



Ministry of Economy and Finance
Treasury Department
Directorate II

**Decree No. 853355 of March 1st, 2011,
published in the Official Gazette of the Republic of Italy No. 54– March 7th 2011**

Selection of wholesale Government bond markets eligible for the evaluation of Specialists in Government Bonds

CONSIDERED Legislative Decree No 29 of 3 February 1993 on "*Streamlining the organization of public administrations and revision of regulations on public employment, pursuant to article 2, Law No 421 of 23 October 1992*", and in particular article 3;

CONSIDERED Legislative Decree No 58 of 24 February 1998, and in particular:

- article 61, paragraph 10, under which the Minister of Economy and Finance, after consulting the Bank of Italy and Consob, determines the characteristics of wholesale trading of financial instruments for the purposes of applying the provisions of the TUF;
- article 66, whereby the Minister of Economy and Finance, after consulting the Bank of Italy and Consob, regulates and authorizes wholesale markets for Government bonds and approves their regulations, even as an exception to the dispositions of item I, title I, of part III of the same Legislative Decree;
- article 77-bis, paragraph 6, whereby the Minister of Economy and Finance, after consulting the Bank of Italy and Consob, determines the minimum operating requirements for wholesale multilateral trading facilities for Government bonds;
- article 79-bis, paragraph 3, whereby the Minister of Economy and Finance, after consulting the Bank of Italy and Consob, may extend, in whole or in part, the pre- and post-trade transparency regime to wholesale trading of Government bonds.

CONSIDERED also articles 61, 62, 63, 64, 65, 67, 69, 70, 70-bis, 70-ter, 71, 72, 75, 76, 77, 80, 90, 189, 190 and 195 of cited Legislative Decree No 58 of 24 February 1998;

CONSIDERED Ministerial Decree No 216 of 22 December 2009, "*Regulations on identifying the characteristics of wholesale trading of financial instruments and on the discipline of wholesale trading of Government bonds*" and in particular article 23 which, in paragraphs 11, 13 and 12 disciplines, respectively, the registration in the List of regulated markets and multilateral trading facilities eligible for the evaluation of the activity carried out by Specialists in Italian Government bonds according to paragraph 10 thereof, the process by which such registration is completed - to be defined by a Decree of the General Director of Public Debt Directorate (the so-called "Markets Decree"), and any cancellation of such subjects from the mentioned List;

CONSIDERED paragraph 14 of cited article 23 of Ministerial Decree No 216 of 22 December 2009, which identifies the Markets Decree as the tool to determine the manner and frequency with which, on the basis of objective criteria, the Ministry selects from the above mentioned List the regulated markets and multilateral trading facilities that are eligible for the evaluation of the activity carried out by Specialists in Italian Government bonds;

CONSIDERED the rules regarding the administrative procedure and the right of access to administrative records mentioned in Law No 241 of 7 August 1990, and in particular articles 2, 3, 7, 10, 10-bis and 12;

EVALUATED it necessary to specify the technical and administrative procedures that will be used to verify the fulfilment of the requirements established in article 23, paragraph 10 of cited Ministerial Decree No 216 of 22 December 2009, required for registration in the List of regulated markets and multilateral trading facilities eligible for the evaluation of the activity carried out by Specialists in Italian Government bonds and for permanence in the same List;

DECREES

Article 1 Definitions

1. In this Decree, the following terminology applies:

- a) "Minister / Ministry": Minister / Ministry of Economy and Finance;
- b) "Treasury": the Treasury Department, Ministry of Economy and Finance;
- c) "Debt Directorate": Directorate General of Public Debt at the Treasury Department, Ministry of Economy and Finance;
- d) "TUF": Consolidated Finance Law, Legislative Decree No 58 of 24 February 1998, and amendments;
- e) "trading venues": regulated markets and multilateral trading facilities referred to in Directive 2004/39/EC (MiFID) whose registered offices are within the European Union;
- f) "market maker": the entity who is active on trading venues, on a continuous basis, as willing to negotiate as a direct counterparty in buying and selling of financial instruments at prices set by itself (article 1, paragraph 5-quater of the TUF);
- g) "Regulation 216/2009": Ministerial Decree No 216 of 22 December 2009, *Regulations on identifying the characteristics of wholesale trading of financial instruments and on the discipline of wholesale trading of Government bonds*;
- h) "Specialists": Specialists in Government bonds as defined in article 23, paragraph 1, of Regulation 216/2009;
- i) "List of Specialists": the set of Specialists;
- l) "List": the list of regulated markets and multilateral trading facilities eligible to evaluate activity carried out by Specialists;
- m) "Specialists Decree": the Decree of the Public Debt General Director concerning the selection of trading venues, among the eligible ones, where to carry out the evaluation of Specialists, and also the selection and evaluation of the Specialists themselves.

Article 2
Scope

1. This decree regulates the criteria by which the Ministry adds to and removes from the List those trading venues eligible for the evaluation of the activity carried out by Specialists and the ways in which it periodically chooses from this List those on which it carries out the evaluation activity of Specialists.

Article 3
Application for registration in the List

1. In order to be added to the List, market companies or entities managing trading venues must submit an application to the Debt Directorate, signed by the legal representative, in accordance with the format annexed to this Decree (the "Application for registration in the List of regulated markets and multilateral trading facilities eligible to evaluate the activity carried out by Specialists), of which it is an integral part.
2. The application must be accompanied by the documents certifying the fulfilment of the requirements needed for registration in the List, referred to in article 23, paragraph 10 of Regulation 216/2009 and in accordance with the specifications referred to in article 4 below.
3. Within 30 working days from the application submission deadline the Ministry, after verifying the existence of the conditions required for registration in the List, notifies the party as to the outcome of verifications and, if positive, of the acceptance of the application, which gives rise to registration in the List.
4. If, for the completion of the verifications referred to in the preceding paragraph, the Ministry considers it necessary to request further documentation, the deadline referred to in the preceding paragraph shall be suspended from the date the request is sent until the date new documentation is received, in accordance with the provisions of article 2, paragraph 7, of Law no.241/90.
5. In case the application is rejected, the provisions of article 10-bis of Law no.241/90 will be applied.
6. Once included in the List one assumes the status of trading venue eligible to be selected from among those on which the evaluation of the activity performed by Specialists will be carried out on the basis of article 9 below.

Article 4
Requirements for registration in the List

1. Registration in the List is subject to possession, by those who request it, of the requirements stated in article 23, paragraph 10, of Regulation 216/2009. In particular, with regard to these requirements, please note that:
 - a. with reference to letter b) of cited paragraph 10, where the rules of the regulated market or of the multilateral trading facility do not provide a minimum negotiable quantity, the same is deduced on the basis of the average size of contracts concluded on Italian Government bonds in the same trading venue during the 12 months preceding the application for registration in the List that must be in any case of at least € 0,5 million;
 - b. with reference to letter d) of cited paragraph 10, the system of obligations must provide that each market maker, in the cash trading segment, contributes on a continuous basis, for a reasonable number of hours for each day the market is open, executable quotations both in bid and ask on a subset of Italian Government bonds that is sufficiently representative, both in

terms of types and maturities, of all negotiable Italian Government bonds; in addition, all market makers will be required to contribute continuously to trading volumes both on the cash and the repo segments. The entity managing the market must always be in a position to verify the compliance of any market maker with respect to obligations, with the possibility of losing the status of market maker in the event of prolonged lack of compliance;

- c. with reference to letter i) of cited paragraph 10, at the time of application all Italian Government bonds issued on the domestic market must have been listed in the trading venue since at least one year and no less than 25 dealers must be allowed to operate, including at least 12 market makers; moreover, dealers must also be in the condition to trade bonds both on the cash and repo segments: on the latter all key maturities in use on euro area repo markets must be available;
2. At the time of application for registration in the List the interested entity will also communicate the volumes of Italian Government bonds traded in the trading venue under its management during the previous 12 months. The Ministry assesses the adequacy and significance of these volumes also in relation to the overall volumes traded in Italian Government bonds in the trading venues of the European Union.
3. For the purpose of registration in the List, market companies or entities managing trading venues must provide market participants with the possibility of trading Italian Government bonds also through a central counterparty.
4. To assess the fulfilment of the requirements of article 23, paragraph 10, letters a), c), e), f), g), h), m) of Regulation 216/2009, which are not further specified in this article, the market companies or entities managing trading venues provide the Ministry, annexed to the application for registration in the List, all necessary information and documentation.
5. An agreement scheme, referred to in letter l), paragraph 10, article 23 of Regulation 216/2009, is annexed to the application form which market companies or entities managing trading venues must sign if, being included in the List, they are selected to monitor Specialists' activity in accordance with paragraph 14, article 23 of Regulation 216/2009.

Article 5

Information on market management companies or on entities managing trading venues

1. In order to fully evaluate the activity of Specialists, the market companies or the entities managing trading venues included in the List will supply, upon request of the Ministry, all the information regarding the ownership structure and management of the same companies as well as any changes that may occur during the period of registration in the List.

Article 6

Permanence and cancellation from the List

1. From the date of registration in the List, the market companies or the entities managing trading venues included in the List are required to annually submit to the Ministry a statement regarding the duration of all the requirements needed for registration, as per Regulation 216/2009 and per this decree.
2. If a trading venue included in the List loses one or more of the requirements, also in order to ensure continuity of the Specialists evaluation system, the Ministry may consider whether to

grant a grace period so that the market company or the entity that runs it takes steps to restore the previous situation.

3. Where conditions referred to in paragraph 12, article 23 of Regulation 216/2009 exist, the Ministry informs of the cancellation from the List on the Public Debt website, which will also show the announcement of the date on which the trading venue, which was removed from the List, will be allowed to re-submit the application for registration to the Ministry.
4. In the event that, at the time of cancellation, the trading venue is among those in which the Ministry is evaluating the activities of Specialists, the provisions contained in the Specialists Decree in force will be applied.

Article 7 **Market Committee**

1. The Market Committee's role is to coordinate authorities, trading venues and Specialists in matters concerning the functioning of the Government bond market, quoting obligations, evaluation criteria of Specialists and any other related issue.
2. The Market Committee will be composed of the following members by right: a) one representative for each trading venue included in the List; b) one representative for each Specialist; c) a representative of the Ministry; d) a representative of the Bank of Italy.
3. The Market Committee does not interfere with the autonomy of the parties represented in it, and it has a purely advisory function.
4. With the consent of at least three-quarters of members by right, other parties may be invited to join Market Committee meetings, to be held at least twice a year.
5. At its inauguration the Market Committee approves the operating rules governing its functioning.
6. The inauguration meeting of the Market Committee shall be convened by the Ministry within 3 months of publication of the first List referred to in article 8, paragraph 1.

Article 8 **First public procedure to select trading venues to be included in the List**

1. Market companies and entities managing trading venues can participate in the first selection aimed at establishing the List - in the manner provided for in article 3 of this Decree - by sending the application to the address indicated in the application form for registration in the List, annexed to this Decree, within a final deadline of 45 days starting from the date of this Decree's publication in the Official Gazette of the Italian Republic.
2. The Ministry, pursuant to article 23, paragraph 13 of Regulation 216/2009, will announce the ensuing public procedures for the selection of trading venues to be included in the List in a similar manner.

Article 9 **Selection of trading venues in which to assess Specialists' activity**

1. The Ministry proceeds to the selection of trading venues, among those included in the List, in which to evaluate the activity carried out by Specialists according to the procedures and criteria established in the Specialists Decree.

ANNEX TO THE DECREE OF THE DIRECTOR GENERAL OF PUBLIC DEBT

No 853355 OF 1 MARCH 2011

**FORMAT OF AGREEMENT
FOR THE COMMUNICATION OF DATA ON QUOTING AND TRADING
OF GOVERNMENT BONDS**

between

**the Ministry of Economy and Finance
(Treasury Department - Public Debt Directorate)**

and

Management Company / Entity that manages the trading venue included in the List of markets and multilateral trading systems eligible for the evaluation of Specialists in Government bonds and selected for that purpose under paragraph 14, article 23 of Decree No 216/2009 of the Ministry of Economy and Finance

Given that:

- the regulation of Government bond wholesale markets, currently defined in the Ministry of Economy and Finance Decree No 216 of 2009 (hereinafter Regulation 216/2009) provides, in article 23, that the Ministry of Economy and Finance (hereinafter "MEF"), in relation to the needs of public debt management, selects the Specialists in Government bonds among market makers of Italian Government bonds active on the Italian regulated markets and / or on multilateral trading systems based in the EU and list them in an appropriate List of Specialists ("List of Specialists");
- the registration and permanence in the List of Specialists is subject to the possession of capital and organizational structure requirements and also of an efficient and continuous activity on the primary and secondary markets, both cash and repo, of Italian Government bonds as per the same article 23, paragraph 2 of Regulation No 216/2009;
- verification of the possession, as well as its persistence in time, of the requirements for inclusion in the List of Specialists is entrusted by current law to the MEF;
- for this purpose it is of particular importance that the management company / entity that manages the trading venue eligible for the evaluation of Specialists, and selected for that purpose pursuant to paragraph 14, article 23 of Regulation 216/2009 (hereinafter the "Company"), provides the

MEF for the purposes set out above and on a periodic basis and / or on demand, data and information concerning the activity of these market participants;

- that Regulation 216/2009, at paragraph 10, letter l) of article 23, and the Decree of the General Director of Public Debt (hereinafter “Decree”) No 853355 of 1 March 2011, of which this agreement format is an integral part, at paragraph 5 of article 4, provide that the MEF and the Company conclude an agreement to regulate the timely and continuous communication of data regarding the activity of quoting and trading of Italian Government bonds if, insomuch as part of the List, the Company is selected to monitor the activity of Specialists in accordance with paragraph 14, article 23 of Regulation 216/2009;

the following is agreed and stipulated

Article 1

The Company commits itself to provide, at the end of each market day, the flow of data relating to the activities of trading and quoting, according to the format, the timing and the procedures of the **technical annex** to this agreement.

Article 2

The MEF and the Company define the operational details and technical specifications, whose description appears in the **technical annex** mentioned in article 1, relative to the transmission by the Company and receipt by the MEF, after the close of each day's market activity, of data regarding activity of quoting and trading conducted on spot and repo markets. In particular, the annex should specify the format in which data should be transmitted to feed the archive of historical data maintained by the MEF.

Article 3

The technical annex will also provide:

1. the guaranteed service levels (SLA) mentioned in article 2;

2. the commitment between the parties to agree in advance on any changes to the format and the technical procedures of the process referred to in article 2;
3. the precise definition of roles, responsibilities and obligations, of the parties in the agreement, as well as of routine and extraordinary maintenance;
4. the precise definition of roles and responsibilities in the stages of partial or total collapse of the process mentioned in article 2, with further explanation of the systems for recovery and restoration of normal conditions;
5. the identification of criteria and procedures for the management of information flows between the parties on the operating status of the process and for the activation of the interventions mentioned in paragraphs 3 and 4 above.

Article 4

The Company's breaches of contractual agreements are distinguished by their severity and frequency.

In the event that the breach is sporadic and of limited gravity the Company is required to submit documentary evidence of the cause of the malfunction and the actions taken to remedy it permanently and structurally.

In case the failure occurs continuously and is characterised as serious from the point of view of the damage done to the MEF's monitoring and evaluation activity, the MEF, beyond what is defined in the previous paragraph, reserves the right to evaluate whether conditions exist to consider the organizational and structural requirements required by law as unfulfilled (paragraph 10, article 23 of Regulation 216/2009 and articles 4 and 6 of the Decree No 853355 of 1 March 2011 of which this format is an integral part), which allowed the MEF to select the trading venue managed by the Company for the evaluation and monitoring of Specialists in Government bonds.

Article 5

This agreement shall be binding for both parties from the moment it is signed by the legal representative of the Company and the General Director of Public Debt.

Article 6

The validity of this agreement is subject to preservation by the trading venue of the requirements as a venue selected for the evaluation of Specialists in Government bonds, pursuant to paragraph 14, article 23 of Regulation 216/2009.

Rome,

for the Ministry of Economy and Finance, Treasury Department, Public Debt Directorate

for the Company...

ANNEX TO THE DECREE OF THE DIRECTOR GENERAL OF PUBLIC DEBT

No 853355 OF 1 MARCH 2011

**FACSIMILE OF THE APPLICATION PURSUANT TO ARTICLE 3, PARAGRAPH 1 OF
THE DECREE**

(LETTERHEAD PAPER
WITH ALL CONTACTS
OF THE TRADING VENUE)

Ministry of Economy and Finance
Department of the Treasury
Public Debt Directorate
Office II
Via XX Settembre 97
00187 Roma

Subject: Application for registration in the List of regulated markets and multilateral trading systems eligible for the evaluation of the activity carried out by Specialists in Italian Government bonds.

Under article 23, paragraph 11 of the Decree of the Ministry of Economy and Finance No 216 of 22 December 2009 ("Regulation 216/2009"), bearing rules on the identification of the characteristics of wholesale trading of financial instruments and on the regulation of wholesale trading of Government bonds, and article 3 of the Decree of the Director General of Public Debt ("Decree") No 853355 of 1 March 2011, the company, manager of the trading venue, whose registered office is in [street]... .., [city], [postal code], [country], applies for registration in the List of regulated markets and multilateral trading systems eligible for the evaluation of the activity conducted by Specialists in Italian Government bonds.

To this end, the company, pursuant to article 23, paragraph 10 of the Regulation 216/2009, and to article 4 of Decree No 853355 of 1 March 2011, states that:

1. it possesses the minimum required capital of five million euros, as proven by the annexed certification from the audit firm (insert name of audit firm);

2. the trading venue managed is configured as a wholesale market whose minimum tradable quantity of Italian Government bonds is equal to on the basis of its own rules of operation;

[or, if market rules do not provide for this case]

on the trading venue managed, in the last 12 months, the average size of concluded contracts was equal to and therefore above 0,5 million euros (if needed, attach supporting documents);

3. in the last 12 months, the volume of Italian Government bonds traded on the managed trading venue was (if needed, attach supporting documents);

4. it provides obligations for market makers in accordance with the provisions of article 4, paragraph 1, letter b) of the mentioned Decree No 853355 of 1 March 2011 (if needed, attach supporting documents);

5. it is always in a position to check the degree of each market maker's fulfilment of obligations (mentioned in paragraph 4), with the possibility of losing the status of market maker in the event of prolonged lack of compliance;

6. it has admitted to be listed since at least one year, on the managed trading venue, all Italian Government bonds issued on the domestic market (if needed, attach supporting documents);

7. it has allowed at least 25 dealers, including at least 12 market makers, to participate on the managed trading venue, (if needed, attach supporting documents);

8. on the managed trading venue, dealers are allowed to trade Italian Government bonds both on a cash and repo segment;

9. it enables dealers to trade Italian Government bonds also through a central counterparty (if needed, attach supporting documents);

10. the conditions to access the trading venue are based on transparent and non-discriminatory rules that are designed according to objective criteria (if needed, attach supporting documents);

11. it adopts pre- and post-trading transparency regimes subject to the rules of article 23, paragraph 10, letter e) of the Regulation 216/2009 (if needed attach supporting documents);

12. it publicly discloses pre- and post-trading information in accordance with the provisions of article 23, paragraph 10, letter f) of the Regulation 216/2009 (if needed, attach supporting documents);

13. it has adopted policies and measures to ensure the security and operational continuity of the systems, in accordance with the provisions of article 23, paragraph 10, letter g) of the Regulation 216/2009 (if needed, attach supporting documents);

14. it commits itself to promptly notify the Ministry of significant breaches of the rules and procedures established by them and of unusual trading conditions;

15. it commits itself to promptly notify the Ministry of decisions of admission, suspension and cancellation of dealers in Italian Government bonds from trading;

16. it commits itself to provide, at the request of the Ministry, all the information regarding the ownership structure and the management of the same company and also any changes that might occur during the period of permanence in the List;

17. it commits itself, within 30 days from the date of communication of a possible selection referred to in article 4, paragraph 5 of Decree No 853355 of 1 March 2011, to sign the agreement with the Ministry, according to the annexed format, which governs the timely and continuous submission of data on the activity of quoting and trading of Italian Government bonds;

18. it commits itself to submit documentary evidence of the duration of the requirements referred to above in accordance with article 6, paragraph 1 of Decree No 853355 of 1 March 2011.

Date,

.....

(signature of the legal representative)

For further information please contact:

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