
Operational Notice

06 March 2018
ON _15/2018

Penalties System

Adjustment of penalty sanctioning parameters

For the attention of: DCPs, ICPs

Re: **Penalties System**
Adjustment of sanction parameters

Dear Client,

Further to MN No. 98 of 12 December 2017, please note that Monte Titoli has successfully completed its implementation and internal testing of the new penalty percentages which, in line with the provisions of Delegated Regulation (EU) 2017/389, provide for the gradual adoption of the parameters established by the CSDR.

In particular, the following penalty parameters have been 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.

While maintaining the process of debiting and crediting the penalties temporarily suspended, the new system will manage the following activities on a daily basis:

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

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1.0 Test plan

The scenario subject to validation by clients envisages the suspension of the currently applicable reports and their replacement with new reports and new percentages in application of the penalty system.

During the external testing period, clients will be required to verify:

1. that the penalties are correctly calculated
2. that the penalties are correctly applied to the entity concerned
3. that the reporting, as provided by the new model which includes the new penalty parameters, is adequate.

The process of debiting and crediting monetary penalties/bonuses is not subject to the test plan, as it remains unchanged.

2.0 Test and release dates

Tests will be conducted between 12 March and 23 March 2018 in the Monte Titoli production environment.

Participants in testing are invited to carry out verifications of the procedure for extraction of positions and application of the penalties and to forward confirmation that the tests have been carried out, together with their outcomes, by 23 March 2018 to the following email: **mt-test-sett@lseg.com**

Monte Titoli will consider the absence of feedback as tacit agreement that the procedure is functioning correctly, and, subject to the successful outcome of the external tests, that it will be released into production on 03 April 2018.

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Consequently, Instructions for the Settlement Service will be adapted and posted on the Monte Titoli website.

Please use the following contact address for support requests during the test phase:

Settlement Operations

Email: mt-test-sett@lseg.com