

# TECHNICAL COMMUNICATION N. 1

on clearing, guarantee and  
settlement

IN FORCE FROM 15 APRIL 2020



**BORSA ITALIANA**

This Communication is aimed to provide information about:

- 1) procedures followed by EuroTLX to determine the settlement date for contracts executed on the market (according to article 7.1 and related Guidance and to article 7.2(2) of EuroTLX Rule Book);
- 2) functioning and management of the processes to settle contracts executed on the international class non-guaranteed through bilateral netting that consider buy and sell side;
- 3) functioning and management of the processes to settle contracts executed on segments Equity and Cert-X , domestic class non-guaranteed through net bilateral netting;
- 4) Rules of conduct for Market Intermediaries (according to article 3.11 and related Guidance);
- 5) the calculation of the value on trades based on financial instruments having trading currency different from settlement currency.

# 1. Procedures to determine settlement date for contracts executed on EuroTLX market

The Settlement Date for trades executed on the EuroTLX is calculated according to the following rules:

1. Bonds and Other Bonds including Participatory Instruments structured Bonds, bonds with warrant, Government Bonds, covered bond, settled on not guaranteed classes:

It is taken into account the settlement calendar of the financial instrument's currency and the settlement calendar of the Central Depository System:

$$SD = T + n$$

in calculating the Settlement Date it is not considered Saturday/Sunday, other holidays of the settlement currency calendar and holidays of the Central Depository System calendar.

2. Bonds and Other Bonds including Participatory Instruments, structured Bonds, bonds with warrant, covered bond and Government Bonds, settled on guaranteed classes:

It is taken into account the settlement calendar of the financial instrument's currency, the TARGET system calendar and the settlement calendar of the Central Depository System:

$$SD = T + n$$

in calculating the Settlement Date it is not considered Saturday/Sunday, other holidays of the settlement currency calendar, holidays of the TARGET system calendar and holidays of the Central Depository System calendar.

3. Shares, Certificates representing Shares, Certificates and Covered Warrant:

It is taken into account only the settlement calendar of the Central Depository System:

$$SD = T + n$$

in calculating the Settlement Date it is not considered Saturday/Sunday and the holidays in the Central Depository System calendar.

Symbols:

*Financial instrument's currency*: the currency with which contracts are settled

*TARGET system calendar*: settlement calendar of currency Euro

*T*: Trade Date

*SD*: Settlement Date

*n*: number of days set for settlement of the financial securities. EuroTLX stated 2 days for all the financial instruments.

**Summary**

Category	Calendars for the calculation of the settlement date		
	TARGET	Financial instrument's currency calendar	Central Depository Systemcalendar
1) Bonds and Other Bonds including Participatory Instruments, structured Bonds, bonds with warrant, covered bonds and Government Bonds settled on not guaranteed classes			
2) Bonds and Other Bonds including Participatory Instruments structured Bonds, bonds with warrant, covered bonds and Government Bonds, settled on guaranteed classes			
3) Shares, Certificates representing shares, Certificates and Covered Warrant			

Examples

Below some examples explaining the method for calculating the settlement dates of the transactions executed on EuroTLX.

The examples are valid for the year 2015 and the financial instrument are considered examples only.

Saturday/Sunday
Holidays extra- Saturday/Sunday
Weekdays
Actual days (shows the days between the trade date and the settlement date. In calculating the actual days excluding Saturday and Sunday)

**Examples in calculating the settlement date in case of a holiday in the currency calendar** (applicable only on Bonds and Other Bonds including Participatory Instruments, structured Bonds, bonds with warrant, Government Bonds, settled on guaranteed classes)

Holiday	April 3 <sup>rd</sup> 2015 (holiday in USD settlement calendar and TARGET system calendar) and April 6 <sup>th</sup> 2015 (holiday in TARGET system calendar)
Instrument	GENERAL ELECTRIC CAPITAL 2.3% 14.01.2019
Isin	US36962G7G36
TLX Code	US36962G7G36
Instrument Currency	USD
CSD	Euroclear Bank/Clearstream Banking Luxemburg guaranteed class
n (settlement period)	2

Actual Days	01-apr-15	02-apr-15	03-apr-15	04-apr-15	05-apr-15	06-apr-15	07-apr-15	08-apr-15	09-apr-15
4	T	T+1					T+2=SD		
4		T					T+1	T+2=SD	
2							T	T+1	T+2=SD

**Examples in calculating the settlement date in case of a holiday in the currency calendar** (applicable only on Bonds and Other Bonds including Participatory Instruments, structured Bonds, bonds with warrant, Government Bonds, settled on not guaranteed classes)

Holiday July 17<sup>th</sup> 2015 (holiday in TRY settlement calendar)  
 Instrument BEI 5.75% 03.04.2018  
 Isin XS0877809375  
 TLX Code XS0877809375  
 Instrument Currency TRY  
 CSD Euroclear Bank/Clearstream Banking Luxemburg not guaranteed classes  
 n (settlement period) 2

Actual Days	14-Jul-15	15-Jul-15	16-Jul-15	17-Jul-15	18-Jul-15	19-Jul-15	20-Jul-15	21-Jul-15	22-Jul-15
2	T	T+1	T+2=SD						
3		T	T+1				T+2=SD		
3			T				T+1	T+2=SD	
2				T			T+1	T+2=SD	
2							T	T+1	T+2=SD

**Examples in calculation the settlement date in case of holiday in the Central Depository System**

Holiday May 1<sup>st</sup> 2015 (holiday in the Central Depository System Monte Titoli – T2S)  
 Instrument Share: Cisco  
 Isin US17275R1023  
 TLX Code CIS-U  
 CDS Monte Titoli – T2S  
 n (settlement period) 2

Acual Days	29-apr-15	30-apr-15	01-mag-15	02-mag-15	03-mag-15	04-mag-15	05-mag-15	06-mag-15
4	T	T+1				T+2=SD		
4		T				T+1	T+2=SD	
3						T	T+1	T+2=SD

## 2. Settlement of contracts executed in the international classes non-guaranteed

Contracts related to financial instruments traded on the international class non-guaranteed are settled through the bilateral netting settlement services generated by the X-TRM bilateral netting system according to the related operating rules.

## 3. Settlement of contracts executed in the domestic classes non-guaranteed of segments Equity and Cert-X

Trades related to financial instruments traded in the domestic classes non-guaranteed of segments Equity and Cert-X are settled through the bilateral netting settlement services generated by the X-TRM bilateral netting system according to the related operating rules.

## 4. Rules of conduct for Market Intermediaries (according to the article 3.11 and relevant Guidance of EuroTLX Rule Book)

This section provides instructions on the conduct obligations that Market Intermediaries participating in the bilateral netting system are required to respect, as clarification of the article 3.11 and relevant Guidance of EuroTLX Rule Book.

Market Intermediaries, upon request from Borsa Italiana, are required to operate by canceling the Settlement Fail Instruction and replacing it with an Instruction for the quantity to be settle and another for the quantity not to be settle.

In the event that the settlement failed Instructions (even after the replacement with the new Settlement Instructions) continue to be not settled, starting from  $S + 6$  (in which  $S$  represents the settlement date of the Market Instruction generated by X-TRM as the bilateral balance of the individual contracts executed on the Trading Date  $T$ ), the counterparty of the defaulting Market Intermediary has the right to activate a forced Buy- In / Sell-Out procedure according to the procedure described in the EuroTLX Market Rules.

Market Intermediaries provide all the necessary information following specific requests sent by Borsa Italiana. This information must be provided as soon as possible according to the methods and forms specifically requested by the Market.

## 5. Exchange Rate used for the calculation of the value

The value of the trades made on financial instruments which settle in Euro having a different trading currency, is based on the ECB fixing exchange rates taken the day immediately preceding the trading day. The ECB fixing exchange rates are published by EuroTLX through its information channels (MIT 306).

The value of the trades made on financial instruments with settlement currency different from the Euro and with a trading currency different from the settlement one, is based on the cross rate (EUR/trading currency divided by EUR/settlement currency, rounded to 4 decimals) calculated using the ECB fixing exchange rates of the day immediately preceding the trading day. The cross rate are published by EuroTLX through its information channels (MIT 306).





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