Within the Articles, the changes brought about by joint Bank of Italy/Consob deeds of 11 and 24 February 2015 are shown in bold print.

RULES GOVERNING CENTRAL DEPOSITORIES, SETTLEMENT SERVICES, GUARANTEE SYSTEMS[1] AND RELATED MANAGEMENT COMPANIES

THE BANK OF ITALY AND CONSOB

HAVING REGARD TO Legislative Decree 58/1998, the Consolidated Law on Finance;

HAVING REGARD TO Legislative Decree 213/1998, containing provisions for the introduction of the EURO into the national legal system;

HAVING REGARD TO Legislative Decree 164/2007, implementing Directive 2004/39/EC on markets in financial instruments and, in particular, Article 11, paragraphs 9, 10, 11 and 16, and Article 14 thereof, which amend Part III, Title I, Chapter I, and Title II of the Consolidated Law on Finance concerning the settlement, clearing and guarantee of transactions involving financial instruments and central depositories;

HAVING REGARD TO Articles 68, 69 and 70 of the Consolidated Law on Finance, which authorize the Bank of Italy to regulate, in agreement with Consob, guarantee systems and clearing and settlement services for transactions involving financial instruments, and Articles 72, 80 and 81 of the Consolidated Law on Finance, which authorize Consob to regulate, in agreement with the Bank of Italy, market insolvencies and central depositories;

HAVING REGARD TO Articles 77 and 82 of the Consolidated Law on Finance, which entrust the Bank of Italy and Consob with supervising guarantee systems, clearing and settlement services for transactions involving financial instruments, and central depositories in pursuit of the aims falling within the scope of their respective competencies;

HAVING REGARD TO Article 2.2 of Legislative Decree 210/2001, according to which Italian securities settlement systems are required to specify the moment at which a transfer order referred to in Article 1.1(m)(2) of the decree referred to above enters a system in compliance with the rules established by the Bank of Italy and Consob according to their respective powers;

HAVING REGARD TO the Bank of Italy regulation issued on 8 September 2000, “Clearing and settlement of transactions involving non-derivative financial instruments referred to in Article 69(1) of the Consolidated Law on Finance”, as amended, adopted in agreement with Consob;

HAVING REGARD TO the Bank of Italy regulation issued on 22 October 2002, “Rules governing guarantee systems for transactions involving financial instruments issued in implementation of Articles 68, 69.2 and 70 of the Consolidated Law on Finance”, adopted in agreement with Consob;

[1] The provisions hereof relating to systems of central counterparty guarantee means repealed pursuant to art. 89, paragraph 4 of Regulation (EU) No 648/2012 of the European Parliament and of the Council of 4 July 2012 on OTC derivatives, central counterparties and trade repositories negotiations.

HAVING REGARD TO the Bank of Italy regulation issued on 30 September 2002, "Definition of the prescriptions for securities settlement systems pursuant to Article 2.2 of Legislative Decree 210/2001", adopted in agreement with Consob;

HAVING REGARD TO Consob Regulation 11768/1998, adopted in agreement with the Bank of Italy, as amended and, in particular, Title II, Chapter IV (Liquidation of market insolvencies) and Title III (Central securities depositories);

HAVING REGARD TO the joint Bank of Italy and Consob regulation of 24 January 2002, containing "Supervisory instructions concerning the regulation of markets and central depositories for financial instruments";

CONSIDERING the need to adjust the regulatory provisions referred to above to the amendments made to the Consolidated Law on Finance by Legislative Decree 164/2007;

CONSIDERING the comments received during the public consultation carried out in preparing the present legislation;

HAVING OBTAINED the necessary agreements, with reference to the parts of this regulation that, pursuant to the provisions referred to above, are entrusted to one of the two authorities subject to the agreement of the other;

IN VIEW OF the desirability of providing interested parties with a single and simplified regulatory framework for the settlement, clearing and guarantee of transactions involving financial instruments, the liquidation of market insolvencies, and central depositories and hence of including the provisions adopted by each authority within the scope of its respective competencies;

ISSUE

the attached regulation, which will be published in the Gazzetta Ufficiale della Repubblica italiana[2].

Rome, 22nd February 2008

FOR THE BANK OF ITALY
THE GOVERNOR
Mario Draghi

FOR CONSOB
THE CHAIRMAN
Lamberto Cardia

[2] Published in the Gazzetta Ufficiale della Repubblica italiana no. 54 del 4.3.2008. This Provision was amended by joint Bank of Italy/Consob act of 24 December 2010, published in the Gazzetta Ufficiale della Repubblica no. 4 of 7 January 2011. The amendments made came into effect fifteen days following their publication in the Gazzetta Ufficiale della Repubblica Italiana (subject to the provisions of points II.1 and II.2 of the joint Bank of Italy/Consob act of 24 December 2010); with joint Bank of Italy - Consob provision of 22.10.2013, published in the Gazzetta Ufficiale della Repubblica no. 259 of 5.11.2013, the amendments of which entered into force on 15.4.2014, in order to allow the addressees of the amended provisions to adapt their respective internal procedures and, in particular, to provide for the adaptation, when necessary, of their own regulations and the possible preparation of the procedures for the liquidation of market insolvencies; with joint Bank of Italy - Consob provision of 11.2.2015, published in the Gazzetta Ufficiale della Repubblica no. 43 of 21.2.2015, the amendments of which entered into force on 8.3.2015; with joint Bank of Italy - Consob provision of 24.2.2015, published in the Gazzetta Ufficiale della Repubblica no. 54 of 6.3.2015, the amendments of which entered into force on 21.3.2015.

CONTENTS

Article 86 – Adaptation of the management companies' rules

Annex 1 – Guidelines for business continuity in central depositories, settlement services and guarantee systems

PART I
REGULATORY POWERS

TITLE I
COMMON PROVISIONS

Article 1
Definitions

1. In this regulation:
a) "Consolidated Law on Finance": Italian Legislative Decree No. 58 of 24 February 1998 and successive amendments;
b) "Consolidated Law on Banking": Italian Legislative Decree No. 385 of 1 September 1993 and successive amendments;
c) "Finality Decree": Italian Legislative Decree No. 210 of 12 April 2001 and successive amendments;
d) "members": the persons who, with respect to the positions they have taken on their own behalf or on behalf of their customers, adhere to the guarantee systems, directly or indirectly, through other direct (clearing) members;
e) "links": participation of a management company in the central depository and settlement services and guarantee systems managed by non-foreign entities, or in similar services and systems managed by foreign entities; the participation by the foreign entities in central depository and settlement services and guarantee systems; other forms of interaction between the management companies and the aforesaid foreign entities;
f) "customers": the persons who confer mandate for contracting and/or for remunerating and guaranteeing transactions, including the settlement phase, with an member to a central counterparty;
g) "central counterparty": the subject indicated in Article 2.1 of EU Regulation No. 648 of the European Parliament and of the Council of 4 July 2012 on OTC derivatives, the central counterparties and the contracting data record, established in the Italian Republic;
h) "intraday final": the irrevocability and enforceability of final settlements made during the business day;
i) "issuers": the companies and bodies that issue financial instruments admitted to a centralised depository system;
j) "contract and settlement guarantee funds": the systems referred to respectively in Articles 68.1 and Article 69.2 of the Consolidated Law on Finance;
k) "markets": the regulated markets contemplated by Article 61 of the Consolidated Law on Finance and the multilateral trading systems contemplated by Article 77-bis of the Consolidated Law on Finance;
l) "business day": the time interval during which transactions are settled at the same value;
m) "intermediaries": persons eligible to hold accounts on which financial instruments and related transfers can be recorded;
n) "settlement agents": persons participating in the settlement services for transactions involving non-derivative financial instruments referred to in Article 69.1 of the Consolidated Law on Finance;
o) "gross settlement": the activity permitting the one-by-one settlement of transactions involving non-derivative financial instruments;
p) "net settlement": the activity permitting the settlement of balances deriving from the multilateral clearing of transactions involving non-derivative financial instruments;
q) "margins": the assets constituted and/or due to the central counterparties by individual clearing members to guarantee execution of the contractual positions recorded on their accounts;
r) "trader": the person admitted to trade on the regulated markets contemplated by Article 61 of the Consolidated Law on Finance and in the multilateral trading systems contemplated by Article 77-

bis of the Consolidated Law on Finance;
s) "transactions": contracts involving financial instruments;
t) "final transactions": transactions that are binding and enforceable on third parties pursuant to Article 2 of the Finality Decree;
u) "management body": according to the administration and control model adopted, the members of the board of directors or the management board;
v) "control body": according to the administration and control model adopted, the board of auditors, the supervisory board or the management control committee;
w) "participants": the settlement agents and/or the members and/or the intermediaries admitted to the centralised depository system and/or the persons who participate in the guarantee systems contemplated by Articles 68.2 and 69.2 of the Consolidated Law on Finance;
x) "contractual position": the obligations and rights ensuing from transactions;
y) "executive procedures": the compulsory execution procedures governed by the rules of markets or guarantee systems or those drawn up by market operators on a consensual basis concerning the execution of transactions that, as a result of the failure to deliver financial instruments or cash, have not been settled within the time limits laid down;
z) "record date": business day at the end of which the holders of the accounts on which the financial instruments are registered are identified;
aa) "guarantee services": services that guarantee the successful conclusion of transactions concerning money payment obligations or the delivery of financial instruments, including the management of the guarantee system;
bb) "centralised depository services": the services disciplined by Articles 80 et seq. of the Consolidated Law on Finance;
cc) "settlement services": the clearing and settlement service and the gross settlement service referred to in Article 69.1 of the Consolidated Law on Finance, concerning net settlement and gross settlement respectively;
dd) "guarantee systems": the systems contemplated by Articles 68.1, 69.2 and 70[3] of the Consolidated Law on Finance;
ee) "daily trade-matching and verification systems": the systems which allow for the acquisition, checking, correction and forwarding of the transactions to the settlement services and analogous foreign services;
ff) "management companies": the central depository companies, the settlement service management company and the guarantee system management companies;
gg) "central depositories": the companies disciplined by Part III, Title II of the Consolidated Law on Finance under Articles 80 et seq.;
hh) "settlement services management company": the company authorised by the Bank of Italy, in accordance with Consob, pursuant to Article 69.1 of the Consolidated Law on Finance, to manage the settlement services, excluding the final cash payment phase;
ii) "financial instruments": the instruments indicated in Article 1.2 of the Consolidated Law on Finance;
jj) "last intermediary": the intermediary who keeps the accounts on which the financial instruments of entities who do not operate as intermediaries (end investors) or non-resident entities are recorded[4].

[3] The reference to Article 70 of Legislative Decree no. 58/1998 is intended repealed. See footnote 1.

[4] Article replaced first by Bank of Italy - Consob deed of 24 December 2010 and then with Bank of Italy - Consob provision of 22 October 2013.

Article 2
Non-revocation

1. The managers of the Italian systems for the execution of transfer orders as contemplated by Article 1, Section 1, Letter m), no. 2 of the decree on non-revocation fix the point, making this information sufficiently well known, for issuing such orders into the system and for their irrevocable nature, with procedures which ensure the exact and objective determination, in respect of the need to limit the regulation risks and to ensure the standardisation and consistency of the various phases of the order execution process, and render transparent the rules which discipline the transfers of securities and of cash in the settlement services.

2. In the systems with central counterpart guarantee, the moment of issue cannot precede that on which the central counterpart takes on the commitment of the position to be settled[5].

Article 3
General management criteria

1. The management companies base their activity on principles of good and prudent management; they take into account the standards and best practices known internationally, they adopt adequate measures for containing risks with respect to the activities carried out, they ensure high levels of transparency and the orderly, continuous and efficient functioning of the systems managed.

2. In the case of significant changes in the functioning of the services and systems managed and the start-up of new services, the management companies provide adequate forms of consultation to users in order to assess the impact of the initiatives and the appropriateness of the functionalities offered[6].

Article 4
Business continuity

1. The management companies must adopt policies and measures to ensure the continuity of services and systems and draw up a business continuity plan for the management of critical situations consequent on sectoral accidents or extensive catastrophes that have a direct impact on companies or their major counterparties. Annex 1 contains the guidelines the management companies must observe to create the defences needed to ensure business continuity.

Article 5
Outsourcing of activities of strategic importance for companies' ordinary operations

1. The management companies that outsource activities of strategic importance for their ordinary operations shall be responsible for the outsourced functions, their governing bodies shall continue to provide guidance and they shall adopt organizational measures that guarantee: a) the integration of the outsourced activities into the overall system of internal controls;
a) the identification of all the risks connected with the outsourced activities and the existence of a detailed programme for their periodic monitoring;

[5] Article first amended by Bank of Italy - Consob provision of 22 October 2013 and then replaced with Bank of Italy - Consob provision of 11 February 2015.

[6] Article replaced by Bank of Italy - Consob provision of 22 October 2013.

b) appropriate procedures for the control of the outsourced activities, with a unit charged with that function and the reporting by such unit of appropriate information to the management and control bodies;
c) the business continuity of the outsourced activities; to this end they shall acquire information on the emergency plans of outsourcers, evaluate the quality of the measures foreseen, and prepare coordinated business continuity solutions.

2. The management companies must specify the objectives assigned to outsourcing in relation to their overall strategy, maintain knowledge and governance of the related processes and protect against the related risks. To this end the management companies must have access, including direct access, to outsourcers, to the important information concerning the outsourced activities, and must assess the quality of the services provided and the adequacy of outsourcers' organization and capital.

3. Agreements between management companies and outsourcers must:
a) identify the nature, subject and objectives of the services, the manner and frequency of providing them and the confidentiality requirements for information;
b) ensure compliance with paragraph 2;
c) arrange for appropriate safeguards allowing the Bank of Italy and Consob to perform their respective supervisory duties.

4. The preceding sections are not applicable to the outsourced settlement services or the centralised management services of the relative management companies when such services are performed by a public body, on the basis of a specific framework contract agreed on and formalised between the parties and which is brought to the knowledge of the Bank of Italy and Consob and regarding which the said authorities have raised no objections[7].

Article 6
Anti-money-laundering

1. In order to minimize the risk of being involved unknowingly in money-laundering transactions, the management companies - in conformity with the rules applying to the sector - must adopt organizational and procedural measures serving to increase the awareness of persons admitted to their services and systems, ensure management integrity and autonomy, prevent episodes of unfaithfulness by employees and collaborators, and promptly identify any anomalous activity by persons admitted to their services and systems.

Article 7
Organisational prerequisites for management companies

1. The centralised depository services, settlement and the guarantee systems are organised and managed by joint stock companies.

2. The management companies have an organisational structure suited to ensuring the orderly and continuous functioning of the services and systems and the efficiency levels, in managing the same, in line with the standards and best practices known internationally. They equip themselves with, inter alia:
a) solid and efficient corporate governance systems;
b) decision-making procedures; delegation mechanisms; and well-defined, transparent and

[7] Paragraph added by Bank of Italy - Consob provision of 11 February 2015.

consistent lines of responsibility and communication, shown in an organisational chart and a departmental chart, also with reference to the outsourced activities;
c) measures and procedures suitable to contain and effectively govern potential conflicts of interest inherent to the activities performed;
d) suitable measures to guarantee the separation of the operational and control functions;
e) an effective internal audit system which can identify, control and manage the risks connected to the activities, processes and systems managed, as well as immediately highlight any irregularities;
f) specific procedures for identifying duties and responsibilities for adopting measures to correct any irregularities found by the internal audit system;
g) effective systems and procedures to ensure respect of the regulations on the part of the participants and for the good functioning of the services and systems;
h) adequate administrative and accounting policies and procedures which conform to the applicable principles and provisions, and which give a truthful picture of the company's equity, economic and financial situation;
i) information systems which are adequate for the complexity, variety and types of services performed, featuring high levels of security such as to ensure the integrity and confidentiality of the information.

3. The organisational structure is approved by the management company's administrative body.

4. In order to allow the Bank of Italy and Consob to ascertain, at the launch of the functioning of the services and systems and thereafter, that the protective measures which fulfil the obligations contemplated by section 2 are in place, the management companies send the necessary information to the Bank of Italy and to Consob and they provide for the communications required by Articles 74 and 75.

5. At least once a year, the management companies verify the technological and information structures for the performance of the institutional services, and especially the information security measures put into place and the procedures for ensuring business continuity. This is carried out by a third party or the company's internal facility, provided they are different and independent from the production structure[8].

Article 8
Supervisory interventions

1. For the purpose of pursuing the aims referred to in Articles 77.1 and 82.1 of the Consolidated Law on Finance, the Bank of Italy and Consob may require the management companies to adopt specific measures to ensure the orderly, secure, continuous and efficient functioning of the services and systems referred to in Articles 68, 69, 70[9] and 80 of the Consolidated Law on Finance.

[8] Article replaced by Bank of Italy - Consob provision of 22 October 2013.

[9] The reference to Article 70 of Legislative Decree no. 58/1998 is intended repealed. See footnote 1.

TITLE II
CENTRALIZED DEPOSITORY SERVICES

CHAPTER I
Regulation of central depositories

Article 9
Permissible activities and eligible equity interests

1. The central depositories may perform the following activities related and instrumental to central depository services for financial instruments:
a) preparing, managing, maintaining and marketing software, hardware and electronic networks for data transmission systems;
b) processing, distributing and marketing data concerning financial instruments and data connected to the services managed;
c) promoting the image of the central depository and of the service provided and every other activity serving the latter's development;
d) making securities loans in the name and for the account of third parties;
e) supplying services for the management of collateral consisting of financial instruments entered in the central depository in dematerialized form.
f) management of the electronic recording systems of derivative financial instrument contracts traded on an over the counter basis in accordance with EU regulations[10].

2. The central depositories may also provide settlement services at the conditions and in the manner referred to in Part I, Title III. In such cases, in addition to the activities referred to in paragraph 1, central depositories may also perform activities related and instrumental to settlement referred to in Article 42.1.

3. The central depositories may acquire equity interests in the following Italian and foreign companies:
a) those that perform, exclusively or primarily, the activities referred to in paragraphs 1 and 2;
b) central depositories for financial instruments;
c) those that manage, exclusively or primarily, guarantee system.

Article 10
Minimum financial resources

1. The minimum paid-up and existing capital of central depositories shall be €5 million.

2. The minimum paid-up and existing capital of central depositories that also engage in the activities referred to in Article 9.2 shall be €12.5 million.

3. Companies must have capital and financial resources capable of preserving their stability and proportionate to their operations and size.

4. omitted…[11]

[10] Subparagraph added with Bank of Italy-Consob Act of 24 December 2010.

[11] Paragraph repealed by Bank of Italy-Consob Act of 24 December 2010.

Article 11
Other financial resources

1. In order to compensate for damage caused on a wilful or negligent basis to investors when carrying out their activities, the central depositories must:
a) establish a special guarantee fund; and
b) take out insurance policies with one or more insurance companies.

2. The fund provided for in paragraph 1(a) will be different from the legal reserve, and shall consist of non-earmarked provisions, including the share premium reserves. Such provisions, which can also be used to purchase property, will be made up until the fund amounts to half of the share capital[12].

CHAPTER II[13]
Regulation of central depository services for financial instruments

Section I
General provisions

Article 12
Minimum contents of services regulation

1. Subject to the provisions of Article 81.2 of the Consolidated Law on Finance, the services regulation establish the following, amongst other things:
a) organisation and operational methods and procedures for the activities referred to in Article 9 and links provided under Title V;
b) the categories of financial instruments admitted for centralised management and the conditions for admission, without prejudice to the provisions of section 3[14];
c) the categories of entity that can be accepted to the central depository as intermediaries, in accordance with EU regulations and subject to the provisions of Article 13;
d) acceptance into the central depository, as issuers, of the entities that issue the financial instruments referred to in subparagraph b);
e) the conditions and methods for the acceptance, exclusion or suspension of the entities listed under subparagraphs c) and d);
f) the essential elements of the contracts that govern relations between the central depositories and the issuers and participating intermediaries respectively;
the methods for managing the financial instruments accepted into the central depository;
h) the conditions and the requirements according to which the centralised depositories communicate to the issuers data identifying the intermediaries which hold the financial instruments on the centralised management accounts, together with the number of financial instruments registered therein, and the relative communication procedures and terms, without prejudice to the provisions of section 4[15];
i) the organisational methods adopted to deal with the risks of damage resulting from theft, robbery, fire, destruction or disappearance of the financial instruments that may occur in the company's

[12] Article added by Bank of Italy - Consob Act of 24 December 2010.

[13] Paragraph first substituted by Bank of Italy - Consob deed of 24 December 2010 and then amended in the terms indicated in the following notes.

[14] Letter thus replaced by Bank of Italy - Consob provision of 22 October 2013.

[15] Letter thus replaced by Bank of Italy - Consob provision of 22 October 2013.

premises or during transport from said premises;
j) the technical means and methods used to send and receive communications from the persons accepted via telecommunication;
k) the technical methods used to ensure security of computerised information.

2. Consob, in agreement with the Bank of Italy, approves the services regulation and any subsequent amendments, if they comply with the provisions of the Consolidated Law on Finance, Part III, Title II, Chapter I and this regulation.

3. For the purpose of section 1b, the centralised depositories check the placing or underwriting of the financial instruments to be admitted, where relevant, also by verifying the transfer of the cash to the issuers[16].

4. For the purposes of section 1h, the intermediaries can expressly forbid the communication, requested by the issuers, of the number of financial instruments registered in the accounts held by the same[17].

Article 13
Intermediaries

1. The following categories of entity are accepted to the central depository as intermediaries in accordance with Article 79-quater of the Consolidated Law on Finance:
a) Italian banks and EU banks provided for under Article 1.2 of the Consolidated Law on Banking;
b) Italian investment companies and EU investment companies provided for under Article 1.1 of the Consolidated Law on Finance;
c) non-EU banks, with branches in Italy, provided for under Article 1.2 of the Consolidated Law on Banking;
d) non-EU investment companies, with branches in Italy, provided for under Article 1.1 of the Consolidated Law on Finance;
e) asset management companies provided for under Article 1.1, subparagraph o) of the Consolidated Law on Finance, apart from the provisions of Article 36.2 of the Consolidated Law on Finance;
f) stockbrokers registered on the single national register provided for under Article 201 of the Consolidated Law on Finance;
g) issuers, as regards the financial instruments that they issue or assign or by subsidiaries or associated companies through shareholdings;
h) Poste Italiane S.p.A.

Article 14
Entry of the financial instruments into the central depository

1. The following financial instruments will be entered into the central depository:
a) issued by persons accepted as issuers to the service, within the limits provided by the services regulation;
b) freely transferrable and fully paid up;
c) deliverable. Financial instruments are considered to be deliverable when they are:
- provided with the current coupon and subsequent coupons;
- complete with stamps where they do not have detachable coupons;

[16] Section introduced by Bank of Italy - Consob provision of 22 October 2013.

[17] Section introduced by Bank of Italy - Consob provision of 22 October 2013.

- received by the central depository prior to the redemption date.
d) not subject to measures which would limit circulation;
e) not subject to amortization procedures or similar;
f) if registered and non-dematerialized, endorsed by the central depository in the manner provided under Article 19.1, or, if delivered directly by the issuer, are in the name of the central depository.

The financial instruments that cannot be freely transferred can be entered into the central depository if admitted for trading on a regulated market in accordance with the provisions of Article 35 of Commission Regulation (EC) no. 1287/2006.

2. The financial instruments that do not satisfy the requirements of paragraph 1 will be nonetheless entered into the central depository. For as long as these requirements are not fulfilled, these financial instruments will be kept apart and specifically noted in the accounts of the central depository and the intermediary, subject to the provisions of Article 30.3(a).

Section II
Central depository in a dematerialized system

Article 15
Dematerialization assumptions

1. The financial instruments traded or intended for trading on Italian regulated markets will be entered into the central depository in dematerialized form in accordance with Article 83-bis.1 of the Consolidated Finance Act.

2. The following will be admitted to the central depository in dematerialized form in accordance with Article 83-bis.2, of the Consolidated Law on Finance;
a) financial instruments traded or intended for trading on multilateral trading facilities with the agreement of the issuer;
b) shares and other securities that represent risk capital, bonds and other debt securities, any other financial instrument that allows for the purchase of other financial instruments and relative indices, where the issuer has other financial instruments listed on the Italian regulated markets, or is to be considered disclosed pursuant to Article 108 of the regulation approved by Consob Resolution 11971 of 14 May 1999 as amended[18];
c) bonds and other debt securities where the amount of the issue exceeds € 150 million.

3. Financial instruments with different characteristics to those referred to in paragraphs 1 and 2 above can be entered into a central depository in dematerialized form.

4. Subject to the provisions of paragraph 3, paragraph 2 does not apply to financial instruments that mature within two years from the recurrence of the conditions provided for in paragraph 2.

5. Once the conditions provided for under paragraphs 1 and 2 cease to apply, and in the event that the provisions of paragraph 3 applies, the issuers can remove their financial instruments from the dematerialization system.

6. The central depositories will promptly notify the participating intermediaries that the financial instruments have been subtracted from the dematerialized system.

[18] Letter thus amended by Bank of Italy - Consob provision of 22 October 2013.

Article 16
Dematerialization of the centralised financial instruments

1. To dematerialise the financial instruments already centralised, on the date agreed with the issuer, the centralised depositories:
a) annul the financial instruments;
b) send the financial instruments to the issuer[19].

2. The centralised financial instruments that are held with the issuer will be cancelled and held by the issuer who will notify the central depository for registration on the accounts.

Article 17
Dematerialization of the non-centralised financial instruments

1. For the entry of non-centralised financial instruments into the central depository under the dematerialization regime, the intermediaries will do the following from the date provided under Article 16.1:
a) check that the requirements pursuant to Article 14.1 are met, and if possible seek to meet these requirements in accordance with the clients' approval;
b) record the rights corresponding to the financial instruments owned by each account owner;
c) cancel the financial instruments, send them to the issuer to check their authenticity, notifying the central depository, and noting that they will not be available until their authenticity has been verified on the account pursuant to subparagraph b) above.

2. Once the authenticity of the financial instruments has been promptly checked, the issuer will notify the central depository and if necessary, will provide it with the information provided for under Article 30.1 to open the account. The central depository will record the corresponding rights on the intermediary's and issuer's account and inform them accordingly.

3. For the entry into the central depository under the dematerialization regime of the units or shares of collective investment undertakings represented by the combined certificate held for free with the custodian bank, starting from the agreed date by the issuer and the central depository:
a) the intermediary that the collective investment undertaking participant requested to record its units or shares in an account held in its name will request the issuing entity to check the rights corresponding to the units or shares to record on the account, providing all the information requested by the entity in order the make the aforesaid checks;
b) the issuing entity, having checked in accordance with subparagraph a) above, will notify the central depository and the custodian bank. The central depository will record the corresponding quantity of rights on the intermediary's and issuer's account and inform them accordingly. The intermediary will register the rights corresponding to the units or shares of the participant in the collective investment undertaking in its account. The custodian bank will cancel the combined certificate and at the same time, create a new combined certificate representing any units or shares that are not yet dematerialized, that may still exist.

[19] Section thus replaced by Bank of Italy - Consob provision of 22 October 2013.

Article 18
Dematerialization of the newly issued financial instruments

1. For the entry of newly issued financial instruments in the dematerialized system, the issuer will notify the central depository of the total amount expected to be issued, the date set for placement and the relative settlement. Once the placement phase has been concluded, the issuer will communicate the information as provided under Article 30.1 to open the account and will indicate which intermediaries that the financial instruments issued should be credited to. The issuer and the aforesaid intermediaries, when requested by the centralised depository, provide further information on placing or underwriting, also if financial instruments already represented by deeds are those being dematerialised[20].

2. As regards the entry into the system of dematerialized units or shares of open-end collective investment undertakings, before the offering begins, the issuer will notify the central depository of the date that it will start and the settlement procedures to be used for the issue and redemption. The issuer will notify the central depository of the amount of financial instruments issued each day and which intermediaries to credit them to; at the start of the issue, for the opening of the account, the issuer will also note the characteristics of the financial instruments issued, and in any case, their code numbers and any related rights.

Section III
Central depositories for financial instruments represented by securities

Article 19
Endorsements for the transfer of non-dematerialized financial instruments to the central depositories

1. The endorsement of registered shares to the central depositories shall be made using the following formula: “Alla società di gestione accentrata (corporate name) ex decreto legislativo 24 febbraio 1998, n. 58”.

2. In the event of the transfer to the central depositories of financial instruments on which liens have been notated, the following shall be added: “Ai sensi dell’articolo 87 del decreto legislativo 24 febbraio 1998, n. 58, l’annotazione del/i vincolo/i si intende non apposta”.

3. The provisions referred to in Article 28 of Royal Decree 239 of 29 March 1942 shall apply to the authentication of the signature of the endorser by the central depositories pursuant to Article 88.2 of the Consolidated Law on Finance.

Article 20
Right to initiate amortization procedures

1. In accordance with Article 85.3 of the Consolidated Law on Finance, the central depositories may request the amortization of financial instruments they hold in custody and lodge objections in procedures initiated by others.

[20] Section thus amended by Bank of Italy - Consob provision of 22 October 2013.

Section IV
Communications, certificates and notices

Article 21
Communication or certification request to the last intermediary

1. Subject to the provisions of Article 83-novies, paragraph 1(c), second and third sentence of the Consolidated Law on Finance, authorised parties must make a request to the last intermediary for the purpose of issuing the certificates and sending the communications, pursuant to Article 83-quinquies, paragraph 3 and Article 83-sexies, paragraph 1 of the Consolidated Law on Finance, respectively.

2. The communications and certificates will contain the following information as a minimum requirement:
a) the name of the applicant;
b) the name of the owner of the financial instruments if different from the applicant;
c) the date of the request;
d) the quantity and description of the financial instruments for which the communication or certificate is requested;
e) an indication of the right intended to be exercised;
f) if it involves the right to participate at a meeting, the date and type of meeting;
g) the time limit that the communication or certificate will remain in effect for, or the clause "until cancelled";
h) the date that the communication or certificate refers to;
i) the date the communication was sent or the certificate was issued;
j) the annual progressive issue number.

3. The last intermediary enables entitled persons to make the request specified in Section 1 by means of at least one means of remote communication, in accordance with the methods, established by it, which enable the identification of the applicant, to which, upon request, using the same means, confirmation of receipt and/or a copy of the communication made is given in accordance with Articles 22, 23 or 23-bis[21].

4. Subject to the provisions of paragraphs 5, 6 and 7, the person authorised to make the communication or certification request will be the owner of the financial instruments entered into the central depository.

5. In the case of pledges, beneficial interest, or repurchase agreements, or in the case provided under Article 40.3 of the Consolidated Law on Finance, the pledgee, beneficial interest holder, taker-in or manager respectively will be authorised to make the request, at year-end, to exercise the rights pursuant to Articles 2376 and 2415 of the Italian Civil Code and 83-sexies and 146 of the Consolidated Law on Finance, unless otherwise agreed. The intermediary will not be subject to any liability if it is unaware of the existence of this type of agreement.

6. In the event of attachment, the receiver will have the right to make the request, at year-end, to exercise the rights provided under paragraph 5, and Articles 2367, 2377, 2379, 2395, 2408, 2409, 2416, 2419, 2422 and 2437 of the Italian Civil Code.

[21] Section first amended by Bank of Italy - Consob provision of 22 October 2015 and then replaced by Bank of Italy - Consob provision of 24 February 2015.

7. With respect to the rights referred to in Articles 2367, 2377, 2395, 2408, 2409, 2416, 2419 and 2422 of the Italian Civil Code, in the case of pledges, beneficial interests or repurchase agreements, the claimant of the encumbrance will be just as entitled to make the request as the shareholder and bondholder, and they will use such certification to exercise the rights respectively due. The second communication will contain notice that the first has already been sent; the second certification will note that the first has already been issued.

Article 22
Communications for the right to participate at meetings

1. For intervening and voting in the shareholders' meetings of companies subject to the regulation contemplated by Article 83-sexies.2 of the Consolidated Law on Finance, the term established by the last intermediary for the presentation of the communication request cannot be prior to the end of the second business market day after the record date, pursuant to the same section[22].

2. In order to participate and exercise the vote at other shareholders' meetings, the time-limit established by the last intermediary to present the communication request may not be before the second non-holiday day prior to the time-limit specified in Article 83-sexies, paragraph 4 or the time-limit established by the articles of association in accordance with said paragraph. The last intermediary will make the shares that the communication refers issued by the companies where the articles of association expressly provide for this, unavailable until the shareholders' meeting has finished.

3. The intermediary will keep records of the communications made, in progressive order of issue on an annual basis.

Article 23
Communications for the exercise of certain rights

1. The right to exercise, including jointly, the corporate rights provided under Articles 2437 and 2422 of the Italian Civil Code and 83-duodecies, paragraph 3, 126-bis, 127-ter, 147-ter and 148 of the Consolidated Law on Finance and under Article 26-bis.2 of this provision will be confirmed by a communication to the issuer[23].

2. The intermediary will make the shares that the communication refers to unavailable for exercise of the right provided under Article 2437 of the Italian Civil Code, in accordance with Article 2437-bis, paragraph 2 of the Italian Civil Code.

3. Article 22.3 applies.

Article 23-bis
Vote increase

1. The subject intending to be registered on the list established by Article 127-quinquies, Section 2 shall make a specific request to the last intermediary, in compliance with the provisions of Article 21, Section 1.

2. The entitlement to register on the list is certified by a communication to the issuer containing the information pursuant to Article 21, Section 2, with the clause "until revoked".

[22] Section thus replaced by Bank of Italy - Consob provision of 22 October 2013.

[23] Section thus amended by Bank of Italy - Consob provision of 22 October 2013.

3. Where the articles of association establish a subsequent certificate of entitlement in order to obtain the majority vote, once the continuous period specified in accordance with Article 127-quinquies, Section 1 of the Consolidated Law on Finance has expired, the subject on the list asks the last intermediary to make a second communication with the same characteristics as the communication pursuant to Section 2.

4. In the event of a share capital increase, the entitlement to extend the majority as may apply in accordance with Article 127-quinquies is certified by a communication to the issuer in accordance with Section 2.

5. The issuer notifies the intermediary without delay, and in any case by the accounting date on which the list is updated in accordance with the provisions of the regulation implementing Article 127-quinquies of the Consolidated Law on Finance, of failure or eventual registration or, as applicable, the achievement or failure to achieve majority, for all consequent requirements, explaining the reason for any denial.

6. The intermediary informs the issuer of any total or partial transfer of the shares concerned by the communication envisaged under Section 2 and the waiver of registration on the list where notified, through a communication of total or partial revocation, which also indicates the specific cause and the progressive annual issue number of the original communication, where available. If more than one communication has been made in accordance with Section 2 and the transfer or waiver do not relate to all shares, in order to indicate the progressive annual issue number of the original communication or communications, the intermediary shall consider the shares registered on the account as transferred on a "last in, first out" basis. In the cases where the indication of the annual progressive number of the original communication or communications is missing, the issuer shall apply the "last in, first out" criteria when updating the list.

7. The above Section does not apply to the case of total or partial transfer of the shares concerned by the communication pursuant to Section 2 without changing the account holder's name, carried out in ways that guarantee that the issuer can access the identity of the intermediaries involved in the centralised management system concerned by the transfer.

8. In the event of succession following death, merger or spin-off of the owner of the account, where notified to the intermediary, the intermediary shall inform the issuer of such events for the fulfilment of all requirements.

9. The intermediary informs the issuer of the establishment of restrictions in accordance with Article 83-octies of the Consolidated Law on Finance affecting shares involved by the communication envisaged by Section 2 and their amendment or extinguishing, also specifying the annual progressive number of the original communication or communications, where available.

10. The issuer notifies the intermediary without delay, and in any case by the accounting date on which the list is updated in accordance with the provisions of the regulation implementing Article 127-quinquies of the Consolidated Law on Finance, of cancellation from the list or, as applicable, loss of majority vote for reasons other than the sale or free transfer of shares, explaining the relevant reasons.

11. The intermediary shall preserve, in progressive order of year of issue, all records of communications made in accordance with this Article.

12. Intermediaries, issuers and centralised management companies are required to follow best market practices for operational aspects not expressly governed by this provision[24].

Article 24
Correction and revocation communications

1. If the communication contemplated by Article 23 has been transmitted on a date prior to that on which, according to the applicable rule, the relative rights can be exercised, the intermediaries immediately communicate to the issuers the possible total or partial transfer of the financial instruments referred to in the communication, indicating the progressive annual issue number of the preceding communication made.

2. Regarding only the exercise of the rights contemplated by Articles 2422 of the Italian Civil Code and 127-ter of the Consolidated Law on Finance, the correction communication is made solely if the transfer regards all the financial instruments of the authorised subject, registered on the accounts held by the last intermediary.

3. The obligation pursuant to section 1 applies for the entire period of effect of the communications, if indicated in said communication, unless the ownership of the financial instruments on a specific date is relevant under the law. In such cases, the intermediary absolves the obligation in section 1 by transmitting a single corrective communication regarding the relative findings at the end of the business day on which ownership of the financial instruments referred to in the first communication must be verified.

4. When compatible with the regulations on the exercise of corporate rights, the subject entitled by a communication sent pursuant to Article 23, as possibly corrected pursuant to this section, can request the forwarding of a communication of revocation for all or part of the financial instruments owned by the same, registered on the accounts held by the last intermediary[25].

Article 25
Certificates for the exercise of other rights

1. The authorisation to exercise other rights besides those provided under **Articles 22, 23 and 23-bis** will be confirmed by certification issued by the intermediary in accordance with its accounting records[26].

2. The certificate will be issued to the authorised person by the second non-holiday day following the date of receipt of the request by the last intermediary.

3. Once certification is obtained, if anyone wishes to transfer their rights, or, if applicable, requests delivery of the corresponding financial instruments, they must return the certificate to the intermediary who issued it, unless it is more effective itself.

[24] Article introduced by Bank of Italy - Consob deed of 24 February 2015..

[25] Article thus replaced by Bank of Italy - Consob provision of 22 October 2013.

[26] Article introduced by Bank of Italy - Consob deed of 24 February 2015..

4. If the certificate is reported as having been lost, destroyed or removed, upon a claim by the person authorised to make the request, the intermediary will deliver a copy having «duplicato» wording.

5. The intermediary will keep a copy of the certificates, along with any duplicates issued in accordance with paragraph 4, in progressive order of issue on an annual basis.

Article 26
Notifications to the issuers

1. The notification obligations provided under Article 83-novies and 83-duodecies of the Consolidated Law on Finance will apply. The intermediaries will also notify the issuers of the names of the financial instrument owners entered into the central depository if different from the certification or communication applicants.

2. In accordance with Article 127-quater of the Consolidated Law on Finance, in accordance with the indications received by the issuers through a central depository, the intermediaries will notify the issuers of the information needed to permit the dividend to be increased. The notifications indicate the minimum number of shares recorded on the accounts of the beneficiaries in the continuous period established in the articles of association.

Article 26-bis
Identification of financial instrument holders

1. The issuers of bonds admitted for centralised management, at any time and at their own expense, can ask the intermediaries, via a centralised depository, for the bond holder identification data, along with the number of bonds registered on the accounts held in their name.

2. In the case of bonds governed by Italian law, the option indicated in the above paragraph can be exercised only if allowed by the bond regulation. In such a case, the issuer must make the request on the instructions of the bondholder's meeting, or if requested by a number of bondholders representing at least half of the quota contemplated by Article 2415.2, and the relative costs shall be divided among the issuer and the bondholders according to the criteria established by the same regulation.

3. Without prejudice to the provisions of the above sections and Article 83-duodecies of the Consolidated Law on Finance, the issuers can identify the holders of the financial instruments mentioned therein also by asking:
a) a centralised depository for the identification data of the intermediaries on whose accounts the financial instruments they have issued are registered, together with the number of financial instruments registered on said accounts;
b) the intermediaries for the identification data of the holders of the accounts on which the financial instruments they have issued are registered, together with the number of financial instruments registered on said accounts.

4. The issuers of bonds admitted for trading with the issuer's consent on the markets must publish, according to the procedures and terms indicated in Article 114.1 of the Consolidated Law on Finance, a press release in which they give news of the decision to identify the bondholders, making known the relative reasons or the identity and total participation of the requesting bondholders in the cases referred to in section 2. The data received by the issuer are made available to the bondholders without delay and without charge to the same.

5. This is without prejudice to the possibility of financial instrument holders to expressly forbid the communication of their own identity data. In the case of jointly held financial instruments, the ban on the communication of the identity data of only one of the joint holders does not allow for the identification of the fact of the joint holding[27].

Article 27
Sending the communications and notifications

1. The communications envisaged by Articles 22, 23, 23-bis and 24 and the reports envisaged by Article 23-bis, Section 9, Article 26 and Article 26-bis, Section 1, are sent to the issuer by the intermediary participating in a centralised management system, in compliance with its accounts and on the basis of the indications received from the other intermediaries on the accounts for which the financial instruments concerned by the communications or reports are registered[28].

2. Paragraph 1 does not apply to the notifications provided under Article 83-novies paragraph 1(g) of the Consolidated Law on Finance.

3. Subject to the provisions of Article 83-sexies, paragraph 4 of the Consolidated Law on Finance, the communications will be made in enough time to permit the relative right to be exercised. The communications regarding the exercise of corporate rights provided under Articles 147-ter and 148 must reach the issuer by the end of the twenty-first day prior to the date of the meeting.

3-bis. The communications and reports envisaged by Article 23-bis are sent to the issuer without delay. To this end, all intermediaries on whose accounts the shares concerned by the communications or reports are registered shall send the relevant indications without delay to the intermediary participating in the centralised management system or, as applicable, to the intermediary holding the account on which the shares are registered[29].

4. The notifications provided under Articles 83-novies and 83-duodecies of the Consolidated Law on Finance and under Article 26-bis.1 will be made:
a) by 30 trading days from the day that the beneficiaries to the dividend payments have been determined;
b) by 20 trading days from the request made by the issuer in accordance with Article 83-duodecies, sub-section 1, of the Consolidated Law on Finance and with Article 26-bis.1;
c) by 30 trading days from the day that ownership of the financial instruments was acquired due to exercise of option rights or other rights[30].

4-bis. The reports contemplated by Article 26-bis.3, are made:
a) by the centralised depositories, within one business day of receiving the request made pursuant to letter a);
b) by the intermediaries, within three business days of receiving the request made pursuant to letter b) [31].

[27] Article introduced by Bank of Italy - Consob provision of 22 October 2013.

[28] Section first amended by Bank of Italy - Consob provision of 22 October 2013 and then replaced with Bank of Italy - Consob deed of 24 February 2015.

[29] Section introduced by Bank of Italy - Consob deed of 24 February 2015.

[30] Section thus amended by Bank of Italy - Consob provision of 22 October 2013.

[31] Section introduced by Bank of Italy - Consob provision of 22 October 2013.

5. Communications and notifications will be sent through the telecommunication networks or computer connections.

Article 28
Notifications of the central depositories to the issuers

1. The central depositories will notify the issuers, in accordance with Article 89 of the Consolidated Law on Finance, of the numbers of the non-dematerialized registered financial instruments that have been endorsed to them; they will also give notice of the numbers of the non-dematerialized registered financial instruments that have been made available for withdrawals through intermediaries.

2. Notifications will be made on a monthly basis, by the fifth business day of the month, with reference to the actual movement of all the financial instruments up to the last day of the previous month.

Article 29
Notations and updating the issuers' shareholder registers

1. The issuers are required to update their shareholder registers in accordance with the communications and notifications made by the intermediaries and the central depositories, with indication of the dates that the registrations refer to on the accounts of the intermediaries.

2. In accordance with the notifications made by the central depositories, the issuers will record the numbers and relative quantity of certificates entered into the central depository with the name of the central depository in the shareholder register along with the specification «ai sensi del decreto legislativo 24 febbraio 1998, n. 58».

3. Where financial instruments are withdrawn from a central depository, the issuers will record the numbers and relative quantities in the shareholder register, indicating that the financial instruments had already been endorsed or made out to the central depository.

4. Where financial instruments subject to encumbrances are taken out of the central depository, the issuer will update the shareholder register, indicating the names of the owner of the financial instruments and the encumbrances recorded on them by the intermediary.

5. As part of the shareholder register, the issuers will keep records of the names of the owners of the financial instruments for which certification was issued or communications were made, in accordance with **Articles 22, 23, 23-bis and 25**, and of those to whom dividends were paid or who have exercised purchase rights or option, assignment or conversion rights, specifying the quantities of financial instruments[32].

6. The issuers keep records in the shareholders' registers of the reports made to the same by the intermediaries pursuant to Article 83-novies.1, letter g), of the Consolidated Law on Finance[33].

7. In all the cases provided for by law or in measures adopted by the regulatory authorities, the recording of information on the owners of the financial instruments will also be done by the issuers

[32] Section thus amended by Bank of Italy - Consob deed of 24 February 2015.

[33] Section thus replaced by Bank of Italy - Consob provision of 22 October 2013.

in accordance with the registrations and records provided under this article.

Section V
Keeping the accounts that the financial instruments entered into the central depositories are recorded on

Article 30
Accounts kept by the central depositories

1. The central depositories will open an account for each issuer whose financial instruments are entered into a central depository. Each issue will be shown separately on the records, with all the information provided by the issuer needed to identify the characteristics of the issue, and in any case, the type of financial instrument, the identification code, the quantity issued, the total value of the issue, the unit value and any related rights.

2. The central depositories will open separate own and customer accounts for each intermediary, apart from stockbrokers registered on the single national register provided for under Article 201 of the Consolidated Law on Finance, for whom they will open customer accounts only. In the above mentioned accounts, each type of financial instrument will be registered separately. These accounts may not show debit balances.

3. The central depositories:
a) in the case of the payment of profits and other distributions relative to financial instruments admitted to centralised management, records of the relative accounting results are kept separately, through separate identification codes, until receipt of the cashing instructions or, in any case, until expiry of the provision[34];
b) where transactions are made involving the company's capital, register the related right separately from the financial instruments;
c) where bonds are subject to drawing, make arrangements for the bonds to be administered using procedures that deal with their numbers in order to ensure that bondholders benefit from the drawings.
c-bis) in the event of the registration of a subject on the list envisaged by Article 127-quinquies, Section 2 of the Consolidated Law on Finance and achievement of majority vote in accordance with said same Article, separate evidence shall be kept of the shares concerned through identification codes different from one another and the original. Separate evidence of the shares concerned may also be kept for shares in relation to which a communication has been made in accordance with Article 23-bis, Section 2, but for which registration on the list has not yet been carried out[35]**.**

Article 31
Financial instruments owned by the central depositories

1. The central depositories will open a specific account for the handling of financial instruments they own, that are not entrusted to intermediaries.

2. These financial instruments must be kept separately from those handled by the same central depositories and promptly entered into special registers, kept in accordance with Articles 2215,

[34] Letter replaced first by Bank of Italy/Consob provision of 22 October 2013 and then with Bank of Italy/Consob deed of 24 February 2015.

[35] Letter introduced by Bank of Italy/Consob deed of 24 February 2015.

2216 and 2219 of the Italian Civil Code. The register will contain the following for each type of financial instrument:
a) the number and denomination of the financial instruments, and the quantity or total face value of the financial instruments;
b) the date of purchase and sale and the corresponding account entry dates.

Article 32
Accounts kept by intermediaries

1. The intermediaries will open accounts so that the financial instruments owned by each account-holder can be registered, specifying the ID elements of the account-holder, including the tax codes and any restrictions on transferability of the financial instruments.

2. The intermediaries will open specific accounts for the financial instruments they own which will be separate from those in the names of their customers .

Article 33
Registration of book-entry transfers

1. At the end of the securities settlement process, or following the accounting transfers ordered by the intermediaries, the central depositories will notify the intermediaries of the account entries made.

2. As soon as they receive the notifications referred to in paragraph 1, the intermediaries will made the necessary entries in their accounts, specifying the following information at least:
a) the effective settlement date;
b) the identification code and name of the financial instruments;
c) quantity or face value of the financial instruments;
d) the sign of the transaction.

Article 34
Accounting records

1. The central depositories and intermediaries will save the financial instrument accounting records and records of any related transfers for five years.

Article 35
Balancing of the central depositories' accounts

1. When all the transactions carried out each business day have been processed, the central depositories will check, for each type of financial instrument entered into the system, that the sum of the balances of the intermediaries' accounts (own and customers'), and where applicable that of the account referred to in Article 31, coincides with the balance of each issue, or with the analogous balance of the financial instruments held with other management companies or foreign entities that carry out similar functions. Once this check has been completed, the central depositories will send the intermediaries the opening and closing balances, indicating any quantities of financial instruments that are not freely transferable, and any transactions made during the day where they had not already been notified.

Article 36
Balancing of intermediaries' accounts

1. The intermediaries, within the day after the registration, check, for each type of financial instrument, that the balance of the owner's account at the centralised depository coincides with the balance of the owners' account held by the intermediaries, and that the sum of the balance of the accounts of third parties at the centralised depository coincides with the sum of the balances of the accounts held in the names of their own customers[36].

Article 37
Establishment of encumbrances on financial instruments

1. The intermediary will open special accounts to register the financial instruments subject to encumbrances for each account-holder. These accounts must contain the following information:
a) date of the entry;
b) the type of financial instrument;
c) the type of encumbrance and any additional information;
d) the reason for the entry and the date of the transaction to which the entry refers;
e) the date the encumbrance was established and the numbers of the certificates if the encumbrance was established before entry of the financial instruments into the central depository;
f) the quantity of financial instruments;
g) the owner of the financial instruments;
h) the beneficiary of the encumbrance and indication of the existence of an agreement between the parties for the exercise of the rights, where communicated;
i) the date the encumbrance expires, if any.

2. The documentation issued by the intermediary in favour of the entities authorised to exercise the rights pertaining to the financial instruments will note the existence of any encumbrances on the financial instruments.

3. The effects of the entry of the encumbrances which arose before entry of the financial instruments into the central depository will be retroactive to the time the encumbrance was established.

Article 38
Accounts permitting the establishment of encumbrances on all the financial instruments registered on them

1. In accordance with Article 83-octies, paragraph 2 of the Consolidated Law on Finance, the intermediary may open specific accounts permitting the establishment of encumbrances on the value of all the financial instruments registered on them. These accounts must contain the following information:
a) the date the account was opened;
b) the type of encumbrance and any additional information;
c) the date of the individual transactions and indication of the type, quantity and value of the financial instruments on the account;
d) the date the encumbrance was established on the financial instruments;
e) the owner of the financial instruments;

[36] Section thus replaced by Bank of Italy - Consob provision of 22 October 2013.

f) the beneficiary of the encumbrance and indication of the existence of an agreement between the parties for the exercise of the rights, where communicated;
g) the date the encumbrance expires, if any.

For the financial instruments entered on an account to replace or complete other financial instruments registered on the same account, where the value is the same, the date the encumbrance was established will be the same as that for the replaced or completed financial instruments.

2. At the same time as the encumbrance is established, the account-holder will give the intermediary written instructions in accordance with the agreement made with the beneficiary of the encumbrance regarding how to maintain the value of the encumbrance, and the exercise of the rights attaching to the financial instruments entered onto the account.

3. Where transactions are ordered by an intermediary authorised under the Consolidated Law on Finance, but who is not the intermediary holding the account, execution of these transactions will be subject to the latter's agreement.

Section VI
Special provisions

Article 39
Central depository for government securities

1. The provisions of Article 13, concerning dealings with intermediaries and the provisions of Articles 30 to 38 will also establish the way to apply the provisions referred to in Article 90 of the Consolidated Law on Finance[37].

2. The balancing of accounts referred to in Article 35 for financial instruments involved in coupon-stripping and reconstitution transactions will be carried out exclusively with reference to intermediaries.

Article 40
Shares and other securities representing risk capital issued by cooperative banks

1. If shares or other securities representing risk capital are issued into the system by cooperative banks, exercise of the non-property rights will be reserved to the holders of the financial instruments as they have authorisation.

2. Exhibition of the certificates or sending notifications will be a prerequisite for entry into the shareholder register, or for exercise of the corporate rights indicated therein, in accordance with the provisions of the law governing the organisation and activity of cooperative banks.

3. Entries into the shareholder register resulting from the intermediaries' communications and notices will be made in accordance with the provisions of the law and the articles of association that govern the organisation and activities of cooperative banks.

[37] Section thus amended by Bank of Italy - Consob provision of 22 October 2013.

TITLE III
SETTLEMENT SERVICES

CHAPTER I
Regulation of the management companies and settlement services

Article 41
Management companies

1. Authorization to manage settlement services may be issued only to a company that carries on the activity of central depository for financial instruments referred to in Article 80 et seq. of the Consolidated Law on Finance or to a company limited by shares with registered office in Italy that is controlled, singly or jointly, by organizations carrying on central depository activity in Italy or abroad, provided these are subject to supervisory measures equivalent to those provided for in Italian law.

Article 42
Eligible activities and equity interests

1. The management company of settlement services may perform the following activities related and instrumental to those of organizing and managing settlement services:
a) management of trade-matching and verification systems for transactions involving financial instruments;
b) management of systems serving to ensure the finality of the settlement of transactions involving non-derivative financial instruments and of systems serving to ensure the finality of the clearing and settlement of transactions involving non-derivative financial instruments, provided this does not lead to the assumption of the transactions to be settled;
c) granting of loans, including intraday loans, in euros and foreign currencies, and of financial instruments, to be granted to persons admitted to the settlement services on the basis of adequate guarantees and with the aim of allowing such persons to settle their respective positions;
d) management of accounts in euros and foreign currencies held by persons admitted to the settlement services, in compliance with the reserve on fund-raising on a public basis laid down in Article 11 of the Consolidated Law on Banking.

2. The management company of settlement services may acquire equity interests in:
a) companies that perform, exclusively or primarily, the activities referred to in paragraph 1;
b) foreign management companies of settlement services;
c) companies that manage, exclusively or primarily, Italian or foreign guarantee systems.

Article 43
Minimum financial resources

1. The management company must have paid-up and existing share capital of at least €12.5 million.

2. The company shall have capital and financial resources capable of preserving their stability and proportionate to their operations and size.

Article 44
Authorization procedure

1. The Bank of Italy, in accordance with Consob, will authorise the applicant company to manage

the settlement services after having ensured:
a) satisfaction of the conditions referred to in Article 69.1 of the Consolidated Law on Finance;;
b) that requirements under Articles 3, 41, 42 and 43 have been met;
c) compliance of the regulation referred to in Article 46 and the services managed with the common provisions and rules set out by this Title[38].

Article 45
Revocation of authorization

1. The Bank of Italy, in agreement with Consob, may revoke the authorization when the management company:
a) ceases to satisfy one or more of the requirements for authorization referred to in Article 44.1(a);
b) fails to fulfil the obligations referred to in Article 8.

2. In the event of revocation, the Bank of Italy, in agreement with Consob, shall adopt the measures needed to ensure the continuity of the settlement services.

CHAPTER II
Regulation of settlement services

Article 46
Minimum content of the regulations

1. The management company of settlement services shall issue a regulation governing the organization and functioning of settlement services as well as the activities referred to in Article 42.1 and the links referred to in Title V.

2. Inter alia the regulation referred to in paragraph 1 shall establish:
a) the division of the phases, indicating in particular the moment at which transactions are acquired by the settlement services;
b) the categories of persons admitted;
c) the conditions and procedures for admission, exclusion and suspension of persons admitted, in compliance with the criteria laid down in Article 69.1-ter of the Consolidated Law on Finance;
d) the times and days of provision of the services;
e) the central depositories at which the settlement of financial instruments may take place;
f) the entities at which cash settlements can be made in currencies other than the euro;
g) the operating procedures that persons admitted to settlement services must comply with, including those that must be followed in the event of the provision of settlement services for third parties;
h) the technical procedures that the daily trade-matching and verification systems used must comply with to ensure that settlement systems acquire the data on transactions to be settled correctly and in full;
i) settlement risk limitation measures;
j) the technical measures for ensuring the IT security of the data;
k) the procedures that will be used to provide persons admitted with the information regarding the functioning of the service.

2. The persons admitted may not settle transactions for central counterparties.

[38] Paragraph replaced to this effect by Bank of Italy - Consob Act of 24 December 2010.

3. The Bank of Italy, in agreement with Consob, shall approve the regulations and any subsequent amendments if they conform with the rules laid down in this document.

Article 47
General functioning criteria

1. The data on the individual transactions to be settled shall be sent to the management company after being checked by daily trade-matching and verification systems. The management company shall adopt all the measures needed to ensure the intraday finality of settlements and minimize the time between the moment of acquiring and processing the data on the individual transactions to be settled and that of their settlement.

2. To facilitate the orderly functioning of settlement services, the management company of settlement services:
a) shall adopt organizational procedures for the services aimed at minimizing the number of transactions pending settlement and at ensuring the prompt closure of the settlement, including in the case of default by one or more persons admitted;
b) shall require participants to make the financial instruments and cash needed to settle their own obligation in the services promptly available[39].

3. The settlement services management company defines the procedure for managing the insolvency of a (direct or indirect) participant. Said procedure is communicated to the participants by adequate communication means. The settlement services management company communicates the insolvency management procedure to the Bank of Italy and Consob with suitable advance notice[40].

Article 48
Hours and days of functioning

1. The company shall identify the hours and days for providing settlement services so as to ensure compatibility with the hours and days of functioning of the TARGET2 system, also to permit the transfer of funds on the same settlement day. In any case the settlement services must permit the settlement of monetary policy transactions and intraday financing transactions of the ECB and the central banks of the EU member states that have adopted the euro.

Article 49
Settlement of cash and financial instruments

1. The final settlement of cash in euros shall take place on accounts held at any system participating in TARGET2.

2. For the settlement of cash in currencies other than the euro or using foreign settlement systems, the management company of settlement services may avail of leading banks authorized in Italy or leading Community banks.

3. The settlement of financial instruments shall take place on accounts held at persons who engage in the activity of central depositories indicated in the regulation referred to in Article 46.

[39] Paragraph replaced to this effect by Bank of Italy - Consob Act of 24 December 2010.

[40] Section introduced by Bank of Italy - Consob provision of 22 October 2013.

4. The management company of settlement services shall adopt all the measures needed to ensure that the settlement of financial instruments is irrevocable and takes place contemporaneously with the settlement of cash.

TITLE IV
GUARANTEE SYSTEMS

CHAPTER I
Regulation of the management companies of guarantee systems

Article 50
Management companies

1. Guarantee systems shall be managed by companies that satisfy the requirements referred to in Article 3 and those for financial resources referred to in Article 51.

Article 51
Minimum financial resources

1. The minimum paid-up and existing capital of the management companies of contract and settlement guarantee funds shall be €12.5 million.

2. The minimum paid-up and existing capital of the central counterparties shall be €25 million.

3. The management companies of guarantee systems shall have capital and financial resources capable of preserving their stability and proportionate to their operations and size.

4. The Bank of Italy, in agreement with Consob, may at any time require companies to increase their capital and financial resources, in order to ensure the secure, orderly and continuous functioning of the systems.

Article 52
Regulation of the systems

1. The management companies of guarantee systems shall issue a regulation governing the organization and functioning of the systems they manage, relations with and between the members and the links referred to in Title V[41].

2. The Bank of Italy, in agreement with Consob, shall approve the regulation referred to in paragraph 1 and any subsequent amendments after verifying:
a) that the requirements referred to in Article 70.1[42] of the Consolidated Law on Finance are satisfied;
b) that the management companies of guarantee systems satisfy the requirements referred to in the preceding articles of this Title;
c) that the regulation referred to in paragraph 1 and the systems managed comply with the common provisions and the rules laid down by this Title[43].

[41] Paragraph amended to this effect by Bank of Italy - Consob Act of 24 December 2010 that replaced the wording . “the participants” with the words: “the members”.

[42] The reference to Article 70 of Legislative Decree no. 58/1998 is intended repealed. See footnote 1.

[43] Paragraph replaced to this effect by Bank of Italy - Consob Act of 24 December 2010.

Article 53
Activities other than management of the guarantee systems

1. 1. The management companies of guarantee systems shall arrange for the accounting separation of activities other than that of managing guarantee systems and shall notify the Bank of Italy and Consob in advance of the organizational measures and risk control instruments relating to such activities. For activities other than that of providing guarantee services they shall adopt suitable measures to ensure the accounting and organizational separation thereof[44].

CHAPTER II
Regulation of guarantee systems

Section I
Central counterparty guarantee systems[45]

Article 54
General functioning criteria

1. Central counterparty guarantee systems shall serve to clear and guarantee, including the settlement phase as governed by the rules of the settlement service used, the contractual positions of the participants in the system deriving from:
a) transactions concluded on regulated markets and/or multilateral trading facilities with which the management company of the guarantee systems has entered into agreements;
b) transactions concluded off regulated markets and multilateral trading facilities, on the basis of special agreements.

2. When the rules on the functioning of regulated markets or multilateral trading facilities provide that transactions can be cleared and guaranteed by a direct participant appointed by the customer other than the one that concluded the transaction on the market, for all intents and purposes the transactions shall be considered as having originally been concluded, on behalf of the customer, by the direct participant designated to provide clearing and guarantee services.

Article 55
Minimum content of the regulation

1. Inter alia the regulation referred to in Article 52 shall establish:
a) the phases into which the process of clearing and guaranteeing transactions shall be divided;
b) the categories of persons who may act as direct and indirect participants;
c) the conditions and procedures for admission, exclusion and suspension of participants in respect of non-discriminatory, transparent and objective criteria[46];
d) the procedures for verifying the continued satisfaction of the requirements referred to in subparagraph c);
e) the moment and the manner of central counterparties' assumption of the contractual positions deriving from the transactions concluded by participants so as to ensure secure, orderly and continuous trading;

[44] Article replaced to this effect by Bank of Italy - Consob Act of 24 December 2010.

[45] This Section is intended repealed. See footnote 1.

[46] Letter thus replaced by Bank of Italy - Consob provision of 22 October 2013.

f) the procedures for recording contractual positions in compliance with the principle of separation between those deriving from transactions concluded by the participant for own account and those deriving from transactions concluded by the participant for customer account;
g) the financial assets eligible for satisfying margin requirements, identified by the central counterparties, in compliance with the principles of efficiency and stability, among: cash; financial instruments accepted by the ESCB as collateral for its own transactions; autonomous demand guarantees issued by insurance companies or banks not belonging to the same group as the guaranteed direct participant; and assets underlying the financial derivatives or financial instruments that are the subject of the transactions;
h) the types of margin and the procedures for depositing and quantifying them, so as to ensure the adequate cover of potential losses; the amount of margin required shall be fixed by the central counterparties at least once a day;
i) the cases in which the central counterparties may request the deposit of additional margin;
j) the conditions and procedures whereby direct participants who apply can deposit margin for individual customers to guarantee against potential losses deriving from the balance obtained from the clearing of such customers' contractual positions (gross margining by individual customer);
k) measures for the control, management and hedging of risks, in addition to those referred to in subparagraph h), that central counterparties consider necessary to adopt in order to ensure the stability and continuous functioning of the central counterparty guarantee system; the sums deriving from the adoption of these measures shall be used by the central counterparties in the event of the default of one or more direct participants.

Article 56
Margins

1. The central counterparties shall settle margins in euros with direct participants on accounts held at any component system of TARGET2 and margins in financial instruments on accounts at entities that act as central securities depositories. For the settlement of margins in currencies other than the euro, the central counterparties shall use leading Italian or Community banks.

2. Sums deriving from the collection of margin and the adoption of any measures for the control, management and hedging of risks referred to in Article 55.1(k) may be invested in money-market instruments and financial market instruments that are easily realizable and issued by entities with a high credit rating. At all events the central counterparties shall keep the liquidity necessary to ensure the continuous functioning of the system on deposit at the central bank or leading Italian or Community banks.

Article 57
Procedure in the event of non performance

1. In order to ensure the stability and efficiency of the system managed, the regulation referred to in Article 55 shall govern the procedure to be adopted if a participant fails to fulfil, within the time limits and in the ways provided for in the regulation, the obligations to pay the amounts due as margin or deriving from additional measures for the control, management and hedging of risks referred to in Article 55.1k) or the obligations to settle transactions; the regulation also governs the procedure to be followed when a participant is declared to be insolvent for reasons other than those referred to above.

2. As part of the procedure referred to in the previous paragraph, among other things the regulation shall identify the measures designed to minimize the liquidation of contractual positions on the market in the cases referred to in Article 55.1(j).

Article 58
Communication of data and news

1. Participants shall send central counterparties all the data they may request for the secure, orderly and continuous functioning of guarantee systems.

2. The central counterparties may send participants all the data concerning other participants or their customers needed for the transfer of the positions referred to in Article 57.2.

3. The central counterparties must promptly inform the Bank of Italy and Consob of any news considered useful with a view to ensuring the secure, orderly and continuous functioning of guarantee systems.

Section II
Guarantee funds

Article 59
Contract guarantee funds

1. Contract guarantee funds, designed to guarantee the successful completion of transactions involving non-derivative financial instruments carried out on the markets referred to in Article 61 of the Consolidated Law on Finance, may be set up by the management companies of markets that entrust the latter's management to companies referred to in Article 50.

Article 60
Functioning of contract guarantee funds

1. Contract guarantee funds shall be set up with the payments made by participants.

2. On the basis of objective criteria aimed at ensuring the secure, orderly and continuous functioning of guarantee systems, the regulation referred to in Article 52 shall establish the categories of participants in contract guarantee funds and the procedures for:
a) adhering to funds;
b) calculating and establishing payments, including their time limits;
c) funds to intervene in the event of the insolvency of a participant;
d) recovering any losses incurred by funds;
e) participants to replenish their funds.

3. If a participant fails to fulfil its obligations towards funds within the time limits established, the fund management companies shall promptly inform the Bank of Italy, Consob and the market management companies.

4. Assets belonging to funds may be invested in money-market instruments and financial market instruments that are easily realizable and issued by entities with a high credit rating. At all events management companies referred to in Article 50 shall keep the liquidity necessary to ensure the continuous functioning of the systems on deposit at the central bank or leading Italian or Community banks.

Article 61
Settlement guarantee funds

1. Settlement guarantee funds, designed to guarantee the successful completion of the clearing and settlement of transactions involving non-derivative financial instruments, may be set up by the Bank of Italy and Consob, which shall regulate their being entrusted to companies referred to in Article 50 for management.

Article 62
Functioning of settlement guarantee funds

1. Settlement guarantee funds shall be set up with the payments made by participants.

2. On the basis of objective criteria aimed at ensuring the secure, orderly and continuous functioning of guarantee systems, the regulation referred to in Article 52 shall establish the categories of participants in settlement guarantee funds and the procedures for:
a) adhering to funds;
b) calculating and establishing payments, including their time limits;
c) funds to intervene in the event that a participant fails to fulfil the obligations of covering final debtor balances;
d) recovering any losses incurred by funds;
e) participants to replenish their funds.

3. If a participant fails to fulfil its obligations towards funds within the time limits established, the fund management companies shall promptly inform the Bank of Italy, Consob.

4. Assets belonging to funds may be invested in money-market instruments and financial market instruments that are easily realizable and issued by entities with a high credit rating. At all events management companies referred to in Article 50 shall keep the liquidity necessary to ensure the continuous functioning of the system on deposit at the central bank or leading Italian or Community banks.

TITLE V
LINKS WITH OTHER SYSTEMS

Article 63
Criteria for the creation of links

1. While complying with Articles 69.1-ter, 70.2-bis[47], and 81.2 of the Consolidated Law on Finance, the management companies may create links with:
a) other management companies;
b) foreign entities that provide services analogous to the central counterparty and settlement services and that manage systems analogous to the financial instruments guarantee systems, subject to supervisory measures equivalent to those in the Italian legal system.

[47] The reference to Article 70 of Legislative Decree no. 58/1998 is intended repealed. See footnote 1.

Article 64
Risk limitation measures

1. The management companies shall without delay transmit to the Bank of Italy and Consob projects involving links referred to in the previous article, accompanied by an analysis of the risks and a description of the planned control measures and, where appropriate, of the procedures of participation that differ from those generally applicable[48].

2. Paragraph 1 shall also apply to projects for substantial changes to existing agreements.

3. Without prejudice to what is provided for in the preceding paragraphs, the management companies shall, at least 60 days before the planned start-up date of the link, transmit to the Bank of Italy and Consob:
a) the contracts governing the links referred to in paragraph 1 and every subsequent amendment thereto;
b) the procedures and other measures established for risk control.
Subsequent amendments to contracts and to risk control procedures must be transmitted to the Bank of Italy and Consob with the same lead time with respect to the time they are to become effective. [49]

4. In accordance with Article 8, the Bank of Italy and Consob may at any time require changes to projects for links, risk control measures and contracts referred to in the preceding paragraphs[50].

PART II
OFF-SITE SUPERVISION

Article 65
Notifications concerning corporate officers

1. The management companies shall send the Bank of Italy and Consob without delay a copy of the minutes of meetings in which the competent governing bodies conduct the examination to verify that the requirements referred to in Article 80.4 of the Consolidated Law on Finance are satisfied. The examination must be conducted separately for each of the persons concerned and with each of them abstaining in their own case, and must be documented by the minutes of the competent body. The resolution must be analytical and therefore mention the grounds on which the assessments were based. In particular, the minutes must show, for each person concerned, the documents taken into consideration in order to attest to the satisfaction of the requirements established by law. Specific indications must be provided regarding the criteria adopted by the competent governing body in assessing satisfaction of the independence requirements.

2. The Bank of Italy and Consob may, where they deem it appropriate, require that the documentation be produced proving that the requirements are satisfied and that no causes for suspension from office or impediments to the holding of office exist.

[48] Sub-paragraph replaced to this effect by Bank of Italy - Consob Act of 24 December 2010.

[49] Sub-paragraph replaced to this effect by Bank of Italy - Consob Act of 24 December 2010.

[50] Sub-paragraph replaced to this effect by Bank of Italy - Consob Act of 24 December 2010.

Article 66
Meetings with supervised companies

1. Useful information for the performance of supervision may also be acquired through meetings with corporate officers and/or heads of the various sectors of the corporate organization.

2. Meetings may be periodic or held at the request of the Bank of Italy and Consob or by the management companies. The latter shall in any case inform the Bank of Italy and Consob in a timely manner on matters of significance for the performance of supervision.

Article 67
Amendments to bylaws

1. The management companies shall transmit proposed amendments to bylaws to the Bank of Italy and Consob.

2. The notification shall be made after the approval of the proposed amendments by the management body and at least twenty days before the date set for approval by the shareholders' meeting. The notification shall explain the contents and purposes of the proposed amendments to the bylaws.

3. Amendments to the bylaws approved by the shareholders' meeting shall be transmitted to the Bank of Italy and Consob.

4. After entry in the Company Register, the management companies shall send the Bank of Italy and Consob a printed copy of the bylaws filed, signed on each sheet by the legal representative.

Article 68
Rules of central depository and settlement services and guarantee systems

1. The management companies shall send draft amendments to their rules to the Bank of Italy and Consob at least 20 days before the date set for their formal approval by the competent governing body. The notification shall explain the contents and purposes of the proposed amendments to the rules.

2. Once the amendments have been approved by the competent governing body, the management companies shall transmit a copy of the updated text of the rules, accompanied by the results of the consultations and the outcomes of the analyses carried out pursuant to Article 7.2 in the cases provided for therein.

3. The management companies shall send the Bank of Italy and Consob the implementing provisions and every other resolution supplementing the contents of the rules.

4. On the occasion of amendments to the rules, the management companies shall suitably publicize, including on their website, the integral, updated text of the rules and the related implementing provisions.

Article 69
Annual financial statements

1. The management companies shall send annual financial statements and, where they are drawn up, consolidated financial statements to the Bank of Italy and Consob within 30 days of their approval by the shareholders' meeting. The financial statements shall be accompanied by the minutes of the approval by the shareholders' meeting or the supervisory board, the management board's report on operations, the report of the board of auditors, where one exists, and the report of the external auditors. Copies of the annual financial statements of subsidiaries and a table summarizing the essential data of the financial statements of subsidiaries must also be sent.

Article 70
Resolutions of the shareholders' meeting

1. The management companies shall send the Bank of Italy and Consob the documents attesting to the calling of the shareholders' meeting and explicitly indicating the agenda of the meeting.

2. The management companies shall send the Bank of Italy and Consob without delay a copy of the minutes of the resolutions of the shareholders' meeting, including any annexes thereto.

Article 71
Notifications by the control body

1. The control body shall send the Bank of Italy and Consob without delay a copy of the minutes of meetings and investigations regarding management irregularities, violations of the rules governing the activity and any other information deemed relevant.

2. The control body shall annually send the Bank of Italy and Consob a report on the result of the controls carried out.

Article 72
Disclosure concerning the shareholders

1. The management companies shall notify the Bank of Italy and Consob without delay of every change to the company share register.

2. Except as provided for in the preceding paragraph, the management companies shall annually notify an updated version of the company share register to the Bank of Italy and Consob, when they transmit the annual financial statements, indicating for each shareholder:
a) the number of voting shares held;
b) the percentage of voting shares held with respect to the total of such shares.

3. The management companies shall annually make public the updated company share register, including by means of their website. They shall also suitably publicize the intervening changes in the company share register.

Article 73
Changes in the governing bodies

1. The management companies shall notify every change in the composition of the governing bodies to the Bank of Italy and Consob within 15 days.

2. In addition, the management companies shall notify the updated composition of the governing bodies to the Bank of Italy and Consob when they transmit the annual financial statements.

Article 74
Report on the organizational structure and risk management

1. The management body of the management companies shall send the Bank of Italy and Consob an annual report on the organizational measures taken concerning:
a) separation between operational and control functions and management of possible conflicts of interest;
b) controls on operations, with a specification of the tasks and responsibilities particularly as regards the detection and correction of irregularities;
c) reporting procedures at the different levels of the corporate structure, with a specific indication of the reports on the anomalies discovered and the steps taken to eliminate them, including as regards outsourced activities.

2. In particular, the report shall cover the following:
a) organization chart and function chart;
b) delegated powers;
c) structure of the system of internal controls;
d) methods used to ensure compliance with the rules and the proper functioning of services and systems, with particular reference to technological support;
e) safeguards put in place to ensure the reliability and integrity of accounting and operational data; in this area, the central depositories shall pay special attention to the aspects regarding the keeping of accounts, the procedures for recording transactions and balancing;
f) risk-limitation measures adopted, highlighting any shortcomings found in their operation;
g) organizational measures adopted, evaluations made and agreements concluded pursuant to Articles 5.1, 5.2 and 5.3;
h) organizational safeguards put in place against money laundering;
i) main results of the control activity carried out within the company at the various levels of the organizational structure.

3. On the occasion of the sending of the report the central depositories shall transmit to Consob and the Bank of Italy, in accordance with Article 20, information concerning the measures taken to face the risks of loss deriving from fraud or negligence in the performance of their activity and those of injury resulting from theft, robbery, fire, destruction or loss of financial instruments.

4. The annual report may refer to that sent the previous year for the aspects for which significant changes have not occurred.

Article 75
Report on technological and IT structures

1. The results of the annual verifications contemplated by Article 7.5 are communicated to the Bank of Italy and Consob, together with the measures adopted and to be adopted by the company in order to remove the dysfunctions found, specifying the relative implementation time frames[51].

[51] Section thus replaced by Bank of Italy - Consob provision of 22 October 2013.

2. Any significant instances of malfunctioning of the technological and IT structures must be promptly reported to the Bank of Italy and Consob, which must be subsequently informed of the corrective measures taken, including during meetings referred to in Article 66.

Article 76
Planning documents and cooperation agreements

1. The management companies shall without delay notify the Bank of Italy and Consob of:
a) corporate planning documents submitted to the management body or, where envisaged, to the supervisory board, including those concerning subsidiaries, in which the strategic objectives pursued are set out, with an indication of the timetable and procedures for their implementation.
b) agreements, submitted to the management body, concerning alliances or understandings to cooperate, other than those referred to in Part I, Title V, that could affect the organization and functioning of the services and systems managed.

2. The central depositories shall notify Consob and the Bank of Italy without delay of agreements signed with the issuers pursuant to Article 15 and shall inform the intermediaries thereof.

Article 77
Disclosure concerning permissible activities and eligible equity interests

1. The central depositories and the management company of settlement services shall notify the Bank of Italy and Consob in advance of the related and instrumental activities that they intend to perform.

2. The central depositories and the management company of settlement services shall notify the Bank of Italy and Consob of equity interests acquired. The Bank of Italy and Consob must be informed in advance in a timely manner concerning plans to acquire equity interests.

Article 78
Notification of the list of persons admitted to central depository services

1. Without prejudice to the disclosure requirements laid down by the Finality Decree, the central depositories shall notify Consob of the list of entities admitted pursuant to Article 12 and the list of issuers on the occasion of the start-up of services and each year when the annual financial statements are transmitted.

Article 79
Information on the functioning of central depository and settlement services and guarantee systems

1. The management companies shall provide information to the Bank of Italy, according to the criteria indicated by the Bank of Italy, concerning the services and systems operated, including the activity performed by entities admitted to such services and systems.

2. The information may be acquired through:
a) electronic links that ensure complete real-time visibility of the services;
b) periodic information flows, on paper-based or electronic media, in which the data are organized and processed in the manner indicated by the Bank of Italy;
c) requests intended to satisfy specific information needs.

3. Consob shall have access to the above-mentioned data via the Bank of Italy. Consob may nonetheless request to acquire the above-mentioned data directly.

4. Every fact or act deemed likely to have significant repercussions on the overall efficiency of services must be promptly reported to the Bank of Italy and Consob.

5. Changes to the operational mechanisms of services and systems and the consequent technical and IT modifications must be notified to the Bank of Italy and Consob duly in advance.

6. Pursuant to Article 77 of the Consolidated Law on Finance, the Bank of Italy and Consob may also request the information referred to in paragraph 1 of entities admitted to settlement services and guarantee systems.

PART III
LIQUIDATION OF MARKET INSOLVENCY[52]

Article 80
Conditions for and verification

1. The following are the conditions for the declaration of market insolvency of the subjects admitted for trading on the markets and of participants to centralised counterparties:
a) the opening, on the part of the competent judicial or administrative authority, of a liquidation or rebalancing procedure, as defined by Article 1.1 of Italian Legislative Decree No. 170 of 21 May 2004 and successive amendments;
b) non or partial payment, within the terms and according to the procedures contemplated by the relative regulation, of the debit amount resulting from the performance of the executive procedures;
c) non or partial payment of the sums due as margins or other risk control, management and coverage measures, and the non or partial final settlement of the difference of the contractual positions on derivative financial instruments, in the terms and manner contemplated by the relative regulation, with regard to a central counterparty.

2. Market managers and central counterparties, according to their respective competence, immediately communicate to Consob and to the Bank of Italy the circumstances indicated in section 1, of which they have become aware, also indicating any provisions adopted[53].

Article 81
Declaration of market insolvency

1. Market insolvency is declared by Consob, in agreement with the Bank of Italy. The market insolvency declaration provision is immediately communicated to the market managers and to the management companies. By the same provision, Consob and the Bank of Italy can issue instructions to the aforesaid subjects on any urgent provisions to be adopted[54].

[52] Heading thus amended by Bank of Italy - Consob provision of 22 October 2013.

[53] Article thus replaced by Bank of Italy - Consob provision of 22 October 2013.

[54] Article thus replaced by Bank of Italy - Consob provision of 22 October 2013.

Article 82
Market insolvency settlement procedures

1. Market insolvency settlement can be carried out by the market managers and by the central counterparties, in conformity with Article 72.4 of the Consolidated Law on Finance.

2. The central counterparties govern the market insolvency settlement procedure, including the procedures for issuing credit certificates as indicated by Article 72.6 of the Consolidated Law on Finance, in addition to the default procedure contemplated by Article 57[55].

3. The market managers can settle market insolvency for transactions not guaranteed by a central counterparty concluded in markets other than those managed, in accordance with the respective managers.

4. The settlement services management can settle market insolvency for transactions concluded on the markets – in accordance with the respective managers – which are not guaranteed by central counterparties or similar foreign systems.

5. In any case, the market managers remain responsible for the insolvency settlement procedure for contracts concluded on the markets managed by the same. On conclusion of the procedure and on the basis of the relative results, they issue credit certificates pursuant to Article 72.6 of the Consolidated Law on Finance.

6. In compliance with the regulation indicated in Article 46, the transactions regarding the insolvent subject:
a) admitted to the settlement services, and defined pursuant to the Finality Decree, terminate the settlement process to which they have been admitted;
b) which are not definitive according to the Finality Decree, are excluded from the daily trade-matching and verification system and from the settlement services;
c) which are final but which cannot be settled due to lack of cash or financial instruments, are excluded from the settlement services.

7. Without prejudice to the preceding sections, the market managers and the settlement services management company define specific procedures, on the basis of speed and efficiency criteria, for the settlement of market insolvency, including defining the price parameter on the basis of which the market insolvency settlement must be opened for the various financial instruments, as well as the procedures for issuing credit certificates pursuant to Article 72.6 of the Consolidated Law on Finance.

8. Consob, in accordance with the Bank of Italy, approves the procedures and criteria indicated in the above section and any modification of the same.

9. The market managers, central counterparties and settlement services management company make known to the respective participants the settlement of market insolvency and, if positive,according to which procedures. They immediately inform the participants, by suitable means, of any subsequent modifications to the information thus rendered[56].

[55] See now Article 48 of Regulation (EU) No. 648/2012.

[56] Article thus replaced by Bank of Italy - Consob provision of 22 October 2013.

Article 83
Communications to the Bank of Italy and to Consob

1. The subjects indicated in Article 82.1 and 82.4 immediately communicate to the Bank of Italy and to Consob the results of the settlement, drawing up a final report[57].

PART IV
TRANSITIONAL AND FINAL PROVISIONS

Article 84
Transitional provisions

1. Until the date of migration of the Bank of Italy from the gross settlement system for cash that it manages to the Single Shared Platform pursuant to Article 13 of the Guideline of the European Central Bank of 26 April 2007 (ECB/2007/2) on a trans-European automated real-time gross settlement express transfer system (TARGET2), every reference to the TARGET2 system or any system that is a TARGET2 participant shall be understood as referring to the gross settlement system for cash managed by the Bank of Italy.

Article 85
Entry into force

1. This regulation shall enter into force on the day following its publication in the Gazzetta Ufficiale della Repubblica Italiana.

2. The following measures shall be repealed as of the date referred to in the preceding paragraph:
a) Consob regulation no. 11768/1998, issued in agreement with the Bank of Italy, as amended;
b) Bank of Italy regulation of 8 September 2000, issued in agreement with Consob, as amended;
c) Bank of Italy – Consob regulation of 24 January 2002, except for Part I concerning the wholesale markets for government securities and their management companies;
d) Bank of Italy regulation of 30 September 2002, issued in agreement with Consob;
e) Bank of Italy regulation of 22 October 2002, issued in agreement with Consob.

Article 86
Adaptation of the management companies' rules

1. The management companies shall adapt their rules to the new provisions on the first occasion that they amend such rules and, in any case, within 180 days of the entry into force of this regulation.

2. The management companies shall adapt to the provisions of Article 4 on business continuity by May 2008.

[57] Article thus replaced by Bank of Italy - Consob provision of 22 October 2013.

Annex 1

GUIDELINES FOR BUSINESS CONTINUITY IN CENTRAL DEPOSITORIES, SETTLEMENT SERVICES AND GUARANTEE SYSTEMS

1. Introduction

Guaranteeing the efficiency and correct operation of money and financial markets and their support systems requires that trading and post-trading services be managed with special attention to the risks of information and telecommunications failure or inadequate functioning. The practical application of this principle is often restricted to the technological component. System operators have demonstrated sensitivity to the adverse circumstances that have been historically most likely to occur. Each operator has a "contingency plan" in case of disaster. The plans are designed to guarantee the continuity of vital operations and the restoration of acceptable operations within a predetermined deadline.

In recent years, however, decisive new factors have emerged, creating a more complicated and risky scenario, as well as a less predictable one. The traditional contingency tools are accordingly less appropriate and satisfactory. In particular, the events of September 11 in New York underscored the increased probability of major disasters. Together with the ever-increasing importance of the financial industry in the advanced countries, this warrants adequate, specific protection for the financial markets. The picture is further complicated by recent "disasters" linked to public utility failures.

This necessitates more highly articulated measures, more robust and effective solutions involving all agents who play important roles in the financial market product chain. The oversight authorities in the leading countries have undertaken a review of the relevant organizations' emergency preparedness. In this context in 2002 the Bank of Italy, in accord with Consob, undertook a series of initiatives with the participation of the components of the Italian financial marketplace (intermediaries, exchanges, support structures and payment systems). The plan is to study the current situation, see where improvements can be made, devise rules and instruments to improve system security and redesign an integrated set of procedures for emergency management.

The study phase confirmed the crucial importance of the service infrastructures for security markets, given their central role in the activities of intermediaries. The functions of clearing and settlement of financial instruments are of special importance. If problems in these services put "transaction execution" services out of operation, this could affect the continuity of markets and intermediaries.

2. Objectives

The authorities' action seeks to strengthen the Italian financial system's capacity to withstand unforeseeable events. The ultimate objective is to limit the overall risk of such events. The intermediate objectives are to institute appropriate instruments for coping with crises and restoring normal operations of financial markets and their support systems. Depending of the dimensions of the disruptive event and the importance of the service affected, reactivation must be such as to return "rapidly" to "acceptable" system operations and close the business day. The restoration of "normal" operations must come within an "appropriately short" time.

These objectives require the reorganization of contingency plans to set concrete reference parameters for business continuity. General guidelines for limiting "systemic risk" are set out below. They are commensurate with the importance of the role played by the organizations to which they are addressed. The guidelines also set out the criteria for designing organizational and operational measures to improve and maintain emergency plans.

This initiative, together with similar actions vis-à-vis intermediaries and payment infrastructures undertaken on a cooperative basis by the Bank of Italy, completes the set of actions needed to reinforce the structures operating in the credit, money and financial sectors in Italy. Similar guidelines have been adopted by other countries with financial systems of comparable size. The principles reconcile conflicting exigencies due to the complexity of the problems and the need for stability of rules. Chiefly, therefore, they outline the strategies to follow and leave actual realization up to the system operators.

3. Business continuity and the operating companies

Business continuity is central to strategy of system operators. It requires assessment of the state of the system, appropriate management choices and the involvement of decision-making and control bodies. It is the duty of top management to set objectives on business continuity, select policies to attain them and design the consequent development and operations plans.

The business continuity plan should be approved by the Board of Directors. Its purpose is to cope with critical problems due to sectoral incidents or to broader disasters directly affecting the system or major counterparties (other closely linked systems, important suppliers, system members, essential financial infrastructures, and utilities).

As minimum requisites, the company's business continuity plan must:

- classify internal activities by their importance to the function performed;

- identify, for each activity, the objectives and technical and organizational measures needed;

- allocate sufficient resources to implement the plan;

- specify the frequency and scope of checks;

- name all those who must be involved in tests, including suppliers;

- examine the problems of outside service providers and the remedies adopted;

- design a system for assessing the plan and designing corrective measures;

- highlight possible interrelations with outside institutions, considering also cross-border activities.

The plan must consider at least the possible crisis scenarios set out below, with an impact analysis and description of possible solutions for each:

- non-availability of a building housing critical offices or services;

- sudden lack of essential staff;

- sudden absence of outside services (e.g. electricity, telecommunications networks, interbank networks, outsourced services, services essential to the financial system);

- attacks from outside or inside (e.g. computer viruses, attacks via telecommunications nets, damage from disloyal employees);

- major disasters.

The company's top management must institute organizational arrangements to define, maintain, monitor and manage business continuity (e.g., crisis and emergency operations committees), assigning responsibilities for the management of the different phases of the emergency and assigning tasks in case of crisis vis-à-vis third parties and the authorities. To enhance the overall dependability of the plan, recourse to leading auditing firms with experience in international safety and security standards, or else certification procedures, is recommended. Top management should take part in the main choices involving business continuity. It should work for widespread familiarity with the plan among staff, for formal documentation and regular reporting to the Board of Directors and the Board of Auditors. The plan must be notified to the oversight authorities, which must be promptly informed of any changes or additions.

4. Requirements for the business continuity plan

4.1 Risk analysis

The priorities set and the resources allocated to business continuity have to be commensurate with the risks. A regularly updated analysis of the risks inherent in a set of scenarios examines the impact on every internal process and on vital and critical services to produce a gauge of the overall level of risk.

This analysis:

- must be set in the internal context of the operator (e.g. its degree of organizational and operational complexity, its degree of automation) and in the external context (e.g., location of sites, nearness to likely targets, geographical concentration);

- must consider the functions that are outsourced (e.g. information systems, hardware facilities) and the elements involved in continuity of the outside suppliers;

- must thoroughly evaluate the constraints of interdependence with and among suppliers, customers and intermediaries and service relations with public institutions.

4.2 Vital and critical services

In general, vital services are defined as those that are strictly functional to meeting the fundamental liquidity needs of economic agents, any interruption of which, even of the briefest duration, has serious repercussions on their business operations. Critical services are those that, while being of major importance, can nonetheless tolerate a longer interruption of operations without grave damage.

The operators of the systems involved will identify the components that correspond to vital services and to critical services. They will consider all the elements needed to determine the level of

business continuity attained and to bring it up to the level desired by preventive measures and contingency plans.

For each activity, the components and resources involved in the provision of the service must be identified (e.g., support procedures, the staff assigned, the logistical structures, the technological infrastructure, the telecommunications equipment and systems, the applications and system software, skills, etc.).

The analysis must involve at least the following points:

- For each vital or critical service, in accord with the authorities, the company establishes the objective parameters to monitor and their top expected values (e.g., maximum time to renewed operation in recovery configuration, percentage of availability).

- Processes relating to these services generally use resources that are highly available. Normally the technology permits “hot” data recovery, meaning the creation of constantly updated backup files or technological systems with malfunction tolerance (e.g., with duplicate equipment).

- The people responsible for each process help determine the high availability characteristics in measurable terms (e.g., maximum interruption time) for all relevant resources. They help to develop measures of continuity on the basis of the business continuity plan.

- For vital services, the technology must be highly dependable and properly adapted to the latest developments.

- Explicit consideration must be given to the danger of data loss, and the procedures and time for recovery must be specified.

4.3 The content and management of the plan

The business continuity plan must document, in sufficient detail, all the activities relating to the declaration of a state of crisis, the organization and procedures to follow in such a situation, the path to the resumption of operations, the safeguards introduced and choices made as a result of analysis, and the modalities of external communication.

The plan will specify the data-processing sites, spaces and equipment for the staff deployed. It will indicate the modality and frequency of production of copies of production files, set the rules and timing for their storage, describe the procedures for restoration of files in the systems located in alternative sites.

The frequency of copies depends on the volume of business and the importance of data integrity for continuity of the procedure. Support files are normally duplicated continuously. Precautions are taken to make sure that electronic copies are stored in physically secure sites. The standards for file alignment are defined.

The plan determines the modalities of communication with the Supervisory Authorities, with other market participants, with other authorities, with the media and with the public.

The supervised entities that use outside suppliers for the realization of the plan must take due precautions to ensure that the capability for adequate service provision is never lacking.

The contract with the supplier must permit the operator to use the recovery centre for prolonged periods, until the primary site has been restored to full operation.

The plan will identify essential staff to ensure the continuity of relevant activities and instruct them as to the sites to go to and the activities to undertake in case of emergency. The staff involved will be given a constantly updated manual with all needed instructions for cases of crisis.

Every unit within the organization must designate an emergency head. When the technological or organizational configuration of the service is modified, appropriate changes to the business continuity plan must be made and verified.
The plan designates alternative staff to use in case of non-availability of those normally envisaged. Staff will be trained for emergency measures. Consideration should be given to the possibility of organization involving a number of different shifts and/or sites, as well as mobile units for remote services.

The depth and frequency of periodic tests will be in proportion to the risks and to the importance of the processes. Tests should involve all the persons and organizations potentially affected.

The plan must be regularly tested, at least once a year, and the test conditions must be as close as possible to real situations.

Testing of proper functioning of the continuity plan must be complete, the results must be documented and reported to top management, to the operational units and to the audit function, as well as to the Supervisory Authorities. Corrective measures must be undertaken promptly to remedy any shortcomings detected in the course of testing.

4.4 Outsourcing and relations with utilities

The outsourcing of activities in connection with vital or critical services does not relieve the service operator of responsibility for the maintenance of business continuity. Where software management and/or hardware is outsourced, in the course of the analytical work towards the preparation of the continuity plan the service operator must acquire full familiarity with the outsourced system and its organization. The operational continuity plan of the service operator must cover all aspects involving the elements outsourced. The plan is prepared and finalized under the full responsibility of the service operator.

Where an outside supplier is not compliant with the requirements of the continuity plan and adequate responses in this regard via contract cannot be expected (e.g., for utilities), the system operator must prepare alternative sources of supply.

The requirements of these guidelines also apply where the operator has assigned part or all of the service to an outside company.

Contracts with suppliers must specify guaranteed service levels in case of emergency and identify solutions that satisfy the operator’s needs, consistent with the risk analysis scenario and operational objectives.

For supply contracts for utilities, the operator must acquire the supplier’s emergency plans or obtain satisfactory information to determine the quality of the emergency measures envisaged and develop coordinated solutions for business continuity. If the requisites are not met, the operator will procure

secondary suppliers for the same services or prepare independent sources for self-sufficiency (such as auxiliary generators or battery pools, duplicate telephone lines).

4.5 Agreements with other organizations

To attain the intermediate operational objectives for business continuity, companies will prepare a complete mapping of their dependency on third parties, with special consideration for service suppliers, especially in the financial sector, and the users and members of their own services, on whom the success of actions may depend.

For each such dependency, the operator company will analyze the possible impact on the dependability and regular operation of its own services, highlighting the essential organizations and nodes. With each of these parties the operator will prepare cooperation agreements designed to respond to these objectives, prompt collaboration in case of emergency, the procedures and instruments for disaster management. The contractually established procedures will be tested as part of the emergency testing programme.

The map of dependencies, the list of critical infrastructures and the related agreements will be promptly notified to the Supervisory Authorities.

Agreements with other important institutions within the financial system will set mutually guaranteed “service levels” and identify solutions consistent with operational objectives. Such agreements will give each operator sufficient information to evaluate the quality of the final result.

4.6 Secondary sites

The location, configuration and management of production sites and operational continuity sites (recovery centres) must be such as to minimize the probability of a simultaneous blockage of activity in the centres. Operators must evaluate the possibility of additional sites for the recovery of the most important data and of the applications software for service management.

Impact analysis must consider the consequences for system operations of major calamities such as natural disasters (floods, earthquakes), air crashes and terrorist attacks. The company’s top management must guarantee, based on adequate analysis, that the primary and secondary sites have different risk profiles and must conduct a careful evaluation of the residual risk of simultaneous blockage of the two sites.

The use of infrastructures (such as telecommunications and electricity) must be diversified by site. The availability of viable alternatives to essential public services (such as transport) must be verified. The usefulness of keeping a third copy of production files, stored with appropriate safeguards, should be evaluated.