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Amendments to the Settlement Service Instructions

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The changes described below will enter into force on **23 December 2024.**

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As part of the Instructions for the Settlement Service and ancillary services, it is proposed to amend the rules of the X-TRM service relating to the *routing functionality,* taking into account the configuration of *pre-settlement* services within the operating model of the Euronext markets.

In particular, it is proposed to better specify the regulation of *routing* functions for transactions forwarded by the markets. In particular, the minimum content of the agreements governing the forwarding of transactions received from the markets that make use of the *pre-settlement service* is specified.

The following is an excerpt of the text with the amendments shown

The full text of the Instructions will be published on the website *https://www.euronext.com/it/post-trade/euronext-securities*

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INSTRUCTIONS

Definitions

X-TRM Participant: the entity that directly adheres to the X-TRM pre-settlement service

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3.6 FUNCTIONALITY OF THE X-TRM SERVICE FOR OPERATIONS TO BE SETTLED BETWEEN THE PARTICIPANTS TO A ~~FOREIGN~~ SETTLEMENT SYSTEM IN T2S OR OUTSIDE T2S (CD. ROUTING)

3.6.1 Operation of X-TRM

The X-TRM Service enables trades concluded on Markets, on Multilateral Trading Facilities, or OTC operations entered by the X-TRM Participants and to be routed

for settlement into the ~~Foreign Settlement Service~~ **settlement systems managed by foreign central depositories** in T2S or outside T2S (cd. routing).

3.6.2 Acquisition of contracts submitted by market management companies or CCPs

The acquisition of transactions transmitted by market management companies or central counterparties shall take place in accordance with the operating procedures annexed to the agreements referred to in Article 84 of the Regulation. These procedures shall specify, inter alia:

- **the methods and timing for sending the data relating to dealers and their settlement agents if different from the X-TRM Participants and the related configuration methods in the Monte Titoli master data;**

- **the methods and timing of the transmission of information relating to contracts by markets and central counterparties;**

- **the criteria for aggregating or netting contracts (where applicable);**

- **the methods and timing of creating and forwarding the Settlement Instructions;**

- **the methods of forwarding the Settlement Instructions in the foreign settlement system, possibly also through the participants in such systems if the latter are not X-TRM Participants;**

- **reconciliation, error handling, contingency and reporting procedures.**

3.6.3 Acquisition of transactions entered by X-TRM Participants

The acquisition of operations entered by X-TRM Participants takes place using the entry methods currently provided for and indicated at Chapter 3.3

At the moment of entering of the Settlement Instruction X-TRM Participants must specify the code that refers to the Foreign Settlement System where the transaction has to be routed.

X-TRM Participants making use of the routing service must forward to that system and in copy to Monte Titoli, the application Power of Attorney, which authorises Monte Titoli to transmit the operation to be settled to the Foreign Settlement Systems.

If the X-TRM Member does not participate directly into the Foreign Settlement System, it must sent to Monte Titoli a copy of the application Power of Attorney' already sent by the settlement agent to the Foreign Settlement System with which the said agent settles the operations on his own behalf.

3.6.2 Acquisition of operations

Operations that are entered must contain all the information necessary for their matching and settlement.

The items of information that differ from the information indicated for entering the Settlement Instructions into the Settlement Services managed by Monte Titoli are the following:

- The operation type: currently, provision is made for types CVT and CTC

- Subject of the operation (financial instrument): checks on the admissibility of the financial instrument within the Foreign Settlement System are carried out . With respect to OTC operations, it is possible to trade in securities listed on the reference market that carries out settlement of its own transactions with the Foreign Settlement Systems. Moreover, on request of the a X-TRM Participant member, it possible to admit other securities , provided that they are admitted to the Foreign Settlement Systems.

  Securities index-linked to inflation may be admitted; the 'Euro' dummy security is not admitted.

- Currency of settlement: currencies other than the Euro are admitted. If the settlement currency is not valorised, EUR is assumed by default.

- Exchange rate: in the event that the currency in which the security is traded (unknown to the X-TRM service) is different to the settlement currency, it is necessary to declare the exchange value in question. If the exchange rate is not declared, the system assumes that the trading currency is identical to the settlement currency and therefore the exchange value is 1.

- Settlement agent of the X-TRM Participant that input the transaction: The X-TRM Service assumes a default value that, in the case of direct participation to the Foreign Settlement System, is the X-TRM Participant itself, , whereas in the case of indirect participation to the Foreign Settlement System it is the entity normally used by the X-TRM Participant for settlement of trades with Foreign Settlement Systems. If no default for the market exists, the settlement agent is designated on the basis of instructions given by the X-TRM Participant. As part of the data of the operation, an X-TRM Participant that input the transaction may also specify a settlement agent code other than the default code, provided that it is

included on a list of codes previously communicated to the administrator of the X-TRM service.

- Settlement account of the X-TRM Participant that input the transaction: The Service provides a default value that, in the case of direct participation to the Foreign Settlement Systems, corresponds to the account associated with the settlement agent for the type of trade (own/third party) which is specific to the reference Foreign Settlement System. In the case of indirect participation to the Foreign Settlement System, the default account is designated on the basis of instructions given by the member-TRM Participant. An X-TRM Participant that input the transaction may also specify, with the data of the operation, a settlement code other than the default code, provided that it is included on the record of accounts associated with the issuer's settlement agent.

- Settlement system: this is the Foreign Settlement System in which the operation will be settled. ~~Settlement is currently provided by Euroclear Bank and Clearstream Luxembourg~~.

- Date of settlement: This is freely agreed between the contracting parties ~~or announced by the market~~. It must be compatible with the calendar of the Foreign Settlement Services. If it is not declared, it is imposed as the second working day following the date of execution.

  It is permitted to enter operations that have a settlement date that coincides with the execution date (T+0).

- End-of-validity date: if not declared, the date of settlement is assumed by default. If it is declared, it must be compatible with the calendar of the foreign settlement systems.

3.6.~~3~~ 4 Feedback on transactions entered by X-TRM Participants

3.6.3 Matching Operations entered by X-TRM members that have passed the validation phase are submitted to the matching function, which verifies the correspondence of information on the trade.

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3.6.4 5 Bilateral netting without interposition of the CCP for trades from Markets

For markets that request it, the X-TRM Service provides a Bilateral Netting function without the intervention of the CCPs which, automatically performs the aggregation of trades sent to the market within the closing of the service in the trading day. According to the criteria established. Transactions resulting from the automatic aggregation of the contracts fall in the class of "compensation".

Compensations are created automatically with "ad hoc" origin and forwarded to the settlement systems designated, according to the timing agreed with the markets.

The automatic creation of transfers is in line with the following aggregation criteria, **depending on the markets of origin of the transactions:**

A) For contracts to be settled in the foreign settlement services:

A.1 MOT Market, EuroTLX

- ➢ Issuer identifier (trader);
- ➢ ISIN;
- ➢ Settlement date;
- ➢ Date of trade;
- ➢ End-of-validity-date;
- ➢ Sign of the trade;
- ➢ Type of issuer trade (trader);
- ➢ Settlement account of the issuer (trader);
- ➢ Counterparty identifier;
- ➢ Type of counterparty trade;
- ➢ Settlement account of the counterparty;
- ➢ Origin;
- ➢ Settlement system.

A.2 Euronext Paris Market

- ➢ ISIN code;
- ➢ the trading counterparty;
- ➢ counterparty negotiation type;

➢ type of trading of the Issuer:

If the settlement agent does not manage the so-called. "strange netts" contracts are aggregated according to the sign of the transaction (see point A2)

B) <u>For contracts to be settled in the Settlement Service operated by Monte Titoli</u>:

B.1 Sedex Market, ExtraMOT

➢ Market or segment of the contract origin;
➢ Settlement system
➢ ISIN;
➢ Settlement date;
➢ Issuer identifier (trader)
➢ Type of issuer's trading (trader)
➢ Counterparty identifier;
➢ Type of counterparty trading

In the case the issuer and the counterparty are the same, the aggregation will take place considering the quantities and the equivalent values in absolute terms

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3.6.6 Routing of operations

This is the function by which the X-TRM Service routes to the Foreign Settlement Systems, in real time, the relevant settlement instructions relating to trades made on the markets and to individual matched OTC operations.

Different timescales apply for:

I. Trades subject to the netting function the sending to the settlement system competent occurs in evening batch method
II. Trades that are not subject to the netting function and referring to trades concluded in the market the routing occurs immediately after ~~they are entered in X-TRM Service~~ **acquisition**
III. For OTC trades settlement instructions are sent only after they are matched, a process that may take some days to complete.

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