

CSDs: Monte Titoli (Italy)

Date: 10 Aug 2011

SMI Markets: Italy

CMIRR Markets: Italy

## Late Settlement Penalties Model Amended

Following requests from the Italian authorities (Consob and Bank of Italy), Monte Titoli has reviewed its fails management procedures, focusing on the scheme of penalties for late settlement, in order to prevent failing trades.

Consequently, as of 1 September 2011, the calculation of penalties will be changed. The new mechanism of imposition of penalties for late settlement will no longer depend on the overall settlement rate in the market and will be calculated depending on the countervalue of the net short positions per ISIN (as opposed to fixed amount imposed currently).

The penalties will be calculated at the end of the day, with application of the following percentages:

- 0.001% for corporate and government bonds;
- 0.02% for all other securities (such as shares, warrants and ETFs).

The fines will be levied in case the countervalue of the end of the day net short positions (calculated using the latest available market prices) is above the following thresholds:

- EUR 5 million for fixed income;
- EUR 250,000 for other securities.

Monies collected by Monte Titoli will be distributed to 'in bonis' intermediaries (the ones holding a long positions pending settlement at the end of the day) on a monthly basis in order to compensate the market participants that suffer from the fails.

It should be noted that Monte Titoli has decided that the fines will be applied regardless of the settlement system performance. However, it has been emphasised that the above model is a temporary solution and a final penalty scheme will be developed based on market participants' comments at a later stage (participants have particularly requested that the penalties only apply if the system functions properly).

## CSD Risk Impact

### Monte Titoli (Italy)

CSD Rating: AA

CSD Flash Impact: Positive

Impacted Risk Type: Liquidity Risk

Current Rating = AA+

Flash Impact = Positive

The new penalties model is expected to improve the settlement rate in the market as it aims to encourage market participants to ensure timely delivery of securities. Accordingly, the impact on Liquidity Risk is 'Positive'.

## Market Information Impact

### Italy

This information affects the data contained in the Settlement sections of the Securities Market Information Service.

## Infrastructure Risk Ratings Impact

## Italy

Market Rating: AA-  
Market Flash Impact: Positive

Impacted Risk Type: Liquidity Risk  
Current Rating = AA  
Flash Impact = Positive

The new penalties model is expected to improve the settlement rate in the market as it aims to encourage market participants to ensure timely delivery of securities. Accordingly, the impact on Liquidity Risk is 'Positive'.

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