
To: Borsa Italiana market participants

Borsa Italiana - Cash and derivatives markets

**MiFIR / MiFID II: CHANGES TO BORSA ITALIANA'S RULES AND
TECHNICAL DEPLOYMENT PLAN OF MILLENNIUM EXCHANGE 9.2, SOLA
11 AND GTP 1.4.1**

Dear Customer,

in view of the regulatory changes introduced by the revised Markets in Financial Instruments Directive (MiFID II) and Regulation (MiFIR), Borsa Italiana will adapt its Rules, trading systems and exchange services across November and December 2017, with the goal of ensuring: (i) an orderly migration to the new versions of its systems, and (ii) a proper management of the transition between the current and the new regulatory regime.

The objective of the enclosed document is to present:

- the roadmap of the deployment plan for technical and functional changes to Borsa Italiana's trading systems and Group Ticker Plant (GTP), and related approach to the testing phase of the new versions of these systems;
- the regulatory plan to introduce related changes to Borsa Italiana's Rules (subject to approval by Consob), including transitional provisions for changes that are consistent with the existing regulatory regime, and are considered necessary to facilitate a smooth transition process.



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We would appreciate any feedback by market participants in relation to the proposed deployment approach, described in the document enclosed, and in particular on iceberg orders and pre-trade controls topics, by **30 July 2017** to the following contacts:

- capital.markets@borsaitaliana.it
- regulation&posttrading@lseg.com

We will publish additional information and, if necessary, amendments to this proposed approach in due course.

Kind regards,

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Pietro Poletto
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Secondary Markets

PROPOSED APPROACH

Introduction and summary

Borsa Italiana is pleased to inform its customers that in order to ensure a proper management of the transition between the current and the new regulatory regime, Millennium Exchange 9.2, SOLA 11 and related GTP 1.4.1 will be deployed in production in advance of the legal entry into force of MiFIR / MiFID II **on 3 January 2018**.

The key dates for the migration plan are the following, as communicated by Borsa Italiana on 14 July 2017:

	Millennium Exchange	SOLA	GTP
Current version	Millennium Exchange 9.0	SOLA 9	GTP 1.4.0
New version	Millennium Exchange 9.2	SOLA 11	GTP 1.4.1
CDS go-live*	31 July 2017	20 July 2017	31 July 2017 for cash markets / Millennium Exchange; 8 September 2017 for IDEM / SOLA
Customer Dress Rehearsals (*)		14 October 2017 4 November 2017	
Go-live		27 November 2017	

(*) Detailed information regarding CDR planning will be communicated in due course

Market participants are informed that:

- the deployment of Millennium Exchange 9.2 and SOLA 11 will significantly change the structure of trading and market data protocols, in order to handle the additional information required by specific MiFIR / MiFID II provisions and related Technical Standards. The new structure of these protocols will be deployed in production on **27 November 2017** (technical go-live date of Millennium Exchange 9.2 and SOLA 11).



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Market participants will be required to conform to these new versions of trading and market data protocols in advance of the go-live date (as required by Borsa Italiana's Conformance Test policy¹), and to properly handle new information required by incoming/outgoing technical messages;

- at their technical go-live date, Millennium Exchange 9.2 and SOLA 11 will introduce several functional enhancements that are required by MiFIR / MiFID II. Nevertheless, certain functionalities and configurations required to properly implement MiFIR / MiFID II provisions will have to remain 'inactive' **till January 2018**. In order to facilitate testing by market participants of functionalities and system configurations that will be activated only in January 2018, during the testing phase of Millennium Exchange 9.2 and SOLA 11 some specific financial instruments will be configured according to the expected behaviour that will be activated in January 2018;
- in order to facilitate exchange and client controls over technical configurations of their systems, most configurations of Millennium Exchange and SOLA that are required to ensure compliance with MiFIR / MiFID II will become active on Monday 2 January 2018, one day in advance of MiFIR / MiFID II legal entry into force on Tuesday, 3 January 2018. This approach will be applied to functionalities and asset classes that are not currently regulated by MiFID provisions (i.e. pre-trade transparency regime for ETFs and non-equity products). Full details around exact implementation dates (**Monday 2**, or **Tuesday 3 January 2018**) are provided in this document;
- Borsa Italiana will separately publish specific guidelines for market participants to provide confirmation of compliance with the new participation requirements, required timelines for this activity and dates of availability of the new version of the Member Portal (BlClub) which will support the new MiFIR / MiFID 2 functionalities.

In the Annex you will find the following sections describing

¹ As available at the following link: <http://www.borsaitaliana.it/borsaitaliana/gestione-mercato/migrazionemillenniummit-mit/millenniumitmigration.htm>

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Each of the following sections describe the technical changes and approach to Borsa Italiana's Rules changes (including transitional provisions, where necessary) that will be applied by Borsa Italiana to ensure a proper management of the transition towards the full implementation of MiFIR / MiFID II, as follows:

1. Order record keeping and transaction reporting
2. Microsecond granularity and UTC timestamps
3. Matched principal trading capacity
4. Pre-trade transparency
 - Negotiated transactions
 - Iceberg orders
 - Request for Quotes
5. Post trade transparency
6. Pre-trade controls
7. Tick size regime
8. Liquidity provision activity
9. Stressed market conditions
10. Other changes
11. Proposed deployment approach - Summary table

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1. Order record keeping and transaction reporting

Messages from participants to the Exchange

In order to comply with MiFIR / MiFID II record keeping obligations, Borsa Italiana will be required to ask its participants to provide, for each order/quote message at order entry/modification/cancellation, additional information regarding:

- the identity of the direct client of the market participant that is submitting the order/quote²;
- the identity of the person or algorithm within the investment firm that is responsible for the investment decision²;
- the identity of the person or algorithm within the investment firm that is responsible for the execution of the order²;
- whether an order has been inserted in the trading system by a DEA client;
- whether an order has been inserted in the trading system by an algorithm.

To ensure an orderly technical migration, Borsa Italiana has decided to deploy all necessary changes to native and FIX trading protocols (including Drop Copy and Post Trade Gateway) in use by Millennium Exchange and SOLA, to collect this new information, on **27 November 2017** (technical go-live date of Millennium Exchange 9.2 and SOLA 11).

Consequently:

- Borsa Italiana's Rules requiring market participants to provide the above information will enter into force at the go-live date of Millennium Exchange 9.2 and SOLA 11;
- market participants' applications will be required to properly handle the new structure and content of trading protocols by the go-live date;
- starting from the go-live date, market participants will have to complete the new mandatory fields in order/quote entry messages in order to have their orders/quotes

² In the format of 'short codes' and related qualifiers.

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accepted by the trading system. Otherwise, the related order/quote message will be rejected.

Specific transitional provisions will be applied as part of Borsa Italiana's Rules at the go-live date of Millennium Exchange 9.2 and SOLA 11, in order to provide flexibility in complying with these specific Rules' provisions. In particular, during the transitional period, market participants will be only required to technically populate the new fields in order/quote messages, in order to have their messages accepted by the trading system. Full regulatory obligations, according to MiFIR / MiFID II provisions and Borsa Italiana's Rules, will enter into force on 3 January 2018.

Borsa Italiana will separately publish specific documentation in due course containing:

- (a) guidelines for market participants in order to correctly populate the new mandatory fields in order/quote messages, during the transitional phase and after 3 January 2018;
- (b) guidelines for market participants in order to correctly provide mappings between: (i) short codes and related qualifiers inserted in order/quote messages, and (ii) their related 'long codes' as required by RTS 24³ (e.g. Legal Entity Identifiers of member firms and clients of member firms; identifiers of natural persons acting as clients of member firms, investment decision makers or executors of an order; identifiers of algorithms);
- (c) required timelines for this activity;
- (d) dates of availability of the new version of the Member Portal (BlitClub), supporting the new MiFIR / MiFID 2 functionalities.

Messages from the Exchange to participants

In addition, in order to support members to comply with their order keeping and transaction reporting obligations, Borsa Italiana is required to provide member firms some additional information concerning orders and transactions executed on its trading venues (e.g. the "Waiver

³ Commission Delegated Regulation (EU) 2017/580 of 24 June 2016 supplementing Regulation (EU) No 600/2014 of the European Parliament and of the Council with regard to regulatory technical standards for the maintenance of relevant data relating to orders in financial instruments.

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indicator”, as described in Field 61 of Annex I, Table 2 of RTS 22⁴; classification of derivatives’ instruments in reference data messages; post trade “flags”, as described in section 5). This information will be provided to participants as part of the deployment of the new versions of trading protocols on **27 November 2017** (technical go-live date of Millennium Exchange 9.2 and SOLA 11⁵).

Please note that some of this information is connected to the new MiFIR / MiFID II pre- and post-trade transparency regime, and in particular with the classification of financial instrument as “liquid” or “not liquid” products. The “Waiver indicator” will be generated and disseminated starting from the go-live date of Millennium Exchange 9.2 and SOLA 11, according to instrument classifications available in the trading systems⁶, but should not be considered as significant by market participants until MiFIR / MiFID II legally enter into force on **3 January 2018**.

For full details regarding the new structure of trading protocols, the list of new mandatory fields in order/quote messages, and new information included in outgoing messages, please refer to the technical documentation available on Borsa Italiana’s website.

⁴ Commission Delegated Regulation (EU) 2017/590 of 28 July 2016 supplementing Regulation (EU) No 600/2014 of the European Parliament and of the Council with regard to regulatory technical standards for the reporting of transactions to competent authorities.

⁵ This change is not impacting Borsa Italiana’s Rules.

⁶ Considering ESMA’s timetable to communicate MiFIR / MiFID II categorisation of ‘liquid’ and ‘not liquid’ financial instruments, the following approach to update instruments’ classification will be put in place by Borsa Italiana:

Category	At go-live of Millennium Exchange 9.2 / SOLA 11	January 2018
Shares	MiFID I classification	MiFIR / MiFID II classification (on January 3)
Fixed income instruments; ETFs, ETCs and ETNs	All classified as illiquid	MiFIR / MiFID II classification (on January 2)
Securitised derivatives; Equity and commodity derivatives (IDEM)	MiFIR / MiFID II classification	No change

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2. Microsecond granularity and UTC timestamps

In deploying the new versions of trading protocols, format and precision of timestamps will also be adapted according to the requirements of RTS 25⁷. While this requirement is mandated by MiFIR / MiFID II on 3 January 2018, Borsa Italiana will introduce the new format and level of precision of timestamps (where necessary) on **27 November 2017** (technical go-live date of Millennium Exchange 9.2 and SOLA 11⁸).

Market participants will be required to adapt their applications to the new timestamps at the go-live date.

For full details regarding the new format and level of precision of timestamps in trading protocols and market data feeds, please refer to the technical documentation available on Borsa Italiana's website.

⁷ Commission Delegated Regulation (EU) 2017/574 of 7 June 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council with regard to regulatory technical standards for the level of accuracy of business clocks.

⁸ This change is not impacting Borsa Italiana's Rules.

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3. Matched principal trading capacity

Order record keeping and transaction reporting requirements of MiFIR / MiFID II will require Borsa Italiana to accept orders inserted and trades executed in its trading systems under 'matched principal' trading capacity from 3 January 2018. While existing fields in trading protocols will support the 'matched principal' capacity from the go-live date of Millennium Exchange 9.2 and SOLA 11, Borsa Italiana is planning to enable insertion of orders/quotes under this new trading capacity by market participants on **3 January 2018**⁹. Orders entered with 'matched principal' trading capacity before this date will be rejected.

On 3 January 2018, ComplIDs (for Millennium Exchange), UserIDs and TraderIDs (for SOLA) that are already enabled to submit orders on both own account and client account, will be also enabled to submit order/quote messages under the new 'matched principal' trading capacity.

4. Pre-trade transparency

The new regulatory regime regarding pre-trade transparency requires Borsa Italiana to obtain new authorisations from ESMA in order to offer functionalities to insert orders and execute trades absent full pre-trade transparency. The new transparency regime will impact the functioning of: (a) negotiated transactions (cross orders and block trades), (b) iceberg orders and (c) RFQ functionality. Functioning of stop orders will remain unchanged.

4a. Negotiated transactions

Functionalities supporting negotiated transactions that are authorized according to existing MiFID waivers (cross orders and BTFs on shares) will remain unchanged until **3 January 2018**. Rules' changes related to negotiated transactions for shares will enter into force on the same date, with no changes introduced at the go-live date of Millennium Exchange on 27 November

⁹ This change is not impacting Borsa Italiana's Rules.

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2017. Changes to functionalities impacted by the MiFIR / MiFID 2 transparency regime for all other instrument classes will be anticipated to **2 January 2018**¹⁰.

During the testing phase of Millennium Exchange 9.2 and SOLA 11, in order to facilitate market participants' testing of system configurations that will be applied in January 2018, a subset of instruments will be configured in the CDS environments with the expected behaviour of the cross order functionality that will be activated in January 2018. The list of these instruments will be published in due course.

Cross order functionality for shares, ETFs, ETCs, ETNs, fixed income instruments and securitised derivatives

The cross order functionality will be modified in light of the new regime for pre-trade waivers.

First, Borsa Italiana will disable the cross order functionality for liquid ETCs, ETNs and fixed income instruments, as well as for all securitised derivatives (SeDeX market)¹¹.

Second, as far as it concerns to shares, ETFs and illiquid ETCs, ETNs and fixed income instruments, the cross order functionality will be adjusted as follows:

- the price of cross orders will have to be included within the volume weighted spread available in the order book for the required quantity¹²;
- in case the volume weighted bid or offer price (or both) cannot be determined:
 - for liquid instruments (shares and ETFs), the cross order will be rejected;
 - for illiquid instruments (shares, ETFs, ETCs, ETNs and fixed income instruments), its price will have to be included within a pre-determined percentage deviation from the last trade price (or reference price from the previous day, in case no trade was executed during the day)¹³.

¹⁰ Fixed income, ETFs, ETCs, ETNs and derivatives markets.

¹¹ According to available pre-trade transparency waivers for liquid non-equity instruments.

¹² Control of cross order prices against the volume weighted spread is already in place for ETFs, ETCs, ETNs and fixed income instruments.

¹³ This behaviour is already in place for illiquid ETFs, ETCs, ETNs and fixed income instruments (so no change will be required).

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For a full description of the way these new price controls will work, please refer to Borsa Italiana's Rules. Permitted percentage deviations to validate prices of cross orders are reported in the Guide to Trading Parameters.

Implementation dates for the described changes to the cross order functionality (including changes to Borsa Italiana's Rules) are reported in the following table.

Instrument type	Class	At go-live of Millennium Exchange 9.2	On 2 January 2018	On 3 January 2018
Shares	Equity / equity-like			Switch to volume-weighted spread price validations
Liquid ETFs	Equity / equity-like		If volume weighted spread cannot be determined, cross orders are rejected	
Liquid ETCs, ETNs and fixed income instruments	Non-equity	Cross orders are disabled		
Securities derivatives*	Non-equity	Cross orders are disabled		

(*) All classified as "liquid" non-equity instruments.

Finally, Borsa Italiana is reminding participants that, with MiFIR / MiFID II entering into force on **3 January 2018**, the cross order functionality on specific liquid shares and ETFs could be suspended for 6 months by ESMA, according to the "double volume cap mechanism" defined by MiFIR Art.5. Market participants will be informed on the availability of the cross order functionality for each instrument for the day, on a daily basis, through reference data files (MIT305).

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BTF functionality for shares, ETFs, ETCs, ETNs, fixed income instruments and securitised derivatives

Market participants must also be aware that, in the context of adaptations to the new MiFIR / MiFID II regime, existing controls on the minimum size of BTFs in place on the Millennium Exchange platform will be converted from quantity to monetary value. The new minimum values of BTFs for shares will be communicated by Borsa Italiana via Exchange Notice¹⁴. For other instruments, the new thresholds will be equal to ESMA's pre-trade LIS threshold. Borsa Italiana is planning to switch from the existing quantity-based to the new value-based minimum thresholds for BTFs on **27 November 2017** (technical go-live date of Millennium Exchange 9.2)¹⁵.

Derivatives (IDEM market)

As concerns derivatives markets, MiFIR / MiFID II will require to prevent execution of bilateral transactions on liquid instruments below the "pre-trade large-in-scale" threshold. For this reason, existing minimum size thresholds for the execution of negotiated transactions will be revisited in light of the pre-trade LIS thresholds that have been publicly communicated by ESMA in July 2017. Borsa Italiana is planning to: (i) review its minimum size thresholds for negotiated transactions, and (ii) prevent execution of negotiated transactions below the pre-trade LIS threshold for liquid products on **2 January 2018**.

On the same date, Borsa Italiana will also introduce enhancements to price validation rules for negotiated transactions, in order to handle situations where participants are trying to execute negotiated transactions while no prices for the instrument are available on the order book. Borsa Italiana is planning to activate this new pre-trade, price control for negotiated transactions on **2 January 2018**.

¹⁴ This change is not impacting Borsa Italiana's Rules.

¹⁵ This change is not impacting Borsa Italiana's Rules.

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For a full description of the way these new price controls will work, please refer to Borsa Italiana's Rules. Permitted percentage deviations to validate prices of negotiated transactions are reported in the Guide to Trading Parameters.

All markets

In order to maintain consistency to the new regulatory regime, prices of executed cross orders will no longer update certain market statistics across all markets:

- last trade price;
- minimum and maximum trade price for the day.

Cross orders will continue to contribute to quantity statistics for the day.

This new behaviour will be activated on **2 January 2018** for all instruments.

4b. Iceberg orders (minimum total value)

The new regulatory regime is mandating Borsa Italiana to introduce a new control relating to the minimum size of an iceberg order, at order entry and following any user-initiated modification. The minimum allowed size for an iceberg order under MiFIR / MiFID II rules, including the visible and hidden part of the iceberg order, is (at minimum) of €10,000, expressed as:

- monetary value for cash markets;
- notional value for derivatives markets.

Borsa Italiana is planning to modify its Rules and, at the same date, activate this new minimum order size control for iceberg orders on **27 November 2017** (technical go-live date of Millennium Exchange 9.2 and SOLA 11).

The new minimum size for an iceberg order (as well as the minimum peak size, as already required by Borsa Italiana's Rules), are indicated in the Guide to Trading Parameters¹⁶.

¹⁶ Market participants must also be aware that existing controls in place on the Millennium Exchange platform on the minimum 'peak size' of iceberg orders will be converted from quantity to monetary value. The new values are reported in the Guide to Trading Parameters.

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4c. Request for quote

In order to be compliant with the new regulatory requirements, different levels of pre-trade transparency will be introduced for RfQs on MOT and ETFplus. The trading system will automatically determine the applicable pre-trade transparency model, on the basis of the RFQ value and the pre-trade transparency thresholds defined for the instrument.

Pre-trade transparency model	Level of market data disseminated
Model 1: Full pre-trade transparency (FPT)	The RFQ order book immediately before the execution of the RFQ trade (i.e. all live quotes available on the market when the requestor decided to execute the RFQ) for the relevant RFQ session will be published.
Model 2: Partial pre-trade transparency (PPT)	An Indicative Quote Information message will be published, containing the last indicative price prior to the execution of the RFQ trade.
Model 3: No pre-trade transparency (NPT)	None of the submitted quotes nor the bid/ask indicative price will be publicly disseminated.

Support to the new RfQ transparency regime on MOT and ETFplus will be introduced, from a technical and regulatory perspective, **on 2 January 2018**. Borsa Italiana's Rules about RFQ will remain unchanged at the go-live date of MIT Exchange 9.2..

Similarly to BTFs, in the context of adaptations to the new MiFIR / MiFID II regime, existing controls on the minimum size of RfQ in place on the Millennium Exchange platform will be converted from quantity to monetary value (ETFplus market only). Borsa Italiana is planning to switch from the existing quantity-based to the new value-based minimum thresholds for RfQ on the ETFplus market on **27 November 2017** (technical go-live date of Millennium Exchange 9.2).

5. Post trade transparency

The new regulatory regime regarding post-trade transparency will require Borsa Italiana to provide immediate post trade transparency by disseminating information regarding transaction

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executed on its trading venues in a new, standardised format, as defined by RTS 1¹⁷ for equity and equity-like instruments, and RTS 2¹⁸ for non-equity instruments.

In order to comply with this requirement, Borsa Italiana:

- will add a new message in the GTP service for all markets, replicating the structure and formats required by RTS 1 and 2;
- will add a new message in HSVF protocol for the IDEM market, replicating the structure and formats required by RTS 2 ('PT' message);
- will amend existing trade and reference data messages in HSVF native market data protocol for the IDEM market, in order to allow participants to fully rebuild the contents required by RTS 2, without relying on other data feeds.

These changes to existing messages, and availability of the new MiFIR / MiFID II compliant messages, will be deployed in production on **27 November 2017** (technical go-live date of Millennium Exchange 9.2 and SOLA 11¹⁹). For full details, please refer to the technical documentation available on Borsa Italiana's website. Market participants' applications will be required to properly handle the new structure and content of trading protocols and market data feeds at the go-live date.

Please note that certain fields included in the structure of the new messages (e.g. "NLIQ", "OILQ", "ALGO" flags etc.) are connected to the new MiFIR / MiFID II pre- and post-trade transparency regime, and in particular with the classification of financial instrument as "liquid" or "not liquid" products. Post-trade transparency "flags", as described in Table 4 of RTS 1 Annex I,

¹⁷ Commission Delegated Regulation (EU) 2017/587 of 14 July 2016 supplementing Regulation (EU) No 600/2014 of the European Parliament and of the Council on markets in financial instruments with regard to regulatory technical standards on transparency requirements for trading venues and investment firms in respect of shares, depositary receipts, exchange-traded funds, certificates and other similar financial instruments and on transaction execution obligations in respect of certain shares on a trading venue or by a systematic internaliser.

¹⁸ Commission Delegated Regulation (EU) 2017/583 of 14 July 2016 supplementing Regulation (EU) No 600/2014 of the European Parliament and of the Council on markets in financial instruments with regard to regulatory technical standards on transparency requirements for trading venues and investment firms in respect of bonds, structured finance products, emission allowances and derivatives.

¹⁹ This change is not impacting Borsa Italiana's Rules.

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and Table 3 of RTS 2 Annex II, will be generated and disseminated starting from the go-live date of Millennium Exchange 9.2 and SOLA 11, according to instrument classification available in the trading systems (see note 6). They must not be considered as significant by market participants until MiFIR / MiFID II legally enters into force on **3 January 2018**.

Open Funds traded in the ETFplus Market (ATF segment)

In order to comply with MiFIR / MiFID II post-trade transparency requirements, Borsa Italiana will be required to disseminate information regarding trades executed on the ATF segment with “conventional” price, along with “pending” flag, through its market data feeds immediately after execution. Once the value of NAV for day ‘T’ is received at ‘T+1’ or ‘T+2’, Borsa Italiana’s market data feeds will re-publish information on these executed trades, by disseminating a cancellation messages (flag ‘CANC’), followed by an amendment message (flag ‘AMND’) reporting the effective price of the transaction²⁰.

A Trade Capture Report for the trade is disseminated at the execution (day ‘T’, with ‘conventional’ price and ‘pending’ flag). A second TRC will be disseminated at ‘T+1’ or ‘T+2’ for the modification of the trade, with the effective price (NAV as of ‘T’) and the original execution date and time.

Borsa Italiana is planning to activate this new behaviour of Millennium Exchange and its related market data feeds on **27 November 2017** (technical go-live date of Millennium Exchange 9.2)²¹. Market participants’ applications will be required to properly handle this new system behaviour by the same date.

²⁰ As required by Art.12 comma 3 of RTS 1.

²¹ This change is not impacting Borsa Italiana’s Rules.

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6. Pre-trade controls

In order to comply with the new regulatory regime regarding pre-trade controls, Borsa Italiana will introduce a new exchange-level, pre-trade control on the maximum size of an incoming order/quote, defined by:

- monetary value for cash markets;
- notional value for derivatives markets.

In case an order/quote is received by the system with a value/notional value above the pre-defined threshold, the order will be rejected. In order to favour a smooth transition process, Borsa Italiana will modify its Rules and activate this new exchange-level, pre-trade control on **27 November 2017** (technical go-live date of Millennium Exchange 9.2 and SOLA 11). Market participants' applications will be required to properly handle order rejections connected to this new pre-trade control by the same date.

For the definition of 'notional value' for derivatives, please refer to the technical documentation available on Borsa Italiana's website. For the new maximum allowed value/notional value for an individual order/quote, please refer to the Guide to Trading Parameters.

7. Tick size regime

The new regulatory regime regarding tick sizes is requiring Borsa Italiana to adjust the tick sizes table applied to shares traded on its equity markets, and to ETFs with equity underlying. Other instruments will not be affected by this change. Please note that, in case of changes of the tick size table in place for a financial instrument, unexecuted long orders will be removed from the trading system.

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Shares

Borsa Italiana will introduce 6 new tick size tables, according to the requirements defined by RTS 11²², and will define the tick size table applicable to each share, taking into account the minimum tick size allowed by MiFIR / MiFID II (linked to the average number of trades executed on the most relevant market in term of liquidity for each share). Borsa Italiana is planning to introduce the 6 new tick size tables in its Rules, and to link each share to one of these tick size tables, as required by RTS 11, **on 3 January 2018**.

Borsa Italiana will publish a dedicated Exchange Notice in due course in order to inform market participants of the tick size tables that will be in place, for each share traded on its equity markets, from this date.

During the testing phase of Millennium Exchange 9.2, in order to facilitate market participants' testing of system configurations that will be applied at the entry to force of MiFIR / MiFID II, a subset of instruments will be configured in the CDS environment with the new MiFIR / MiFID II tick size tables, that will be activated on 3 January 2018. The list of these instruments will be published in due course.

Finally, market participants must be aware that, starting from **27 November 2017** (technical go-live date of Millennium Exchange 9.2), in order to properly handle the transition to the new tick size regime, the existing tick size table applied to all shares traded on Borsa Italiana trading venues will be slightly modified to include the lowest boundary into the respective price band interval, as reported below. Borsa Italiana's Rules will be updated accordingly at the go-live date.

²² Commission Delegated Regulation (EU) 2017/588 of 14 July 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council with regard to regulatory technical standards on the tick size regime for shares, depositary receipts and exchange-traded funds.

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Current regime		New regime (from go-live of Millennium Exchange 9.2)	
Order price	Tick size	Order price	Tick size
[...]			
0,5001 – 1	0,0005	0,5000 – 0,9999	0,0005
1,0001 – 2	0,001	1,0000 – 1,9999	0,001
2,0001 – 5	0,002	2,0000 – 4,9999	0,002
[...]			

ETFs, ETCs and ETNs

For ETFs with equity underlying, the tick size table defined by RTS 11 corresponding to the highest average daily number of transaction will be applied, including the RFQ functionality. For other ETFs and ETCs/ETNs, a dedicated tick table will be introduced. RFQs on these instruments will use a fixed tick size, equal to 0.0001 euro.

Borsa Italiana's Rules will be updated to reflect this changes for the ETFplus market **on 27 November 2017** (technical go-live date of Millennium Exchange 9.2).

8. Liquidity provision activity

In order to correctly classify orders entered in the trading systems and trades executed under a market making/liquidity provision agreement with the trading venue or with an issuer - as required to trading venues by the new order keeping regime²³ - Borsa Italiana will adjust existing configurations to access Millennium Exchange and SOLA. Dedicated CompIDs (for Millennium Exchange) and TraderIDs (for SOLA) will be introduced, allowing market participants to insert

²³ Field 8 of Annex I Table 2 of RTS 24.

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orders and/or quotes only for the financial instruments where they are part of a market making / liquidity provision agreement²⁴.

This new configurations will be applicable to:

- members engaged in algorithmic trading to pursue a market making strategy that, as a consequence, entered into a market making agreement with the trading venue;
- members performing a liquidity provision agreement dealing on own account, under an agreement with the trading venue or with the issuer;
- members performing a liquidity provision agreement dealing on client account, under an agreement with the trading venue or with the issuer.

Borsa Italiana will consider only the orders and/or quotes inserted in the trading systems using these dedicated CompIDs/TraderIDs, and related executed trades, as part of the market making/liquidity provision activity of the participant, including monitoring of obligations and attribution of any applicable incentive.

Dedicated naming conventions will be used for these CompIDs/TraderIDs, as described in the technical documentation available on Borsa Italiana's website.

Borsa Italiana is planning to update configurations, as described above, **before 2 January 2018**²⁵.

Changes relates to CompIDs for Millennium Exchange could be implemented also before the release in production of Millennium Exchange 9.2 on 27 November 2017. Market participants will be contacted directly to arrange a dedicated migration plan. For additional information about the specific impact of this change to your technical configurations, please contact directly Borsa Italiana's Client Technology Services team at the following address:

Clients-Services@borsaitaliana.it (+39 02 72426 512).

²⁴ Subscription to these market making / liquidity provision agreements will be available through the Member Portal.

²⁵ This change is not impacting Borsa Italiana's Rules.

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Stressed market conditions

As part of the changes to market data protocols described in previous sections, Bulletin messages in use for the IDEM market will be enhanced in order to inform market participants, including market makers and liquidity providers, of the start and end of 'stressed market conditions' for specific derivatives' contracts (as defined in Article 6 of RTS 8²⁶). These Bulletin messages can be leveraged by market makers/liquidity providers to automatically determine periods of lowered market making obligations, in comparison to 'normal market conditions'.

Borsa Italiana will introduce all Rules' changes connected to the new MiFIR / MiFID II market making regime and, consequently will start to disseminate Bulletin messages declaring start and end of 'stressed market conditions' **for the IDEM market on 3 January 2018.**

During the testing phase of SOLA 11, in order to facilitate market participants' testing of system configurations that will be applied at the entry to force of MiFIR / MiFID II, Borsa Italiana will simulate start/end of stressed market conditions on a subset of instruments and during specific time windows. The list of these instruments and time windows will be published in due course.

For full details regarding the criteria determining start and end of 'stressed market conditions', please refer to Borsa Italiana's Guide to Trading Parameters.

9. Other changes

ETFplus and SeDeX markets will re-configure parameters linked to instruments' Exchange Market Size (EMS), so modifying systems configurations related to maximum order quantity and market makers' quantity obligations.

For full details regarding the new values of EMS and EMS multipliers, please refer to Borsa Italiana's Guide to Trading Parameters²⁷. Borsa Italiana will implement these changes for the

²⁶ Commission Delegated Regulation (EU) 2017/578 of 13 June 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council on markets in financial instruments with regard to regulatory technical standards specifying the requirements on market making agreements and schemes.

²⁷ This change is not impacting Borsa Italiana's Rules.

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ETFplus market on **27 November 2017** (technical go-live date of Millennium Exchange 9.2),
and on **2 January 2018** for the SeDeX market.

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10. Proposed deployment approach - Summary table

Millennium Exchange	SOLA (IDEM market)
<i>At go-live date of Millennium Exchange 9.2:</i>	<i>At go-live date of SOLA 11:</i>
<ul style="list-style-type: none"> • Deployment of new version of trading protocols, including new timestamps granularity and alignment to UTC 	<ul style="list-style-type: none"> • Deployment of new version of trading protocols, including new timestamps granularity and alignment to UTC
<ul style="list-style-type: none"> • Deployment of new version of market data protocols (GTP) 	<ul style="list-style-type: none"> • Deployment of new version of market data protocols (HSVF and GTP)
<ul style="list-style-type: none"> • Introduction of new pre-trade controls on maximum order value 	<ul style="list-style-type: none"> • Introduction of new pre-trade controls on maximum order notional value
<ul style="list-style-type: none"> • Iceberg orders: Introduction of a new control on the minimum value of iceberg orders at order entry/modification; switch from quantity to value-based control for the minimum peak size 	<ul style="list-style-type: none"> • Iceberg orders: Introduction of new check on minimum notional value of iceberg orders at order entry/modification
<ul style="list-style-type: none"> • Tick size regime: <ul style="list-style-type: none"> - Change to existing tick tables (inclusion of lower boundary in existing price bands) - Introduction of MiFID II tick tables for ETFplus 	
<ul style="list-style-type: none"> • Classification of 'liquid' vs. 'not liquid' included in reference data: <ul style="list-style-type: none"> - Shares: according to current MiFID classification - Fixed income instruments, ETFs, ETCs and ETNs: all classified as 'illiquid', pending ESMA's classification - SeDeX: according to ESMA's MiFID II classification 	<ul style="list-style-type: none"> • Classification of 'liquid' vs. 'not liquid' instruments included in reference data, according to ESMA's MiFID II classification
<ul style="list-style-type: none"> • Negotiated transactions (block trades): Switch from quantity to value-based control for the minimum size of a Block Trade (all instruments) 	
<ul style="list-style-type: none"> • Negotiated transactions (cross orders): Cross orders are disabled for the SeDeX market 	
<ul style="list-style-type: none"> • RfQ functionality: switch from quantity to value-based control for the minimum size of Request for Quotes for the ETFplus market 	
<ul style="list-style-type: none"> • Dissemination of trade amendment messages at T+1/T+2 for trades executed on the ATF segment 	
<ul style="list-style-type: none"> • Changes to EMS and EMS multiplier parameters for the ETFplus market 	
<ul style="list-style-type: none"> • Adjustment to existing ComplID configurations for market makers / liquidity providers (based on individual client migration plan) 	

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After go-live, before 2 January 2018	After go-live, before 2 January 2018
<ul style="list-style-type: none"> • Adjustment to existing ComplD configurations for market makers / liquidity providers (based on individual client migration plan) 	<ul style="list-style-type: none"> • Adjustment to existing TraderID configurations for market makers / liquidity providers (based on individual client migration plan)

On 2 January 2018	On 2 January 2018
<ul style="list-style-type: none"> • Update of 'liquid/not liquid' status and pre-trade LIS threshold according to ESMA's MiFID II classifications for fixed income instruments, ETFs, ETCs and ETNs 	<ul style="list-style-type: none"> • Negotiated transactions: Update to minimum thresholds for negotiated transactions, according to MiFID II pre-trade LIS thresholds
<ul style="list-style-type: none"> • Negotiated transactions (cross orders): cross orders are disabled for liquid ETCs, ETNs and fixed income instruments 	<ul style="list-style-type: none"> • Negotiated transactions: will be disabled for size below pre-trade LIS for liquid derivatives
<ul style="list-style-type: none"> • Negotiated transactions (cross orders): for liquid ETFs, in case the volume weighted spread cannot be determined, cross orders are rejected 	<ul style="list-style-type: none"> • Negotiated transactions: Enhancements to price controls for bilateral transactions (check against last trade price / reference price) are activated
<ul style="list-style-type: none"> • Negotiated transactions (cross orders): will no longer contribute to update the last trade price and other price statistics (all instruments) 	<ul style="list-style-type: none"> • Negotiated transactions (cross orders, where still available): will no longer contribute to update last trade price and other price statistics
<ul style="list-style-type: none"> • RFQ functionality (MOT and ETFplus): is extended to cover all pre-trade transparency models as required by MiFIR / MiFID 2 	
<ul style="list-style-type: none"> • Changes to EMS and EMS multiplier parameters for the SeDeX market 	

On 3 January 2018	On 3 January 2018
<ul style="list-style-type: none"> • Update of 'liquid/not liquid' status and pre-trade LIS threshold according to ESMA's MiFID II classifications for shares 	
<ul style="list-style-type: none"> • Negotiated transactions (cross orders): Volume-weighted price validation rules are enabled for cross orders on shares 	
<ul style="list-style-type: none"> • Tick size regime: Introduction of MiFID II tick tables for shares 	
<ul style="list-style-type: none"> • Introduction of 'matched principal' trading capacity 	<ul style="list-style-type: none"> • Introduction of 'matched principal' trading capacity
	<ul style="list-style-type: none"> • Communication of 'stressed market conditions' via market data Bulletin messages

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References to MiFIR / MiFID II documentation published by Borsa Italiana

The following documents are complementary to this communication. Additional documents related to our adaptation program to MiFIR / MiFID II will be published in due course.

Regulatory documents

For draft versions of MiFIR / MiFID II compliant versions of Borsa Italiana's Rules, related Instructions and Guide to Trading Parameters, please refer to:

<http://www.borsaitaliana.it/borsaitaliana/mifid2/mifid2.htm>

Technical documents

For updated technical documents regarding Millennium Exchange 9.2, please refer to:

<http://www.borsaitaliana.it/borsaitaliana/gestione-mercati/migrazionemillenniummitmit/millenniumitmigration.htm>

- MIT201 - Guide to the New Trading System - BIT - Issue 9.1
- MIT202 - Trading Gateway (FIX 5.0) Specification - Issue 9.1
- MIT203 - Native Trading Gateway Specification - Issue 9.1
- MIT204 - Post Trade Gateway (FIX 5.0) Specification - Issue 9.1
- MIT205 - Drop Copy Gateway (FIX 5.0) Specification - Issue 9.0
- MIT303 - Market Data Feed (MITCH) Specification - Issue 9.1
- MIT801 - Reject Codes and Reasons - Issue 16

For updated technical documents regarding SOLA 11, please refer to:

<http://www.borsaitaliana.it/borsaitaliana/gestione-mercati/migrazioneidem/migrazioneidem.htm>

- SAIL Specification - Issue 5.3
- SAIL protocol - message impacts
- FIX 4.2 Specification - Issue 5.3
- FIX protocol - message impacts
- HSVF Market Data - Issue 5.3
- HSVF protocol - message impacts

For updated technical documentation regarding GTP services, please refer to:

<https://www.lseg.com/areas-expertise/technology/group-technology/group-ticker-plant>