.
- 7) A party excluded from trading may, at the discretion of the Management Company, be readmitted to trading on presentation of a new application not less than one year after notification of the exclusion order.
- 8) A party which has been cancelled from the Primary Dealers' Register may be re-registered on presentation of a new application in accordance with the procedures laid down by the Management Company in the Provisions not less than one year after notification of the cancellation order.

Art. 32 - Procedure for application of disciplinary measures

- 1) If the Management Company considers that a Participant has committed one of the types of conduct specified in art. 31 para. 1, it will send the Participant concerned a written notice containing a description of the alleged breach, and invite it to explain itself.
- 2) Within ten days of service of the notice referred to in para. 1, the Participant concerned may file documents in its defence at the Management Company's registered office, and may ask to be heard. The said period shall be halved if a breach of the obligations referred to in art. 17 para. 2 is involved.
- 3) When the period referred to in para. 2 has elapsed, the Wise Men Committee, having heard the Participant concerned if it so requests and examined any defence documents filed, will impose one of the disciplinary measures referred to in art. 31 para. 1 if it considers that the alleged breach has been committed, or if not, will declare the disciplinary proceedings closed.
- 4) Grounds shall be stated for the decisions referred to in para. 3, which shall be notified in writing to the Participant concerned and, if disciplinary measures are imposed, to the Bank of Italy and to the Ministry of Economy and Finance.

- 5) If the decision referred to in para. 3 imposes a sanction, it shall establish the forms in which the said decision shall be published, in daily newspapers and/or the information pages of the System. Such publication may be excluded if the disciplinary measure is a written warning or fine.
- 6) In all cases in which it is necessary for the protection and the correct and reliable operation of the market, in cases of particular urgency or if there are good grounds to believe that a Participant has committed serious breaches or is in a state of suspected insolvency, the Management Company may impose immediate suspension from trading of the Participant concerned as a precaution. The period of precautionary suspension shall not normally exceed twenty days. In any event, the precautionary suspension measure shall cease to have effect on the date on which the decision taken pursuant to para. 3 is notified to the Participant.
- 7) Save as specified in para. 6, disciplinary measures shall take effect on the date on which they are issued, unless otherwise established and notified to the Participant.

PART VIII

FINAL PROVISIONS

Art. 33 - Disputes

- 1) In the user's agreement referred to in art. 10 para. 5, each Participant:
 - a) will agree to an arbitration clause whereby all disputes which may arise with the Management Company relating to the said participation and the deeds consequent thereon, including those relating to the application and interpretation of these Regulations and the Provisions, and any amendments thereto, shall be referred to arbitration in accordance with the procedure specified therein.
 - b) will agree to entitle the Management Company to issue a ruling on request if contracts concluded by the Participant with other Participants are affected by input or transmission errors, and will agree to issue an undertaking to the other parties to the contract to consider the said ruling binding.

Art. 34 - Publication of regulations

These Regulations shall be published in accordance with the rules laid down by Consob pursuant to section 62 subsection 3 of Legislative Decree no. 58 of 24th February 1998.