
Operational Notice

05 December 2018

ON 74/2018

Mayday as a business day: impact on Monte Titoli systems

All'attenzione di:

All Participants and Account Operators

Topic:

Mayday as a business day

Dear Client,

Following the decision taken by the Advisory Group on Market Infrastructures for Securities and Collateral (AMI-SeCo) and by the T2S CSD Steering Group (CSG), starting from 2019 T2S – and therefore all the member CSDs – will remain closed only when all currencies do not settle.

Therefore, following the participation of the Danish Krone (DKK) as a settlement currency admitted to the T2S platform, starting from 2019, the day of 1 May is considered as a business day with the following characteristics:

- T2S: open for FOP, but not for DVP and PFOD operations in EURO
- T2: closed
- All CSDs that are members of T2S (including Monte Titoli): open
- DCA at start of Night Time Settlement: set to zero



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In particular for Custody activities:

- no payment in EURO can be made on 1 May; payments are postponed and made on the first subsequent working day
- securities download or Pool Factor adjustment operations for REDM, PCAL and MCAL will be carried out in the scheduled cycle of the NTS following the SOD on 1 May.

For Settlement activities:

- the X-TRM service will be operational with some limitations arising from the impossibility of adjusting the cash part
- The X-COM service will be closed
- There is no provision for sending reports on penalties

1.0 Impact on Custody

The involved Custody processes are typically those involving cash, including:

- Cash Distribution
- Payment of Government Securities
- Payment management by the Paying agent
- Collection of delayed dividends
- RCC
- Reorganization

The expected impacts for the individual processes are described below

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Cash distribution: currency Eur:

N.	PROCESS	SERVICE	CAEV	CASH SECURITIES	1/5/2019 NTS	1/5/2019 RTS	2/5/2019	ACTION
1	payments made in central bank money	Custody ITA	INTR, REDM, PCAL, PRED, MCAL	Cash/securities	accounting download securities or PF change	no payment	Cash settlement postponed	Payments will be postponed until the next business date The postponement will also be made for securities with convention "PREVIOUS GOOD BUSINESS DAY". No impact is expected for securities with convention MODIFIED FOLLOWING BUSINESS DAY



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N.	PROCESS	SERVICE	CAEV	CASH SECURITIES	1/5/2019 NTS	1/5/2019 RTS	2/5/2019	ACTION
2	payments made in commercial bank money	Custody ITA Custody EST	INTR, REDM, PCAL, PRED, MCAL	Cash/securities	accounting download securities or PF change	suspension of payment	Cash settlement postponed	After suspension, payments will be postponed until the first subsequent business date
3	Government bond payments	Custody ITA	INTR, REDM	Cash/securities	accounting download securities	No payment	Cash settlement postponed	After suspension, payments will be postponed until the first subsequent business date . the accounting download of securities in the event of partial or total repayment will take place on 1 May.
4	Payment of dividends and fund units	Custody ITA Custody EST	DVCA, CAPD, etc	Cash/securities	N.A.	No payment	N.A.	The issuer will be prevented from entering transactions with a payment date of 1 May
5	Payments managed by the Paying Agent. RIFPA, REVPA, RIAPA instructions (MSG7B4)	Custody ITA	DVCA	Cash	N.A	No instructions	Cash settlement postponed	The sending of RIFPA, REVPA, RIAPA instructions on 1 May will be prohibited For RIAPA instructions received on the day before 1 May, payments will be postponed to the first subsequent business day.
6	Delayed dividend collection	Custody ITA	DVCA	Cash	N.A	No payment	Cash settlement postponed	After suspension, payments will be postponed until the first subsequent business date for collection instructions received on the day before 1 May
7	Reversal	Custody ITA Custody EST	INTR, REDM, etc.	Cash	N.A	No payment	N.A.	the operations will not be carried out on 1 May

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Cash distribution: currency ↔ Eur:

N.	PROCESS	SERVICE	CAEV	CASH SECURITIES	1/5/2019 NTS	1/5/2019 RTS	2/5/2019	ACTION
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8	payments made in commercial bank money directly by the Paying Agent or its correspondent bank	Custody ITA	INTR, REDM, PCAL, PRED, MCAL	cash/securities	accounting download securities or PF change	sending of final payment messages	N.A.	No Action. Payment made outside by Monte Titoli
9	payments made in commercial bank money	Custody EST	INTR, REDM, PCAL, PRED, MCAL, DVCA, etc.	cash/securities	accounting download securities or PF change	cash settlement	N.A.	No Action. Operazioni eseguite regolarmente

Reorganization: currency Eur:

N.	PROCESS	SERVICE	CAEV	CASH SECURITIES	1/5/2019 NTS	1/5/2019 RTS	2/5/2019	ACTION
10	ACPG (accounting and rolling) Warrant Exercise and Dividend with option	Custody ITA Custody EST	EXRI, EXWA, DVOP, etc,	Cash	N.A.	No payment	Cash settlement post	The issuer will be prevented from entering transactions with a payment date of 1 May In the case of rolling transactions, unexecuted instructions received on the business day before 1 May and those received on 1 May will all be settled on the next business day.

Other processes:

N.	PROCESS	SERVICE	CAEV	CASH SECURITIES	1/5/2019 NTS	1/5/2019 RTS	2/5/2019	ACTION
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11	Reorganization voluntary / mandatory (no cash)	Custody ITA Custody EST	RHDI, CONV, MRGR, SPLF etc .	NO	SECURITIES Settlement	SECURITIES Settlement	SECURITIES Settlement	No Action. Operations carried out regularly
12	Issuance, MarkUp and MarkDown	Custody ITA	N.A.	NO	SECURITIES Settlement	SECURITIES Settlement	SECURITIES Settlement	No Action. Operations carried out regularly
13	DVP Issuance not available at the moment)	Custody ITA	N.A.	Cash	N.A.	No payment	Cash settlement post.	The issuer will be prevented from entering transactions with a payment date of 1 May
14	RCC	Custody ITA	N.A.	Cash	N.A.	No payment	Cash settlement post.	After suspension, payments will be postponed until the first subsequent business date .

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2.0 Settlement Impacts

T2S - X-TRM:

System	Operations
T2S – X-TRM	<ul style="list-style-type: none">➤ the T2S platform will be available and consequently the X-TRM service will also be operational with some limitations arising from the impossibility of adjusting the cash part➤ with respect to Intra and Cross-CSD Instructions, it will be possible to regulate only and exclusively "FREE" instructions, while the "APMT" will be blocked/rejected by the T2S platform

Intra and Cross CSD:

OPERATION TYPE	Operations
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NON-GUARANTEED MARKET TRADES	<ul style="list-style-type: none">➤ Any operations with a 'Trade Date' of 01/05/2019 will be rejected by X-TRM.➤ For trades received in previous days and with ISD until 30/04/2019, the determination of the end of validity date (ISD + n days) will not take 1/5/2019 into account (e.g. ISD 30/04/2019 EVD 07/05/2019).➤ Trades not settled in the preceding days will not attempt to settle on 1 May 2019.
GUARANTEED MARKET TRADES	<ul style="list-style-type: none">➤ Any operations with a 'Trade Date' of 01/05/2019 will be rejected by X-TRM.➤ For trades received in previous days and with ISD until 30/04/2019, the determination of the end of validity date (ISD + n days) will not take 1/5/2019 into account (e.g. ISD 30/04/2019 EVD 07/05/2019).➤ Trades not settled in the preceding days will not attempt to settle on 1 May 2019.
OTC	<ul style="list-style-type: none">➤ "FREE" instructions already present in T2S will attempt settlement, while the "APMT" instructions will remain blocked.➤ It will be possible to enter/match/settle "FREE" instructions with any ISD.➤ It will be possible to enter/match "AMPT" instructions with ISD other than 1/5 but they will not attempt settlement.➤ It will NOT be possible to enter "AMPT" instructions with ISD equal to 1/5, any instructions will be rejected by T2S.

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External CSD:

System	Operations
MARKETS	<ul style="list-style-type: none">➤ All Markets connected with X-TRM will be closed, any contracts with a 'Trade Date' of 1/5/2019 will be rejected by X-TRM.➤ Trades (EuroTLX and EuroMOT) received in previous days with ISD 1/5/2019 shall be sent to the relevant ICSD on the trading day.
OTC	<ul style="list-style-type: none">➤ Pending "FREE" instructions with an ISD of less than 1/5/2019 will attempt settlement, while for "AMPT":<ul style="list-style-type: none">○ Delivery from MT account can be settled with the foreign CSD, but the securities unblocking and debiting will take place on 2/5 together with the relevant cash credit;○ Receipts on MT account can be settled by crediting securities on 1/5, as the cash has already been debited.➤ It will be possible to enter/match/settle "FREE" instructions with any ISD.➤ It will NOT be possible to enter "AMPT" instructions with ISD equal to 1/5, any instructions will be rejected by T2S, while X-TRM will refuse collection instructions.

Penalties:

System	Operations
Penalties	<ul style="list-style-type: none">➤ The penalties report will not be distributed➤ In the event that AAVV requires the application of penalties for 1st May, they will be calculated only for FREE instructions not settled at the end of the day and will be distributed at the same time as the relevant reports.

X-COM:

System	Operations
X-COM	The service will be closed

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3.0 Milestones

Given the particularity of the topic, and in agreement with the CSDs and NCBs, T2S will adjust the operational calendar of the test environment on the following 2 days only:

- 10 January 2019
- 28 February 2019

At the moment, the ECB has not yet announced which day, prior to 10/01/2019 and to 28/02/2019, the T2S calendar will be adjusted and will consider 1 May as a business day.

The release into the production environment will take place approximately on 18 March 2019, in line with the timescale envisaged for the correct execution of the operations that process the date of 1 May in advance.

4.0 Documentation

No adaptation of the technical documentation is scheduled.

5.0 Test

As indicated in the “Milestones” paragraph, on the only 2 dates planned for the test (10/01/2019 and 28/02/2019) all the operations for which an impact is expected will proceed, together with those that will be carried out regularly.

By the first half of December, an Operational Notice will be published containing guidelines for the performance of the tests, with indications of the types of instructions to be inserted and the outputs to be verified.

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6.0 CONTACTS

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