

Amendments to the Service Regulations

The amendments described in the present Notice will enter into force on the **1st October 2024**.

In view of the amendments to Regulation (EU) No. 909/2014 (CSDR) and related implementing provisions set forth in Delegated Regulation (EU) 1229/2018 (SDR) regarding penalty mechanisms, the provisions of the Monte Titoli Regulations and related Instructions amended as described below.

Amendments to penalty mechanisms provided for by Monte Titoli

In accordance with the amendments to the Article 19 SDR, starting to September 2, 2024, the process of collecting and redistributing penalties related to CCPs guaranteed transactions will be handled directly by the CSDs in charge of their regulation, in the framework of payment procedures already used for non-guarenteed on-exchange operations and OTC.

Therefore, provisions relating to the procedures for collection and redistribution of penalties previously helded by CCPs are removed from the settlement service.

It is specified that the September 2024 payment, related to August penalties, will be handled by Euronext Clearing in continuity with the current redistribution collection model. The new procedures will apply from October to the penalty payment procedures related to the month of September.

REGULATION

TITLE III – RULES GOVERNING THE SETTLEMENT SERVICE AND INCIDENTAL SERVICES

CHAPTER I – SETTLEMENT SERVICE

Article 63 – Penalty Mechanisms

1. Monte Titoli establishes the penalty mechanism referred to in Article 7, paragraph 2 CSDR to facilitate the settlement of unsettled transactions within the Settlement System. The penalty mechanism is adopted jointly with the other CSDs in T2S pursuant to Article 20 of SDR Regulations. This mechanism includes cash penalties to be charged to Participants that have not settled transactions by the end of the intended settlement date. The cash penalties are redistributed in full to the Participants that suffered the settlement fails, up to the amount collected.
2. The mechanism referred to in Paragraph 1, shall apply to all Settlement Instructions matched or unsettled after the intended settlement date, including Settlement Instructions subject to the suspension mechanism set out in Article 71 of these Regulations, in accordance with Article 16 of the SDR Regulations. The cash penalties are calculated at the end of each settlement day starting from the intended settlement date.
3. On a daily basis, Monte Titoli sends the Participants a specific report highlighting the Settlement Instructions subject to the application of penalties and the related amounts, calculated according to the provisions of Article 16 of the SDR. If the intermediaries find any discrepancies in data relating to transactions subject to penalties reported in the daily report, they can report them by the 10th (tenth) penalties business day of the calendar month following the date of

receipt of the report, in the manner set out in the Instructions. In the absence of such notification, the daily reports shall be deemed to be tacitly approved.

4. The penalty collection and redistribution procedures are carried out on a monthly basis. Monte Titoli informs the Participants of the amounts of the penalties applied in the previous month, aggregated in net balances calculated based on the criteria set out in the Instructions. The Participants found to have a net debit balance must pay the cash penalty amounts within the term specified in the Instructions

5. In the event of non-payment of the amounts indicated at paragraph 5, Monte Titoli implements the contingency procedures envisaged in the Instructions under which it recalculates the net balances for each Participant, excluding the amounts pertaining to the failing Participant. The failing Participant must pay the penalties to the creditor counterparties by the last penalties business day of the month of payment and notify Monte Titoli accordingly. Monte Titoli charges the costs of management of the contingency procedure to the failing Participants.

6. In the case of an insolvent Participant, Monte Titoli:

a) excludes the amounts pertaining to the defaulting Participant and recalculates the net balances for each Participants;

b) suspends the application and calculation of penalties with reference to instruction that have not been matched or settled by the insolvent Participant.

~~7. The procedures described in paragraphs 4 and 5 do not apply for penalties relating to transactions guaranteed by a Central Counterparty for which the collection and redistribution of the amounts are managed by the Central Counterparties, in accordance with Article 19 SDR. To this end, Monte Titoli shall provide the Central Counterparties the information described in paragraph 3 in relation to the guaranteed transactions and receives, each month, information on the penalties collected and redistributed by them.~~