
Market Notice

12 December 2017
MN_98/2017

Application of the Penalties System

For the attention of:

DCPs, ICPs

Priority:

HIGH

Re:

Application of the Penalties System

Dear Client,

We are pleased to inform you that, with reference to Market Notice [MN_75/2017](#) of 29 September 2017 and following the positive outcome of system tests with the system, with effect from 12 December 2017 the process of calculation of penalties/bonuses in the T2S settlement system, on the basis of the previous penalty parameters indicated in the Instructions for the Settlement Service, is considered completed. The application of the penalties remains suspended pending completion of the harmonisation phase provided for in the CSDR, while daily reporting for participants and the Authorities for the purposes of constant monitoring of the process will be maintained. The possibility that the penalty could be reactivated at any time, including at the request of the Authorities, with prior notice of 48 hours.

The next steps provide that Monte Titoli will adapt, as far as possible, the penalty parameters indicated in the Instructions for the Settlement Service to the provisions of the Delegated Regulation (EU) No 2017/389.

The scheduled implementation phases are as follows:



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1) Adjustment of sanction parameters

The update provides for the gradual adoption of the penalty parameters provided for in the CSDR.

In particular, the following penalty parameters will be reviewed:

- **shares:** a penalty rate of 1.0 bps will apply to all shares except those traded on growth markets for SMEs, for which the rate will be 0.25 bps, in line with Community provisions
- **bonds:** the current penalty rate of 0.1 bps will be maintained
- **other securities** (such as, for example ETFs, warrants etc.): the penalty rate established by European legislation of 0.5 bps will be adopted.

2) Release into production of the new penalty parameters and maintenance of the suspension of application of penalties

The date of release into production of the new penalty parameters, following the successful outcome of system tests, is scheduled for late March 2018. On of that date, the regulatory framework of reference will be adapted and the new system will be released. While keeping the debit and credit process temporarily suspended, the new system will process the following activities on a daily basis:

- i. Calculation of penalties
- ii. Sending of reports to the Authorities
- iii. Communication of penalties and failed settlements to intermediaries concerned
- iv. Logging of processed data

We will follow up as soon as possible with further instructions for the planning of the test period for the new penalty parameters and the resulting amendments to the Instructions for the Settlement Service.

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3) Reactivation procedure

In the event that it becomes necessary, Monte Titoli hereby guarantees that the new penalty system will be activated within 48 hours, processing the debit and the credit of calculated penalties and managing the resulting cash movements as provided in the procedure.

For further information please contact the following offices:

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