

GRASP THE OPPORTUNITY. TRADE A MARKET WITH HIGH POTENTIAL.

IDEM - The Italian Derivatives Market



Index

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1. IDEM, the Italian Derivatives Market

IDEM is the derivatives market of Borsa Italiana, a company part of the London Stock Exchange Group. It is cleared by Cassa di Compensazione e Garanzia (CC&G), also part of the London Stock Exchange Group.

IDEM is among the top European derivatives exchanges, trading around 200,000 contracts daily, corresponding to €3.5bn of value traded. It is based on one of the most liquid equity markets in Europe, with €350bn of market capitalization and 200% turnover velocity.

The IDEM market includes two segments:

- **IDEM Equity**, where index and single name futures and options are listed
- **IDEX**, offering trading on Italian power futures.

More than 80 members are directly connected to the market from Italy, United Kingdom, France, The Netherlands, Germany, Luxembourg, Ireland, Belgium, Czech Republic and Spain.

IDEM is a hybrid market where members are allowed to enter orders and submit RFQs, while market makers play a relevant role improving market liquidity and the efficiency of price discovery process through their intense quoting activity. More than **20 market making firms** displaying bids and offers on a continuous basis or responding to requests for quotes are active on the IDEM market.

Thanks to CC&G, members of the IDEM market can benefit from a full range of CCP value-added services:

- **Cross margining**: members of both equities and derivatives markets of Borsa Italiana benefit from a significant decrease in the initial margin requirement thanks to cross-margining being applied to the integrated portfolio, having either the same underlying asset or closely correlated underlying assets
- **Integrated guarantees**: cash and collateral cover obligations arising from the activity on all products cleared by the participant
- **Full-STP**: the clearing application allows for the complete automation of the international give-up procedure.

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2. FTSE MIB Index

The FTSE MIB is the primary benchmark Index for the Italian equity market. Capturing approximately 80% of the domestic market capitalization, the Index includes highly liquid and leading companies across the “Industry Classification Benchmark” (ICB) sectors in Italy.

The FTSE MIB Index measures the performance of 40 Italian equities and seeks to replicate the broad sector weights of the Italian stock market. Each stock is analyzed for size and liquidity, and the overall Index has appropriate sector representation.

The FTSE MIB Index is market cap-weighted after adjusting constituents for float.

The FTSE MIB Index has been designed based on industry best practice and on FTSE’s experience of design characteristics which are attractive to a broad range of investors and intermediaries seeking to develop structured products based on indices. As such the series represents a standard, transparent basis for investors to assess, measure and gain access to the Italian equity market.

Components

40 stocks listed on the Italian equity market. The number of constituents is not fixed and could be reviewed in the event of significant changes occurring to the underlying stocks, in order to ensure that the most representative securities listed on the Italian equity market are included in the basket.

Eligible Securities and Sector Representation

The index is derived from the universe of stocks trading on the Borsa Italiana (BlI) MTA and MIV markets. Savings or preferred shares, however, may be eligible if the ordinary shares of a company are not listed or have stably less liquidity than the savings or preferred shares. Foreign listed companies can be included only if they have complied with BlI requirements in terms of dissemination of information.

The FTSE MIB Index is market cap-weighted after adjusting constituents for float.

With respect to newly listed stocks, the FTSE Italia Index Policy Committee generally observes a prospective constituent’s liquidity over a period of at least 3 months before consideration for Index inclusion. There may be situations where constituents are added earlier than 3 months at the decision of the FTSE Italia Index Policy Committee, when consolidated size and liquidity advise for an inclusion. Newly listed shares whose capitalisation are greater than or equal to 3% of the current market capitalisation of the FTSE Italia All-Share Index will enter the index since the start of trading.

Weighting and Capping Methodology

The float-adjusted market capitalisation is determined through an Investable Weight Factor (IWF):

$IWF = 100\% - \text{Sum of the \% of shareholdings held by major shareholders.}$

The Investable Weight Factor is calculated removing the stakes belonging to the following categories of shareholdings, based on the nature of the ultimate shareholder:

- Investments in an index constituent by another index constituent (i.e. cross-holdings);
- Holdings by directors, their families and director controlled companies;
- Founders and former directors (where holding is greater than 10%);
- Employee share schemes;
- Private holdings (greater than 10%);
- Strategic holdings (including legally binding control block such as “patti di sindacato”);
- Government holdings;
- Sovereign wealth funds (where holding is greater than 10%);
- Foreign ownership limits;
- Holdings subject to a lock-in clause, for the duration of that clause.

The following stakes are not considered as restricted free float:

- investment funds,
- nominee holdings (unless they represent restricted free float),
- investment trusts,
- pension funds.

	<p>The constituents of the FTSE MIB Index are capped at 15% at the time of the quarterly reviews. Any constituents whose weights are greater than 15% are capped at 15%. The weights of all lower ranking constituents are increased correspondingly. The weights of lower ranking constituents are then checked and if they exceed 15% they are also capped at 15%. This process is repeated until no constituent weight exceeds 15%.</p>
Reshuffle and Rebalancing	<p>Index constituents are formally reviewed every three months to analyse if they best represent the Italian market. Changes are made to the Index constituents if the FTSE Italia Index Policy Committee perceives that the Index is not representative of the Italian market. All share and IWF changes are updated on a quarterly basis using the closing prices on Friday evening, of the third Friday of March, June, September and December, to coincide with the expiry of derivatives of IDEM contracts.</p>
Share & IWF Updates	<p>The Index will be disseminated beginning with the continuous trading session. The number of shares in issue used is that shown in the Official List (net of treasury shares) three trading days before the rebalancing. In cases of constituents which have a merger or a capital increase under way, the shares are the number of shares following the operation (adjusted with the adjustment coefficient in case of capital increases, as explained subsequently), unless the FTSE Italia Index Policy Committee decides differently. The 15% capping adjustment factors are adjusted at each quarterly rebalancing. The capping numbers are calculated based on the closing prices three trading days before the rebalancing, using the latest share & IWF numbers. The announcement of the Capping Adjustments to the new IWF's is made alongside the announcement for the new number of shares in issue at the close of trading, no later than the third business day before the effective date, by way of a technical notice.</p> <ol style="list-style-type: none"> Following corporate actions (for example, mergers and capital increases) which result in a change in the number of outstanding shares greater than 10%, the number of outstanding shares will be adjusted in the Index at the end of the corporate action period. All other changes to shares outstanding will occur at the quarterly share update. When there is a change in the number of shares or IWF in a constituent, it will be adjusted to reflect the new market capitalisation; therefore the weighting structure of the Index will be changed. This change will be performed at the end of the day and will trigger a divisor update. In cases where the shares in issue or IWF change is a result of what can be described as a "market wide event" such as an institutional placement, sell-down via a bookbuild or partial takeover offer, the FTSE Italia Index Policy Committee may decide to implement changes in IWF that are less than 10% but greater than 5%. All announcements regarding ongoing changes to shares and IWFs will be done on a 'best efforts' basis. Whilst the primary source for IWF changes is CONSOB, public announcements of sell downs and Patti di Sindacato changes by the companies themselves will be sourced where appropriate. Similarly, the Blt Official List is the primary source for share changes. However, a public announcement of an institutional placement by a company or of the results of a capital increase may call for FTSE to announce a change to shares outstanding prior to the Official List being updated.
FTSE Italia Index Policy Committee	<p>FTSE is responsible for the operation of the FTSE MIB Index. FTSE makes changes to the constituents and their weightings in accordance with the Ground Rules. FTSE carries out reviews and implements the resulting constituent changes. A FTSE Italia Index Policy Committee is responsible for the set-up of FTSE MIB Index ground rules and the periodical choice of FTSE-MIB constituents.</p>
Calculation and Dissamination	<p>FTSE MIB Index is calculated on a real-time basis in EUR. The FTSE MIB Index uses prices from actual trades on MTA and MIV electronic share trading platform, of the Borsa Italiana during Official Market Hours. The last Index value is calculated using Closing Auction prices or, if there is no Closing Auction price for a particular constituent, the last price traded as at the end of the Continuous Trading phase. The FTSE MIB Index is calculated using a base-weighted aggregate methodology. This means the level of an Index reflects the total float-adjusted market value of all of the constituent stocks relative to a particular base period.</p>

FURTHER INFORMATION

For further information regarding the FTSE MIB index, such as the Index composition and methodology, please visit the FTSE Italia Indices' website at:

http://www.ftse.com/Indices/FTSE_Italia_Index_Series/Downloads/FTSE_MIB_Index_Rules_ENG.pdf

3. Product offering

Thanks to the listing of futures, mini-futures, options and weekly options on the FTSE MIB Index as well as futures on the FTSE MIB Dividend Index and the listing of both futures and options on Italian single names, the IDEM market provides members with the best product offering on Italian equity derivatives, appealing to both institutional as well as retail investors. IDEM also offers a selection of Pan-European single stock futures.

The IDEM market also includes a segment called IDEX, dedicated to trading of derivatives based on commodities and related indices, where baseload futures on electrical power delivered in Italy are currently listed.

FTSE MIB INDEX FUTURES

Underlying	FTSE MIB Index
Trading hours	9:00am – 5:40pm CET
Multiplier	€ 5
Contract size	Futures price x Multiplier
Price quotation	Index points
Minimum price change	5 Index points (€ 25)
Contracts months	4 nearest quarterly months of the Mar-Jun-Sep-Dec cycle
Expiry day	The third Friday of the expiry month at 9:05am CET (trading on the expiring contracts stops at that time). If the Exchange is closed that day, the contract expires on the first trading day preceding that day
Settlement	Cash
Daily settlement price	The daily settlement price is determined by CC&G according to the quantity-weighted average of the last 10% of contracts traded
Final settlement price	The value of the FTSE MIB Index, calculated according to the opening prices of index components on the last trading day. If the opening price of any financial instrument on the index has not been established by the end of the trading session, Borsa Italiana fixes the price in order to establish the value of the index on the basis of the prices recorded in the last session and takes into account any other relevant objective elements available
Strategies	Time spread

FTSE MIB INDEX MINI-FUTURES

Underlying	FTSE MIB Index
Trading hours	9:00am – 5:40pm CET
Multiplier	€ 1
Contract size	Futures price x Multiplier
Price quotation	Index point
Minimum price change	5 Index points (€ 5)
Contracts months	2 nearest quarterly months of the Mar-Jun-Sep-Dec cycle
Expiry day	The third Friday of the expiry month at 9:05am CET (trading on the expiring contracts stops at that time). If the Exchange is closed that day, the contract expires on the first trading day preceding that day
Settlement	Cash
Daily settlement price	The daily settlement price is determined by CC&G according to the quantity-weighted average of the last 10% of contracts traded
Final settlement price	The value of the FTSE MIB Index, calculated according to the opening prices of index components on the last trading day. If the opening price of any financial instrument on the index has not been established by the end of the trading session, Borsa Italiana fixes the price in order to establish the value of the index on the basis of the prices recorded in the last session and takes into account any other relevant objective elements available
Strategies	Time spread

FTSE MIB DIVIDEND INDEX FUTURES

Underlying	FTSE MIB Dividend Index
Trading hours	9:00am – 5:40pm CET
Multiplier	€ 5
Contract size	Futures price x Multiplier
Price quotation	Index point
Minimum price change	1 Index point (€ 5)
Contracts months	December of the 5 coming years
Expiry day	The third Friday of the expiry month at 9:05am CET (trading on the expiring contract stops at that time). If the Exchange is closed that day, the contract expires on the first trading day preceding that day
Settlement	Cash
Daily settlement price	Determined on the basis of the quantity-weighted average contract prices or the best bid/ask quotations observed on the market during a significant trading period
Final settlement price	Cumulative total of the relevant gross dividends paid by the individual constituents of the FTSE MIB Dividend Index, calculated in index points on maturity day.
Strategies	Time spread

FTSE MIB INDEX OPTIONS

Underlying	FTSE MIB Index								
Trading hours	9:00am – 5:40pm CET								
Style	European								
Multiplier	€ 2.5								
Contract size	Strike x Multiplier								
Price quotation	Index point								
Option Price	Premium x Multiplier								
Premium Settlement	Settled in cash the first business day after the trading day by CC&G by 9:30am CET								
Minimum price change	<table border="1"> <thead> <tr> <th>PREMIUM VALUE</th> <th>TICK (INDEX POINTS)</th> </tr> </thead> <tbody> <tr> <td>1 – 100</td> <td>1</td> </tr> <tr> <td>102 – 500</td> <td>2</td> </tr> <tr> <td>≥ 505</td> <td>5</td> </tr> </tbody> </table>	PREMIUM VALUE	TICK (INDEX POINTS)	1 – 100	1	102 – 500	2	≥ 505	5
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Expiry day	The third Friday of the expiry month at 9:05am CET. If the Exchange is closed that day, the contract expires on the first trading day preceding that day								
Settlement	Cash								
Daily settlement price	The clearing and settlement of contracts will take place according to the procedures and time limits established in the rules issued by CC&G								
Final settlement price	The value of the FTSE MIB Index, calculated according to the opening prices of index components on the last trading day. If the opening price of any financial instrument on the index has not been established by the end of the trading session, Borsa Italiana fixes the price in order to establish the value of the index on the basis of the prices recorded in the last session and takes into account any other relevant objective elements available								
Exercise at maturity	ITM options are automatically exercised on the expiration date. Intermediaries can also exercise "by exception" ATM and OTM options by 10:00am CET on the expiration day								
ATM definition	The system updates the ATM series twice a day, at 9:00am and 3:45pm CET								
Strategies	FLEXCO								

FTSE MIB INDEX WEEKLY OPTIONS

Underlying	FTSE MIB Index
Trading hours	9:00am – 5:40pm CET
Style	European
Multiplier	€ 2.5
Contract size	Strike x Multiplier
Price quotation	Index point
Option price	Premium x Multiplier
Premium settlement	Settled in cash the first business day after the trading day by CC&G by 9:30am CET
Minimum price change	Equal to 1 index point
Strikes generation	21 strikes with intervals of 100 index points
Expiries	3 or 4 expiries in the current month, depending on the number of Fridays in the month (excluding the 3 rd Friday of each month)
Expiry day	The contract expires on the 1 st , 2 nd and 4 th Friday of the month and the 5 th if there is one at 9.05 am. If the Exchange is closed that day, the contract expires on the first trading day preceding that day.
Settlement	Cash
Daily settlement price	The clearing and settlement of contracts will take place according to the procedures and time limits established in the rules issued by CC&G
Final settlement price	The value of the FTSE MIB Index, calculated according to the opening prices of index components on the last trading day. If the opening price of any financial instrument on the index has not been established by the end of the trading session, Borsa Italiana fixes the price in order to establish the value of the index on the basis of the prices recorded in the last session and takes into account any other relevant objective elements available
Exercise at maturity	ITM options are automatically exercised on the expiration date. Intermediaries can also exercise "by exception" ATM and OTM options by 10:00am CET on the expiration day
ATM definition	The system updates the ATM series twice a day at 9:00am and 3:45pm CET
Strategies	FLEXCO

STOCK FUTURES

Underlying	Stocks traded on Borsa Italiana's equity market, or major EU markets
Trading hours	9:00am – 5:40pm CET
Multiplier	Depending on the underlying
Contract size	Price x Multiplier
Price quotation	Euro
Minimum price change	€ 0.0001
Contracts months	Italian underlying The four nearest quarterly maturities and the two nearest monthly maturities giving a total of six maturities if the underlying consists of shares included in the FTSE MIB index or equivalent leading indices. If the underlying consists of Italian shares other than those included in the FTSE MIB, at the time of the contract's admission to trading, the following shall be quoted: the nearest three-month maturity and the two nearest monthly maturities, giving a total of three maturities. Pan-European underlying The four nearest quarterly maturities and the two nearest monthly maturities giving a total of six.
Expiry day	Italian underlying: the third Friday of the expiry month at 9:05am CET Pan-European underlying: the third Friday of the expiry month at 5.40pm CET. In both cases, if the Exchange is closed that day, the contract expires on the first trading day preceding that day.
Settlement	Italian underlying: by physical delivery of the underlying stock Pan-European underlying: by cash settlement
Daily settlement price	The daily settlement price is determined by CC&G according to the theoretical value taking the reference price of the underlying and other factors into account
Final settlement price	Italian underlying: price of the underlying at the opening auction at expiry Pan-European underlying: price of the underlying at the closing auction at expiry
Strategies	Time spread and FLEXCO

STOCK OPTIONS

Underlying	Stocks traded on Borsa Italiana's equity market				
Trading hours	9:00am – 5:40pm CET				
Style	American				
Multiplier	Depending on the underlying				
Contract size	Strike x Multiplier				
Price quotation	Euro				
Option Price	Premium x Multiplier				
Premium Settlement	Settled in cash the first business day after the trading day by Cassa di Compensazione e Garanzia by 9:30am CET				
Minimum price change	€ 0.0005				
Strikes generation	<table border="0" style="width: 100%;"> <tr> <td style="text-align: center; width: 50%;">< 12 MONTHS</td> <td style="text-align: center; width: 50%;">> 12 MONTHS</td> </tr> <tr> <td style="text-align: center;">15 strikes with intervals defined in the relevant table</td> <td style="text-align: center;">21 strikes with intervals twice the size of the intervals for the respective series with expiries within less than 12 months</td> </tr> </table>	< 12 MONTHS	> 12 MONTHS	15 strikes with intervals defined in the relevant table	21 strikes with intervals twice the size of the intervals for the respective series with expiries within less than 12 months
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Expiries	6 expiries, the 4 quarterly plus the 2 nearest monthly. In some cases, specified in notices of Borsa Italiana, are also quoted 4 half yearly (Jun-Dec cycle), up to 3 years, adding up to a total of 10 expiries				
Available Long Options	Expirations up to 3 years available for a selection of shares: Assicurazioni Generali, Banca Monte dei Paschi di Siena, Enel, Eni, Fiat, Intesa Sanpaolo, STMicroelectronics, Telecom Italia and UniCredit				
Expiry day	The third Friday of the expiry month at 8:15am CET. If the Exchange is closed that day, the contract expires on the first trading day preceding that day				
Last Trading Day	Trading in any contract ends the day before expiry at 5:40pm CET				
Settlement	By physical delivery of the underlying stock				
Daily settlement price	The clearing and settlement of contracts will take place according to the procedures and time limits established in the rules issued by the CC&G				
Final Settlement Price	The settlement price is the closing auction price of the underlying share on the last trading day				
Early Exercise	Every day before expiry by 6:30pm CET, excluding in the session preceding the day for the distribution of dividends on the share underlying the contract and preceding the start of capital operations involving the share underlying the contract				
Exercise at Maturity	The exercise is automatic if the option is ITM. Intermediaries can also exercise "by exception" ATM and OTM options by 08:15am CET on the expiration day				
ATM definition	The system updates the ATM series twice a day, at 9:00am and 3:45pm CET				
Strategies	FLEXCO				

POWER FUTURES

Monthly Power Futures

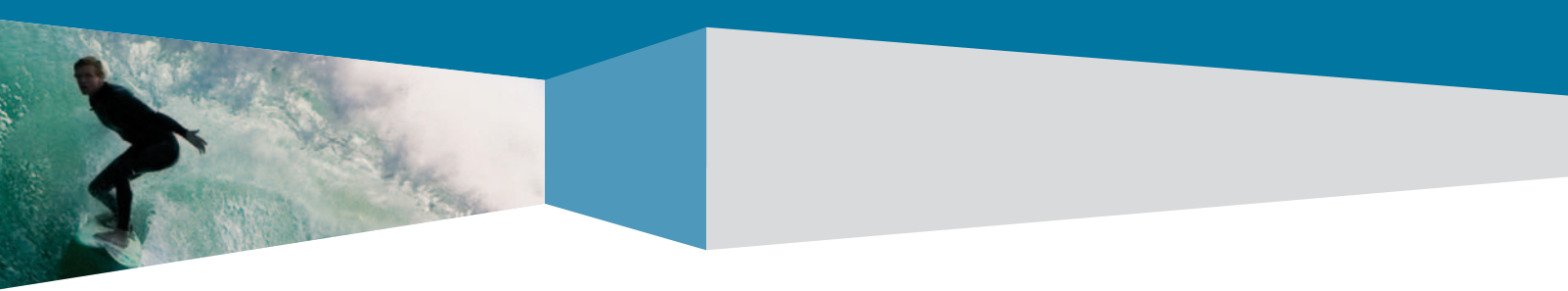
Underlying	Electrical Energy
Trading hours	9:00 am – 5:40pm CET
Quotations	€/MWh
Delivery period	Calendar month
Delivery rate	1 Megawatt (MW)
Volume	Number of MWh that are the subject of the contract, which is equal to the number of hours included in the delivery period
Contract size	The size of the contract is determined by the product of the futures price and its volume
Tick	0.01 €/MWh
Traded contracts	Next three calendar months
Last trading day	Last trading day before the beginning of the delivery period
Daily closing price	The daily closing price is established by CC&G
Settlement	Settlement is paid in cash by CC&G on the first "CC&G open day" following the last day of the delivery period. If the last day of the delivery period is not an open day for the market, settlement is made on the second "CC&G open day" following the last day of the delivery period. On the third trading day preceding the beginning of the delivery period, clients of the markets of "Gestore dei Mercati Energetici S.p.A." (GME) may send a request for physical delivery of the electricity instead of cash settlement to the clearing house. The request needs to be approved by GME.
Settlement Price	The settlement price of the contract shall be equal to the arithmetic mean of the Single National Price ("Prezzo Unico Nazionale" - PUN) in the delivery period. The Single National Price for the purchase of electricity in Italy is calculated for each hour of the following day on the basis of the results of the trading on the Day-Ahead Market managed by GME S.p.A.

Quarterly Power Futures

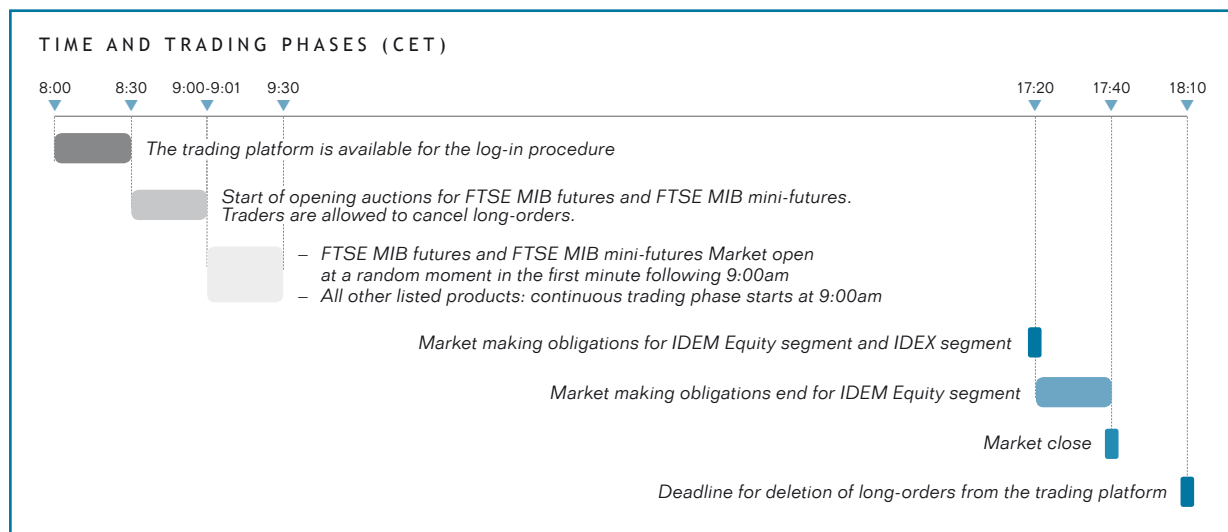
Underlying	Electrical Energy
Trading hours	9:00am – 5:40pm CET
Quotations	€/MWh
Delivery period	The quarters January-March, April-June, July-September and October-December
Delivery rate	1 Megawatt (MW)
Volume	Number of MWh that are the subject of the contract, which is equal to the number of hours included in the delivery period
Contract size	The size of the contract is determined by the product of the futures price and its volume
Tick	0.01 €/MWh
Traded contracts	Next four quarters
Last trading day	Fourth trading day before the beginning of the delivery period
Daily closing price	The daily closing price is established by CC&G
Settlement	Quarterly futures cascade into monthly futures
Cascading	At the end of the last trading day, open positions shall be replaced by equivalent positions in the three monthly futures with delivery periods equal to the calendar months included in its delivery period

Yearly Power Futures

Underlying	Electrical Energy
Trading hours	9:00am – 5:40pm CET
Quotations	€/MWh
Delivery period	Calendar year
Delivery rate	1 Megawatt (MW)
Volume	Number of MWh that are the subject of the contract, which is equal to the number of hours included in the delivery period
Contract size	The size of the contract is determined by the product of the futures price and its volume
Tick	0.01 €/MWh
Traded contracts	One yearly contract.
Last trading day	Fourth trading day before the beginning of the delivery period
Daily closing price	The daily closing price is established by CC&G
Settlement	Yearly futures cascade into quarterly and monthly futures
Cascading	At the end of the last trading day, open positions shall be replaced by equivalent positions in the three monthly futures with delivery periods January, February, March and quarterly futures with delivery periods April-June, July-September and October-December



4. Trading phases and type of orders



IDEM provides members with several types of orders to enter, modify or cancel on the electronic order book. Every type of order can be sent out with specific features for execution criteria.

Orders are always processed according to price/time priority criteria.

Both the original time-priority of the order as well as the order number stay unchanged if the following parameters are modified:

- the account-type (House/Client)
- the field Owner Data
- the Open/Close position flag
- the time-validity
- the quantity (if reduced).

The original time-priority of the order as well as the order number change if the following parameters are modified:

- the quantity (if increased)
- the price.

In this case the original order needs to be cancelled and a new order needs to be sent to the central system with the updated price and quantity.

The order is entered in the electronic order book and assigned with a new order number.

With regard to position and account-type management, traders define if the execution needs to be carried in house account or in agency account. If the account-type is not specified, the trading system automatically enters the order with the default account-type. The *Owner Data* field can be used to register information useful to the trader. This information is always reported on the information flow of each order and trade concluded.

For orders entered in agency account on FTSE MIB index options and stock options, the opening or closing of trading position needs to be specified. Unless otherwise specified or if the order is in own account or entered on futures contracts, the electronic system always specifies automatically that the order entered opens a new position.

IDEM provides members with **stop orders**, consisting in event-driven orders remaining inactive until the price of the underlying contract reaches the "trigger-price".



IDEM EQUITY SEGMENT		ORDER TYPE	DAILY	GOOD TILL MATURITY	GOOD TILL DATE	FILL AND KILL	FILL OR KILL
Single Order	LIMIT	•	•	•	•	•	•
	MARKET				•	•	•
	TOP	•	•				
Standard Combo Order	LIMIT	•	•	•	•	•	•
	MARKET				•	•	•
	TOP	•	•				
Flexco	LIMIT	•					
	MARKET						
	TOP						
Iceberg Order	LIMIT	•					
	MARKET						
	TOP						
Stop Order	LIMIT	•					
	MARKET	•					
	TOP						
Market Makers Quotations	LIMIT	•					
	MARKET						
	TOP						
Cross Order	NORMAL	•					
	BTF	•					
Committed Order	NORMAL	•					
	BTF	•					
IDEX		ORDER TYPE	DAILY	GOOD TILL MATURITY	GOOD TILL DATE	FILL AND KILL	FILL OR KILL
Single Order	LIMIT	•	•	•	•	•	•
	MARKET				•	•	•
Stop Order	LIMIT	•					
	MARKET	•					
Iceberg Order	LIMIT	•					
	MARKET						
Market Makers Quotations	LIMIT	•					
	MARKET						
Cross Order	NORMAL	•					
	BTF	•					
Committed Order	NORMAL	•					
	BTF	•					

Stop-loss orders become active when the market price is equal to or higher than (or equal to and lower than) the trigger-price.

In order to enter the stop-loss orders the member may select the market price to be compared with the trigger-price from:

- the last price (single orders)
- the best bid-ask (single orders).

IDEM also provides members with “Iceberg order”, which identifies the limit price orders with limited disclosed quantity to be filled. The partial disclosed quantity may be at least equal to 5 contracts.

Once the displayed quantity is filled, a new order is generated with the same partial displayed quantity – or with the remaining quantity – with the same price level as the original order, but with a new time priority.

Iceberg orders are not allowed to be “valid until date”. During the intra-day volatility auctions the iceberg orders participate in the price determination (both with the displayed and non-displayed quantity).

Automatic Strikes Generation and listing on request

At the expiry date, series with new maturities are generated, to be quoted from the first following day.

New exercise prices shall be introduced on a daily basis where the reference price of the underlying share is:

- for call options, higher or equal (lower or equal) than the average of the at-the-money price and the first OTM (ITM) price
- for put options, higher or equal (lower or equal) than the average of the at-the-money price and the first ITM (OTM) price.

IDEM may introduce additional strike prices with respect to the standard strike generation intervals when it is necessary to ensure regular trading or following specific requests from market members.

Also, with regards to the FTSE MIB index options, the following table prevails:

	Maturities < 12 Months Intervals (Index Points)	Maturities ≥ 12 Months Intervals (Index Points)
FTSE MIB INDEX OPTIONS	250 for the nearest expiry, 500 for the others	1,000
FTSE MIB INDEX WEEKLY OPTIONS	100	N.A.



STOCK OPTIONS Exercise Prices (Euro)	Maturities < 12 Months Intervals (Euro)	Maturities ≥ 12 Months Intervals (Euro)
0.0050 – 0.1800	0.0050	0.0100
0.1801 – 0.4000	0.0100	0.0200
0.4001 – 0.8000	0.0200	0.0400
0.8001 – 2.0000	0.0500	0.1000
2.0001 – 4.0000	0.1000	0.2000
4.0001 – 9.0000	0.2000	0.4000
9.0001 – 20.0000	0.5000	1.0000
20.0001 – 40.0000	1.0000	2.0000
≥ 40.0001	2.0000	4.0000

5. Strategy trading

IDEM provides members with specific types of orders that allow them to trade standard or tailor-made strategies.

Standard Combo Orders

The standard combinations can be sent to the market as limit orders or market orders. Traders are not allowed to enter long-dated standard combinations since they are listed on a daily basis.

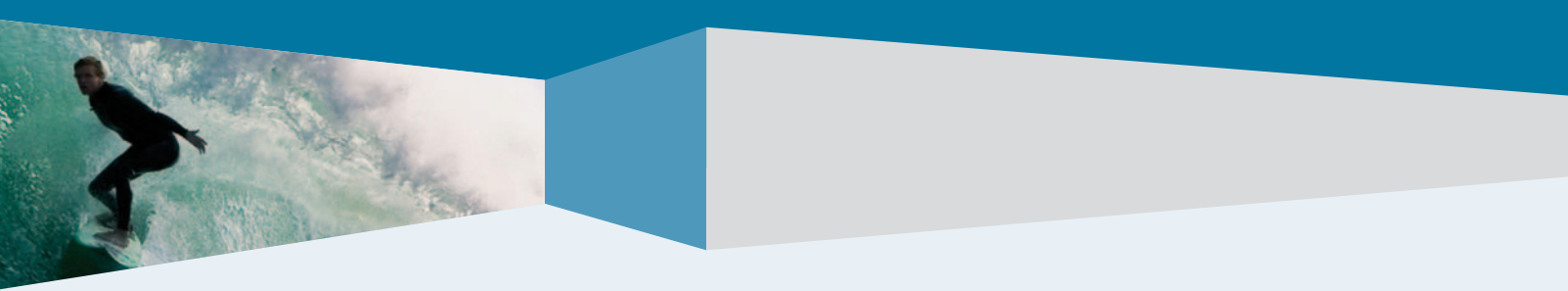
Example: Time spread

Time spreads are combinations of two orders of equal quantity at the same time, but of opposite sign and with different expirations. They consist in the simultaneous purchase (sale) of the futures contract on the back expiration and the sale (purchase) of the futures contract on the front expiration.

Time spreads are available for:

- FTSE MIB index futures
- FTSE MIB index mini-futures
- FTSE MIB Dividend index futures
- Stock futures.

Ex. Buying a FIB2CT with price 30 means buying a FTSE MIB index futures with expiration March 2012 and simultaneously selling a FTSE MIB index futures with an expiration December 2011 with a maximum spread of 30.



FLEXCO

The FLEXCOs are created and sent to the market through a dedicated function that provides the member with simultaneous execution.

The FLEXCO functionality allows members to structure, list and trade self-defined non-standard combinations involving different series and/or different underlying (belonging to the same market partition) with different execution ratios.

The functionality increases flexibility for traders in creating plain-vanilla (e.g price spreads, time spreads and straddles) as well as more complex and customized strategies. It also fully removes execution-risk for brokers: market participants are always confident to trade their combination at the desired price.

Since FLEXCO orders are listed on a specific order book but interact automatically with the individual legs of the strategy, they can be traded off according to two different ways:

- matching between the FLEXCO order and the single component series displayed on the order book at that specific moment
- matching between two FLEXCO orders when the order cannot be executed against the single legs at the same price or at a better price.

The minimum tick values attributed to the single FLEXCO orders are:

- 1 index point for FTSE MIB index options
- € 0.0001 for stock options.

- Similarly to combo matching, FLEXCO vs. FLEXCO matching can result in the conclusion of contracts with prices which do not respect the minimum tick of the single leg. Vice-versa, bait orders are always created according to prices consistent with the minimum tick of the single leg on which they are entered
- FLEXCO can have a maximum of two legs
- The maximum ratio associated to a single leg is 100
- The eligible series making the FLEXCO proposal must have the average contract size
- It is not allowed to fill or to change FLEXCO orders and to execute contracts generated by FLEXCO proposals previously entered if on at least one of the two legs a Circuit Breaker has been triggered
- It is not allowed to send RFQs on FLEXCO since there are no quotation obligations for market makers
- FLEXCO orders are not available for index future products, and it is not possible to create a strategy equal to one already existing as standard combo
- FLEXCO orders are always deleted from the central system at the end of the trading session.

6. Wholesale facilities

IDEM provides members with a specific functionality for block trading, allowing for reporting of large trades without market impact.

Members are allowed to send Cross and Committed orders:

- **COMMITTED (INTERBANK)**: the counterparty is a specific and predetermined intermediary
- **CROSS (INTERNAL)**: both counterparties belong to the same member firm.

For Committed orders only, traders need to specify the code of their counterparty in order to match the trade. The central system keeps the trade report in a non-disclosed order book until the corresponding order with opposite sign is entered by the counterparty specified.

Committed and Cross orders can be traded through NORMAL or BTF execution:

- **NORMAL**: the price needs to be within the best bid-ask spread at the time of the execution
- **BLOCK-TRADE-FACILITY (BTF)**: if the order quantity is equal or higher to a minimum value defined by the Exchange, the execution price can be outside the best bid-ask spread. The quantity threshold and the maximum price divergence differ according to the product type.

Committed orders still not matched at the close of the trading session are automatically cancelled by the central system.

Contract	Quantity Threshold	Maximum Price Divergence Allowed
FTSE MIB index futures	5	Within, or at the best bid-ask
FTSE MIB Dividend futures	5	+/- 2% over the best bid-ask
FTSE MIB index options	100	+/- 10% over the best bid-ask
Stock options	500	+/- 10% over the best bid-ask
Stock futures	500	+/- 10% over the best bid-ask
Monthly electricity futures	100	None
Quarterly electricity futures	30	None
Yearly electricity futures	15	None

7. Limits to orders entry

For the purposes of the automatic control of the regularity of trading and in order to preserve market integrity, Borsa Italiana defines the maximum size for normal orders, strategies and block trades.

Contract	Normal Order	Standard Combo/Flexco	Committed/Cross
FTSE MIB index futures	500	2,500	5,000
FTSE MIB index mini-futures	500	2,500	5,000
FTSE MIB Dividend futures	500	2,500	5,000
FTSE MIB index options	5,000	5,000	30,000
Stock options	10,000	10,000	30,000
Stock futures	10,000	10,000	60,000
Monthly electricity futures	150	N.A.	10,000
Quarterly electricity futures	150	N.A.	3,000
Yearly electricity futures	150	N.A.	1,500

Those parameters are updated on a periodic basis and made available on the "Guide to Parameters".

8. Markets Supervision rules

Handling of errors

A member that makes a mistake in entering orders may ask the activation of the error handling procedure when:

1. The request is submitted to Markets Supervision of Borsa Italiana as promptly as possible by telephone, by sending a written request to the following e-mail address:
ms@borsaitaliana.it
2. The mistake is evident.

If there is no agreement between counterparties, Borsa Italiana may implement the "extraordinary procedure" if also conditions 3 and 4 are met:

3. a) IDEM-Equity: the loss exceeds an amount of 5,000 €, 12,500 € or 25,000 € according to the instrument and the kind of mistake (see Table "A")

b) IDEX: the loss exceeds an amount of 25,000 € 50,000 € or 100,000 € according to the instrument and the kind of mistake

4. The price is above (buyer mistake) or below (seller mistake) a level determined adding (buyer mistake) or subtracting (seller mistake) the maximum divergence established in Table "A" to the theoretical reference price.

If a mistake occurs on options, the level price of condition (4) is determined on the basis of the expiry and the **parameter "M"**;

$$M_{CALL} = SPOT / STRIKE$$

$$M_{PUT} = STRIKE / SPOT$$

MAXIMUM PRICE-DIVERGENCE FOR IDEM-EQUITY LISTED PRODUCTS

PRODUCT	Mistake deriving from the entry of a single order			Multiple Mistake*		
	STOCK FUTURES	FTSE MIB INDEX FUTURES	FTSE MIB INDEX OPTIONS AND STOCK OPTIONS	STOCK FUTURES	FTSE MIB INDEX OPTIONS AND STOCK OPTIONS	
MIN. LOSS AMOUNT	€ 12,500	€ 12,500	€ 5,000	€ 12,500	€ 25,000	€ 25,000
MAX. DIVERGENCE THRESHOLD	5%	1.5%	Depending on "m" value and expiry (if the loss is > 5,000 and < 12,500 refer to Table B)	Depending on "m" value and expiry (if the loss is > 12,500 refer to Table C)	5%	Depending on "m" value and expiry (Table C)

MAXIMUM PRICE-DIVERGENCE FOR IDEX LISTED PRODUCTS

PRODUCT	Mistake deriving from the entry of a single order			Multiple Mistake*		
	MONTHLY	QUARTERLY	YEARLY	MONTHLY	QUARTERLY	YEARLY
MIN. LOSS AMOUNT	€ 25,000	€ 50,000	€100,000	€100,000	€100,000	€100,000
MAX. DIVERGENCE THRESHOLD	3%	2%	1%	1.5%	1%	0.5%

(*) Mistake resulting from the entry of more than one order or quotation that led to the conclusion of a number of contracts on a single underlying on the same contract type. In this case the interval between the conclusion of the first and the last contract must be < 60 seconds.

MAXIMUM PRICE-DIVERGENCE FOR OPTIONS (€ 5,000 < LOSS < €12,500)

VALUES OF "M"	WEEKLY MIBO OPTIONS AND FIRST THREE LISTED MATURITIES	FROM THE FOURTH UP TO THE SIXTH LISTED MATURITY	OVER THE SIXTH MATURITY
$m < 0.925$	40.0 %	30.0 %	25.0 %
$0.925 < m < 0.95$	35.0 %	27.5 %	22.5 %
$0.95 < m < 0.975$	32.5 %	27.5 %	22.5 %
$0.975 < m < 1.025$	30.0 %	25.0 %	20.0 %
$1.025 < m < 1.05$	27.5 %	22.5 %	15.0 %
$1.05 < m < 1.075$	25.0 %	20.0 %	15.0 %
$m > 1.075$	20.0 %	15.0 %	10.0 %

MAXIMUM PRICE-DIVERGENCE FOR OPTIONS (LOSS > €12,500 OR MULTIPLE)

VALUES OF "M"	WEEKLY MIBO OPTIONS AND FIRST THREE LISTED MATURITIES	FROM THE FOURTH UP TO THE SIXTH LISTED MATURITY	OVER THE SIXTH MATURITY
$m < 0.925$	30.0 %	20.0 %	15.0 %
$0.925 < m < 0.95$	25.0 %	17.5 %	12.5 %
$0.95 < m < 0.975$	22.5 %	17.5 %	12.5 %
$0.975 < m < 1.025$	20.0 %	15.0 %	10.0 %
$1.025 < m < 1.05$	17.5 %	12.5 %	7.5 %
$1.05 < m < 1.075$	15.0 %	10.0 %	7.5 %
$m > 1.075$	10.0 %	7.5 %	5.0 %

The result of the extraordinary procedure may consist of one or more of the following actions:

- cancellation of contracts
- re-pricing of transactions
- cash adjustment
- transfer of positions
- entry of transactions of the opposite sign offsetting the original transaction.

EXAMPLES OF HANDLING OF ERRORS PROCEDURES					
EXAMPLE	1	2	3	4	5
PRODUCT	CALL STOCK OPTION	PUT STOCK OPTION	MIBO CALL OPTION	STOCK FUTURE	FTSE MIB INDEX FUTURE
STRIKE	2.1	2.1	38,500	-	-
EXPIRY	Third	Sixth	First	First	Second
QUANTITY OF THE MISTRADE	100	200	30	10	8
PRICE OF THE MISTRADE	0.33	0.1	500	7	38,500
SPOT PRICE	2.2	2.2	38,500	-	-
SIDE OF THE MISTRADE	BUY	SELL	BUY	BUY	SELL
CONTRACT SIZE	1,000	1,000	2.5	500	5
LOSS (EURO)	8000	16000	7,500	7,500	20,000
PARAMETER "M"	1.048	0.955	1.000	-	-
THEORETICAL PRICE**	0.25	0.18	400	5.5	39,000
MAX DIVERGENCE ALLOWED	27.5%	17.5%	30.0%	5.0%	1.5%
CONDITION 3 (MINIMUM LOSS)	YES	YES	YES	NO	YES
CONDITION 4 (PRICE DIVERGENCE)	YES	YES	NO	YES	NO
EXTRAORDINARY PROCEDURE?	YES	YES	NO	NO	NO

(**) Determined as the average of prices supplied by at least two market makers selected from among those not directly or indirectly affected by the error, or estimated by Borsa Italiana on the basis of theoretical models.

Price divergence dynamic control (circuit breakers)

In order to automatically control the regularity of the trading session, Borsa Italiana shall apply the following parameters:

- X - maximum variation of the price of orders with respect to the control price
- Y - maximum variation of the price of contracts with respect to the control price
- Z - maximum price variation between two consecutive contracts.

Orders outside the limits defined by the parameter X can not be entered into the market.

If either parameter Y or parameter Z is broken, the series on which the order is entered is sent into a new state called "Circuit Breaker" (an automatic trading halt for 1 minute).

Borsa Italiana may dynamically change price variation limits or temporarily disable them in the following cases:

- when price variation limits are exceeded
- when anomalous trading conditions are observed for a financial instrument in terms of prices or volumes
- when it is necessary to obtain information on particular market situations concerning a financial instrument
- when there are technical reasons or other circumstances that do not guarantee the regular operation of the market
- when detailed complaints are submitted by approved intermediaries that consider they have been damaged by irregular behaviour on the part of other approved intermediaries
- when a reasoned request has been made by the management company of the clearing and guarantee system.

During the Circuit Breaker status, traders can cancel orders previously entered on the series but cannot modify orders or send new orders on the halted series. Neither trades can be concluded nor trade reports can be inserted during the trading halt. If the series is subject to market making obligations, no quote requests can be sent.

PRICE VARIATION LIMITS FOR IDEM-EQUITY AND IDEX LISTED PRODUCTS


PRODUCT	PARAMETER "X" MAXIMUM Variation of the price of order with respect to the control price	PARAMETER "Y" MAXIMUM Variation of the price of contract with respect to the control price	PARAMETER "Z" MAXIMUM Price variation between two consecutive contracts
FTSE MIB INDEX FUTURES	7.5%	3.5%	0.5%
FTSE MIB INDEX MINI-FUTURES	7.5%	3.5%	0.5%
FTSE MIB DIVIDEND INDEX FUTURES	25%	10%	5%
STOCK FUTURES	20%	7.5%	3.5%
FTSE MIB INDEX OPTIONS (INCLUDING WEEKLY OPTIONS)	N.A.	According to strike and maturity (Table F)	
STOCK OPTIONS	N.A.	According to strike and maturity (Table G)	
ELECTRICITY FUTURES (MONTHLY)	20%	10%	5%
ELECTRICITY FUTURES (QUARTERLY)	20%	7.5%	5%
ELECTRICITY FUTURES (YEARLY)	20%	5%	3.5%

PRICE VARIATION LIMITS FOR FTSE MIB INDEX OPTIONS

MONEYNESS	PARAMETER "Y"		PARAMETER "Z"
	Fronth month (% increase - % decrease)	All subsequent expiries (% increase - % decrease)	All expiries (% increase - % decrease)
Over 8 th OTM	900% - 80%	890% - 70%	450% - 50%
7 th OTM	700% - 80%	690% - 70%	350% - 50%
5 th and 6 th OTM	500% - 80%	490% - 70%	200% - 50%
3 rd and 4 th OTM	250% - 80%	240% - 70%	100% - 50%
2 nd OTM	200% - 80%	190% - 70%	70% - 50%
1 st OTM	150% - 80%	140% - 70%	50% - 50%
ATM	100% - 80%	90% - 70%	40% - 40%
1 st ITM	80% - 80%	70% - 70%	30% - 30%
2 nd ITM	70% - 70%	60% - 60%	30% - 30%
3 rd and 4 th ITM	60% - 60%	50% - 50%	25% - 25%
5 th and 6 th ITM	40% - 40%	30% - 30%	15% - 15%
From 7 th to 11 th ITM	35% - 35%	25% - 25%	10% - 10%
Over 12 th ITM	25% - 25%	15% - 15%	5% - 5%

PRICE VARIATION LIMITS FOR STOCK OPTIONS

MONEYNESS	PARAMETER "Y"		PARAMETER "Z"
	Fronth month (% Increase - % decrease)	All subsequent expiries (% Increase - % decrease)	All expiries (% Increase - % decrease)
Over 8 th OTM	900% - 80%	890% - 70%	450% - 50%
7 th OTM	700% - 80%	690% - 70%	350% - 50%
5 th and 6 th OTM	500% - 80%	490% - 70%	200% - 50%
3 rd and 4 th OTM	400% - 80%	390% - 70%	100% - 50%
2 nd OTM	350% - 80%	340% - 70%	70% - 50%
1 st OTM	250% - 80%	240% - 70%	60% - 50%
ATM	150% - 80%	140% - 70%	50% - 50%
1 st ITM	80% - 80%	70% - 70%	40% - 40%
2 nd ITM	70% - 70%	60% - 60%	35% - 35%
3 rd and 4 th ITM	60% - 60%	50% - 50%	30% - 30%
5 th and 6 th ITM	50% - 50%	40% - 40%	20% - 20%
From 7 th to 11 th ITM	45% - 45%	35% - 35%	15% - 15%
Over 12 th ITM	30% - 30%	20% - 20%	10% - 10%



On the expiry day of derivative contracts, members need to enter their orders in the cash market for stocks constituting the FTSE MIB index or which are underlying for stock options or stock futures, at least 5 minutes before the end of the opening pre-auction phase (until 8:55 am) for orders related to:

- the closing of arbitrage transactions on FTSE MIB index futures, FTSE MIB index mini-futures and stock futures
- volatility trading or hedging transactions based on FTSE MIB index futures, FTSE MIB index mini-futures, stock futures, FTSE MIB index options and stock options.

Members may enter and modify the orders during the last 5 minutes of the opening pre-auction phase only if their characteristics with regard to price, quantity and execution type are such that they do not increase the absolute value of the difference between the theoretical opening price and the control price of the stocks.

9. Trading in the U.S.

FTSE MIB index futures and **FTSE MIB index mini-futures** can be bought and sold in the USA in accordance with the terms of the no action letter from the CFTC
[CFTC Letter No. 04-24, 30/08/2004](#)

FTSE MIB index options can be bought and sold in the USA in accordance with the terms of the no action letter from the SEC
[SEC Letter, 16/05/2012](#)
[Options Disclosure Document available on request and on http://www.borsaitaliana.it/derivatives](http://www.borsaitaliana.it/derivatives)

Stock options can be bought and sold in the USA in accordance with the terms of the no action letter from the SEC
[SEC Letter, 16/05/2012](#)
[Options Disclosure Document available on request and on http://www.borsaitaliana.it/derivatives](http://www.borsaitaliana.it/derivatives)

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