



Securities Services

# User Guide SIX x-clear Ltd

**Italy**

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Italy

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## 1.0 Market overview

Description	Details
Local custodian	BNP Paribas Milano PARBITMMXXX
Place of settlement	Monte Titoli SPA, MOTIITMMXXX
Standard settlement instructions	REAG/DEAG: CLRXCHZZXXX SELL/BUYR: CLRXCHZZXXX The BIC11 format has to be used in the settlement instruction against SIX x-clear
Securities account in T2S	MOTICLRXCHZZXXX8922100
X-TRM code*	2964
Market deadline (CET) T2S NTS (night-time settlement) cycle	S-1 19.30 transactions versus and free of payment
Market deadline (CET) T2S DTS (day-time settlement) cycle including RTS (real-time settlement)	S 16:00 transactions versus payment S 18:00 transactions free of payment

\* Monte Titoli proprietary code. Although this code will not be used for matching in T2S, it will continue to exist in the Monte Titoli static data and may be used by some institutions.

## 2.0 Settlement guide

### 2.1 Settlement process

Transactions free of payment and versus payment both have to match before settlement. At the settlement platform, the settlement information for the two instructions is compared. Data must be identical in order to match, except for the cash amount, for which in against payment instructions, a matching tolerance applies, which is defined by the settlement platform. The amount in the seller's instruction takes precedence. Instructions remain unmatched if there is a difference greater than the acceptable tolerance.

An instruction sent for matching in the local market remains pending until matching is successful, or until cancelled either by the member or by the settlement platform.

The matching of instructions is binding, i.e. instructions can no longer be cancelled or can only be cancelled upon request by both parties.

All SIX x-clear transactions for Italian securities will be marked as "partial eligible" with T2S.

### 2.2 Handling of unmatched trades

Trades should be matched on S-1 prior to the T2S NTS market deadline to ensure timely settlement. SIX x-clear will monitor unmatched transactions and contact counterparties for missing/failing instructions if necessary. Clearing members are also requested to monitor unmatched trades and to ensure instructions are in place.



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### 2.3 Handling of unsettled trades

Trades are expected to settle on the intended settlement date (ISD). SIX x-clear will not cancel or amend instructions. Cancellations and reinstructions will only be performed by SIX x-clear for instructions that are veritably incorrect or where a manual transaction split has been agreed. SIX x-clear will monitor unsettled transactions and contact counterparties for delayed transactions if necessary. In respect of late settlement, please refer to the “late settlement and buy-in guide” of SIX x-clear. SIX x-clear may pass on any third-party fees, including but not limited to cancellations, manual instructions, manual repairs and late settlement penalties.

### 2.4 Position control

During the pre-matching process and if the intended settlement day has not yet been reached, BNP Milan does not verify the availability of securities in the SIX x-clear account. Deliveries will be released into the market regardless of whether SIX x-clear holds sufficient securities or has pre-matched receipts to cover those deliveries.

When a trade is instructed on or after the intended settlement day, the available position will be verified by BNP Milan and only released to the market for pre-matching if the position is sufficient for settlement.

SIX x-clear recommends to the counterparties to adopt the same process in order to adhere to transparency in the market and to allow the market participants to allege their instructions in good time.

### 2.5 T2S

Monte Titoli as the Italian CSD will participate in T2S with its full ISIN universe. SIX x-clear uses the custodial services of BNP Milan to support T2S settlement in the Italian market. All settlement transactions in EUR will be settled in T2S and will follow the specific rules and procedures of T2S. The standard settlement cycle at T2S is T+2. In T2S, matched instructions can be cancelled on a bilateral basis only. The priority for SIX x-clear transactions will be assigned by T2S as priority “2”, which is a higher priority compared to the standard OTC trades of other participants.

The SSIs have to be compliant with both the T2S requirements and the Italian matching market practice. This means that instructions are only valid with the BIC11 format.

Matching at T2S will be based on the counterparty’s usage of additional matching fields. As settlement instructions of SIX x-clear will be instructed to T2S by using mandatory matching fields only, SIX x-clear requires that counterparties limit their instruction details to mandatory matching fields.

The settlement instruction of SIX x-clear will be instructed by BNP Milan with the partial indicator PARQ, which means that the instruction will be eligible for partial settlement with a quantity threshold of 1, irrespective of the cash amount involved. In order to allow partialling



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to occur without restrictions, SIX x-clear recommends that counterparties of x-clear enable partial settlement at T2S by adopting the indicator PARQ as well.

SIX x-clear assumes that its counterparties continue to be participants of Monte Titoli, either directly or through an agent (irrespective of the T2S connectivity type ICP/DCP) for Italian settlements. SIX x-clear does not support Italian settlements against participants other than Monte Titoli in T2S.

### 3.0 Income and corporate action guide

In the Italian market, the most common events are dividend payments, bonus issues, rights issues and tender offers.

Italian companies usually pay one annual dividend. In general, dividend payments are approved at the company's general meeting.

Dividends on all listed Italian equities are paid to the Italian custodian banks gross of tax on the second business day after the ex date through the domestic cash clearing system.

#### 3.1 Ex date

The first date on which shares are traded without entitlement. The ex date is one business day before the record date.

#### 3.2 Record date

The date when close-of-business positions are determined for entitlement to the proceeds of the corporate event. The record date is the business day preceding the pay date.

#### 3.3 Pay date

The corporate event proceeds (cash and/or securities) are credited to the participant's account on the pay/available date. The entitled holding is usually based on the registered position as at the record date (EOD).

#### 3.4 Cancellation/Regeneration (transformation)

In case of a mandatory exchange (i.e. split, reverse split, conversion, merger etc.), the underlying transaction will be cancelled and replaced with a new one consisting of the details according to the type of corporate event.

#### 3.5 Compensation rules

In T2S, compensation on flows will be managed for both on-exchange and OTC trades unless SIX x-clear and/or the clearing members opt out.

*Note: From the T2S migration date 31 August 2015, Monte Titoli will process corporate actions on flow (i.e. market claims and transformations) only on on-exchange transactions.*



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*Corporate actions on flow on OTC trades will be delayed to a later date which will not be earlier than first quarter 2016.*

Investors' distributions are usually credited on the basis of the settled box position in the securities account of the account holder at the ICSD/CSD at the end of the record date.

Market claims are applicable to distribution events (excl. bonus issue and dividends). Pending transactions at the end of the record date are kept unchanged and a cash/securities transfer to the entitled party is generated for the amount of the proceeds. If not, SIX x-clear will claim the compensation upon settlement of the original/underlying transaction from the counterparty. The detection period for market claims is 20 days after the record date. With the switch to EU harmonization, claims will be handled as settlement instructions.

While compensations on box positions as at the record date will be charged with Italian withholding tax, market claims will be exempt from withholding tax, as the proceeds resulting from market claims will be considered as "price adjustments". This may lead to losses for the failing party as the tax for the box position deduction cannot be reclaimed. Therefore in such a constellation, SIX x-clear reserves the right to claim the amount of tax charged on the full box position as at the record date from the failing counterparty.

Any loss incurred due to the compensation rule outlined above will be allocated to the failing counterparty. If a failing member blocks an onward delivery of SIX x-clear, SIX x-clear will allocate the loss calculated on the full nominal value of the onward delivery to the failing member.

### 3.6 **Source tax**

Dividends on ordinary shares and participating preferred shares are subject to a withholding tax of 26%. Dividends on saving (risparmio) shares are subject to a withholding tax of 12.5%.

### 3.7 **Currency**

The currency most commonly distributed in the Italian market is EUR. There is a possibility that the CSD will not distribute the originally announced currency. In this case, SIX x-clear will credit the currency received from the custodian.

### 3.8 **Buyer election**

There is no buyer election facility available at Monte Titoli.

The buyer has to send its choice with a Liability Request Notice by fax to SIX x-clear's Settlement Desk by no later than 10:00 CET on the delivery date (deposit date) +1.

SIX x-clear will forward the buyer's choice with a Liability Allocation Notice to the failing seller by no later than 12:00 CET on the delivery date (deposit date) +1.

The Liability Request Notice and the Liability Allocation Notice can be downloaded from the website at [www.six-securities-services.com](http://www.six-securities-services.com) > Clearing > Forms & Guides > Forms.



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The seller is obliged to execute the instruction and to deliver the outcome according to the buyer's choice. The cancellation of the original trade and the new instruction(s), according to the relevant corporate action terms, need to be agreed bilaterally by SIX x-clear and the counterparty. The settlement dates of the new outcome will generally be the payment date of the corporate action transaction.

A seller shall deliver the rights/shares on the deposit date at the latest. A buyer/SIX x-clear is not obliged to accept a delivery of rights/shares after such date. Therefore the rights/shares can be returned to the seller. The seller still has an obligation to fulfill the executable buyer's choice.

If a seller fails to deliver the rights/shares by the relevant deadlines, the seller is held liable for any charges and penalties received in connection with the failing delivery. This liability may be in the form of:

- Elections to tender
- Missed economic benefits on the onward sale of the underlying shares
- Buy-in fees imposed on our counterparty by other counterparties
- Market penalties from our onward deliveries failing

A full description of the process is available in the Service Description for Clearing Services of either equities or bonds.

#### 4.0 Contact details

SIX x-clear Settlement  
c/o SIX SIS Ltd  
Settlement Client Desk x-clear / SSRS  
Baslerstrasse 100  
CH-4600 Olten

Phone +41-58-399-6555  
Fax +41-58-499-1316

E-mail: [sett.xclear@sisclear.com](mailto:sett.xclear@sisclear.com) resp.  
Ticket automation: [sett.xclear@isis.sisclear.com](mailto:sett.xclear@isis.sisclear.com)  
[www.six-securities-services.com](http://www.six-securities-services.com)

If information is incomplete or missing in this guide, kindly consult the relevant MarketGuide of SIX SIS Ltd for further details.

In this context, SIX x-clear Ltd draws the Members' attention to **clauses 7.1 lit. f. and 25.3** General Terms and Conditions of SIX x-clear Ltd stipulating that the Member bears responsibility for the tax requirements and consequences of clearing with x-clear pursuant to the Applicable Law and that SIX x-clear Ltd assumes no liability for any charges or other negative consequences arising in conjunction with clearing through SIX x-clear Ltd. that are a result of tax laws or ordinances issued by tax authorities pursuant to the Applicable Law.

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