

Market Notice

28 November 2017
MN_91/2017

Operations with PIK-type bonds

For the attention of:
Priority:
Re:

Intermediaries, Issuers and Account Operators
HIGH
Operations bonds with PIK

Dear Client,

Please find below some information on the operating model of bonds with PIK. The acronym 'PIK' stands for "payment in kind", i.e. the issuer of these bonds - at certain conditions - provide for deferred payment of the coupon through the assignment of bonds of the same nature and with the same ISIN code as the original bond.

Introduction

Monte Titoli permits the centralisation of bonds with PIK (for example Superstrada Pedemontana ISIN IT0005278525) under the following conditions:

- a) Subscribers must be exclusively professional investors, defined as "*lordisti*" according to Italian legislation, or residents in White List countries that have provided the relevant self-certification for exemption from withholding tax
- b) Monte Titoli blocks the balances of PIK bonds in the Investor's participant/custodian account.

Day of issue of the financial instrument

On the day of issue of the financial instrument in question, Monte Titoli must receive a communication from each custodian that participates in the system on behalf of the investor's client, in the form of a general mandate granted via MT-X, confirming that the above requirements have been met. Following receipt of this communication, Monte Titoli proceeds to issue the PIK financial instrument to the issuer account and deposit it in the account of the intermediary concerned. Concurrently with the deposit, Monte Titoli proceeds to block the securities with the participant.



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Transfers after the day of issue

The following procedure must be followed in order to carry out a transfer of PIK bonds:

1. The sender intermediary and its counterparty enter the relevant transfer instructions.
2. The sender intermediary sends a request to Monte Titoli via MTX (“general mandate”) to release the amount necessary for the transfer. The request must indicate the details of the securities account of the beneficiary intermediary.
3. The beneficiary intermediary sends to Monte Titoli through MTX (“general mandate”) its own declaration attesting that the client beneficiary of the transfer meets the requirements indicated above.
4. Once the request and the declaration indicated in points 2 and 3 have been received, Monte Titoli removes the block on the account of the sender intermediary for the necessary amount, enabling the transfer to be settled.
5. Concurrently with the settlement of the transfer, Monte Titoli proceeds to block the securities with the beneficiary participant. The outcomes of the transfer and the block and unblock operations are communicated to participants by the usual reporting methods.

For any further information please contact:

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