

## INSTRUCTIONS

### TITLE IA.9

### DERIVATIVES MARKET (IDEM)

#### Chapter IA.9.1 - Derivative contracts admitted to trading

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#### Article IA.9.1.19

*(Durum wheat futures)*

1. Futures contracts for the delivery of quantities of durum wheat may be admitted to trading on the AGREX segment of the IDEM market.
2. The underlying of the contract shall be durum wheat of whatever origin, sound, fair, of marketable quality and conforming with the hygienic and health rules of the European Union for durum wheat for human use, with the characteristics shown in the following table:

Specific weight	minimum 76.00 kg/hl
Proteins	minimum 11.5%
Moisture	maximum 13.5%
Impurities	maximum 2%
Vitreous grains	minimum 62%
Sprouted grains	maximum 2%
Mottled grains	maximum 12%
Broken grains	maximum 6%
Other cereals	maximum 3%
Grains affected with fusariosis	maximum 0.5%

For the definitions of and methods of analysing the characteristics shown in the table, see EU Regulation no. 1272/2009 and EU Regulation no. 742/2010, as amended.

For vitreous grains, see UNI EN 15585.

Impurities is taken to mean the various types of impurity (excluding grains affected with fusariosis) and the following impurities in respect of grains: shrivelled grains, grains in which the germ is discoloured, grains damaged by pests, and grains overheated during drying.

3. Durum wheat futures contracts shall be quoted in euro/metric ton (€/t), excluding VAT, and the tick shall be €0.25/t. Borsa Italiana may alter the tick of an individual contract with a Notice where that established does not ensure regular trading.
4. The value of a durum wheat futures contract shall be equal to the product of its price and the number of metric tons underlying the individual contract, which shall be 50 metric tons.
5. Durum wheat futures contracts may be traded maturing in March, May, September and December.

In each trading session the contracts for the next five maturities shall be quoted.

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Borsa Italiana, after consulting the AGREX segment intermediaries and considering the presence of market makers, may admit durum wheat futures contracts for additional subsequent maturities. The start of trading of these contracts shall be announced in a Notice.

6. Durum wheat futures shall be traded until the end of the maturity day, which shall coincide with the tenth day of the maturity month; if this is a non-trading day, the maturity day shall coincide with the first subsequent trading day. The new maturity shall be quoted from the first trading day subsequent to the maturity day.
7. The clearing and guarantee of contracts shall take place according to the procedures and time limits established in the provisions implementing Article 70 of the Consolidated Law on Finance.  
Durum wheat futures provide for the delivery of the underlying at maturity under the conditions referred to in the next paragraph.
8. The physical delivery of durum wheat, of quality at least equal to that of the underlying of the contract, shall take place according to the procedures and time limits established by Cassa di Compensazione e Garanzia.
9. The settlement price of the contract shall be equal to the daily settlement price calculated by Cassa di Compensazione e Garanzia on the maturity day of the contract. Borsa Italiana may establish a different price taking account of any other objective elements that may be available.
10. Borsa Italiana shall establish limits to the position in durum wheat futures that individual intermediaries may hold, including on behalf of their clients. These limits shall be governed by intermediaries' rules of conduct.

### Article IA.9.1.20

#### *(Block trades – durum wheat futures)*

Pursuant to Article 4.7.8, paragraph 3, of the Rules, “committed cross” and “internal cross” orders may be entered with the aim of concluding contracts at a price outside the range between the best bid price and the best ask price if the order quantity is equal to or more than 100 contracts.

## Chapter IA.9.2 – Trading methods

### Article IA.9.2.1

#### *(Determination of market segments)*

Instruments traded on the IDEM market shall be divided into segments according to the nature of the underlying assets:

- the IDEM Equity segment is for trading in derivatives whose underlying assets are financial instruments, interest rates, foreign currencies or related indexes;
- the IDEX segment is for trading in derivatives whose underlying assets are **energy commodities goods** or related indexes;
- the AGREX segment is for trading in derivatives whose underlying assets are **agricultural commodities or related indexes**.

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### Article IA.9.2.2

#### *(Trading methods for the IDEM market)*

1. FTSE MIB index futures and mini-futures shall be traded using the auction and continuous trading methods, with the following trading hours:
  - 08.30 – 09.00 (9.00.00 – 9.00.59) opening auction (pre-auction, validation and opening)
  - 09.00 – 17.40 continuous tradingPursuant to Article 4.7.6 of the Rules, the pre-auction phases may end at a time within the last minute of such phases.  
The continuous trading phase shall start at the end of the opening auction phase.
2. FTSE MIB index options, FTSE MIB Dividend index futures, stock futures, stock options, and financial instruments in the IDEX segment shall be traded using the continuous trading method, with the following trading hours:
  - 09.00 – 17.40 continuous trading
3. **Durum wheat futures shall be traded using the continuous trading method, with the following trading hours:**
  - 14.30 – 17.40 continuous trading**

### Article IA.9.2.3

#### *(Duration of the volatility auction)*

1. The duration of the volatility auction shall be 3 minutes, plus a variable interval with a maximum duration of 30 seconds, determined automatically on a random basis by the trading system. This auction phase may be reiterated.

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### Article IA.9.2.6

#### *(Price variation limits)*

1. In the event that during the trading of contracts the price of the contract being concluded falls outside one of the limits referred to in Article 4.7.11 paragraphs 1b) and 1c) of the Rules, trading in that financial instrument shall be automatically suspended for one minute. During the suspension orders may not be entered or altered.
2. For the purposes of the automatic control of the regularity of trading of financial instruments traded on the **segments of the IDEM market**, ~~in the IDEM Equity and IDEX segments~~, Borsa Italiana shall establish the price variation limits referred to in paragraph 1 in the Guide to the Parameters notified in a Notice.

### Article IA.9.2.7

#### *(Iceberg orders)*

1. In the case of iceberg orders referred to in Article 4.7.5, paragraph 4, of the Rules, the partially displayed quantity must be at least equal to the number of standard contracts established in the Trading Service Manual of the IDEM market for each type of contract.

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### Chapter IA.9.3.2 - Market makers

#### Article IA.9.3.1

##### *(Register of market makers)*

1. Pursuant to Article 4.7.13 of the Rules, market makers shall be entered in the “Register of derivatives market makers” (hereinafter, the “Register”).
2. The Register shall be divided into sections corresponding to the different contracts traded and into subsections according to the type of quotation obligations to which the market maker is subject under paragraph 3.
3. **The Register shall contain the following subsections:**
  - a. ~~Market makers shall be entered in~~ the Primary Market Maker subsection, **for market makers** that are subject to continuous quotation obligations;
  - b. ~~Market makers shall be entered in~~ the Market Maker subsection, **for market makers** that are required to provide quotations upon request;
  - c. ~~Market makers shall be entered in~~ the Liquidity Provider subsection, **for market makers** that are subject to continuous quotation obligations **for the first four consecutive maturities** for MIBO options and stock options ~~for the first four consecutive maturities~~ **and for market makers that are subject to continuous quotation obligations for reduced periods for durum wheat futures.**
  - d. ~~Market makers shall be entered in~~ the Designated Market Maker subsection **for market makers** that are subject to continuous quotation obligations for weekly MIBO options.
4. Unless specified otherwise in these Instructions, market makers may apply to be entered in one of the subsections referred to in paragraph 3. For any given contract, market makers may be subject to only one type of quotation obligations.

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#### Article IA.9.3.16

##### *(Market makers for durum wheat futures)*

1. **Market makers for durum wheat futures shall be intermediaries entered in the Primary Market Maker subsection and intermediaries entered in the Liquidity Provider subsection.**
2. **Borsa Italiana shall enter the intermediaries that apply in writing in a subsection of the Register referred to in paragraph 1. They shall start operating on the date indicated by Borsa Italiana when they are entered in the Register. Borsa Italiana shall decide on applications within thirty days of receiving them.**

#### Article ~~IA.9.3.17~~ IA.9.3.19

##### *(Quotation obligations of market makers for durum wheat futures)*

1. **Market makers entered in the Primary Market Maker subsection are required to display bids and offers for all the maturities traded up to the maturity of the**

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- contract with maximum spreads and for quantities equal to at least those specified in paragraph 4.
2. **Market makers entered in the Liquidity Provider subsection are required to display bids and offers on a continuous basis for all the maturities traded up to the end of the sixth trading day prior to the maturity of the contract with maximum spreads and for quantities equal to at least those specified in paragraph 4.**
  3. **Primary Market Makers and Liquidity Providers are required to restore their quotations within two minutes of the conclusion of contracts deriving from a hit on the book.**
  4. **In displaying quotations, market makers entered in the Primary Market Maker subsection and the intermediaries entered in the Liquidity Provider subsection must fulfil the following obligations:**
    - a. **the quantity shall be at least 3 contracts;**
    - b. **the maximum difference between bid and offer prices must not be more than:**
      - **€8 for the first four maturities;**
      - **€10 for the fifth maturity;**
  5. **The quotation obligations shall begin at 14.30 and end at 17.40.**
  6. **Borsa Italiana shall verify compliance with the obligations entered into by market makers.**

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### **Article IA.9.3.17**

***(Exoneration from quotation obligations)***

1. **Borsa Italiana may temporarily relieve market makers from the quotation obligations for derivative instruments traded in the IDEM Equity segment in the following circumstances:**
  - a) **suspension from trading of the underlying financial instrument or suspension from trading of a significant percentage of the financial instruments included in the index where the underlying is an index;**
  - b) **anomalous movements in the volatility of the price or bid-ask spread of the underlying financial instrument or anomalous movements in the volatility of the underlying index;**
  - c) **any other circumstances preventing the regular performance of market making.**
2. **Borsa Italiana may temporarily relieve market makers from the quotation obligations for derivative instruments traded in the IDEX and AGREX segments in the following circumstances:**
  - a) **anomalous movements in the volatility of the derivative instrument;**
  - b) **any other circumstances preventing the regular performance of market making.**

## **Chapter IA.9.4 – IDEM specialists**

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### Article IA.9.4.1

#### *(Register of IDEM specialists)*

1. Pursuant to Article 4.7.14 of the Rules, specialists shall use companies authorised to trade in their home country.
2. Specialists shall be entered in the “Register of derivatives specialists” (hereinafter, the “Register”).
3. The Register shall be divided into sections corresponding to the different contracts traded and into subsections according to the type of quotation obligations to which the specialist is subject under paragraph 4.
4. **The Register shall contain the following subsections:**
  - a. ~~Specialist shall be entered in~~ the Primary Specialist subsection, **for specialists** that are subject to continuous quotation obligations;
  - b. ~~Specialist shall be entered in~~ the Specialist subsection, **for specialists** that are required to provide quotations upon request;
  - c. ~~Specialist shall be entered in~~ the Liquidity Provider Specialist subsection, **for specialists** that are subject to continuous quotation obligations **for the first four consecutive maturities** for MIBO options and stock options ~~for the first four consecutive maturities~~ **and for specialist that are subject to continuous quotation obligations for reduced periods for durum wheat futures.**
  - d. ~~Specialist shall be entered in~~ the Designated Specialist subsection **for specialist** that are subject to continuous quotation obligations for weekly MIBO options.
5. Unless specified otherwise in these Instructions, specialists may apply to be entered in one of the subsections referred to in paragraph 4. For any given contract, specialists may be subject to only one type of quotation obligations.
6. Exclusively for the IDEX **and AGREX** segments, the specialist shall use subjects which satisfy the requirements referred to in article IA.3.1, paragraph 1, letter c).

### Article IA.9.4.2

#### *(IDEM specialists)*

1. Depending on the instruments for which they intend to act, specialists referred to in Article 4.7.14 shall be subject to Articles IA.9.3.2, IA.9.3.3, IA.9.3.4, IA.9.3.5, IA.9.3.6, IA.9.3.7, IA.9.3.8, IA.9.3.9, IA.9.3.10, IA.9.3.11, IA.9.3.12, IA.9.3.13, IA.9.3.14, ~~and~~ IA.9.3.15, **IA.9.3.16 and IA.9.3.17.**

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### Article IA.9.4.4

#### *(Exoneration from quotation obligations)*

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1. Borsa Italiana may temporarily relieve specialists from the quotation obligations for derivative instruments traded in the IDEX **and AGREX** segments in the following circumstances:
  - a) anomalous movements in the volatility of the derivative instrument;

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- b) any other circumstances preventing the regular performance of specialist.

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### TITLE IA.3

#### PARTICIPATION OF INTERMEDIARIES IN THE MARKETS

##### CHAPTER IA.3.1 – CONDITIONS FOR ADMISSION TO TRADING AND MAINTAINING ELIGIBILITY

###### Article IA.3.1 IA.3.1.1 (*Intermediaries admitted to trading*)

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##### CHAPTER IA.3.2 – RULES OF CONDUCT

###### Article IA.3.2 IA.3.2.1 (*Restrictions on the handling of trading orders*)

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###### Article IA.3.2.2 (*Position limits in the AGREX segment of the IDEM market*)

1. Intermediaries in the AGREX segment of the IDEM market are required to comply with the following position limits:
  - a. open positions on the spot-month contract, starting from the tenth trading day preceding the maturity day of the contract;
  - b. open positions on non-spot-month contracts;
  - c. open positions on all the contracts being traded (all combined months ); established by Borsa Italiana in the Parameters Guide (limits).
2. The above limits must be complied with for the positions relating to the intermediary's activity on own account and that on the account of each of its clients. To this end intermediaries shall monitor the activity of their clients.
3. If the limit referred to in paragraph 1(a) is exceeded, the positions must be reduced by the end of the next trading day. If the limits referred to in paragraphs 1(b) and 1(c) are exceeded, the positions must be reduced promptly and in any case within three days.
4. If the positions are not reduced inside the limits in conformity with the time limits referred to in paragraph 3, Borsa Italiana may ask Cassa di Compensazione e Garanzia to close the positions relating to the intermediary.
5. For the purpose of monitoring compliance with the limits, Borsa Italiana shall acquire the information on the positions recorded in each account and subaccount from Cassa di Compensazione e Garanzia.



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6. Upon receiving a reasoned request from market makers, Borsa Italiana may temporarily exempt them from having to comply with the limits referred to in paragraph 1, without prejudice to the requirement that they comply with the limits by the end of the nearest maturity day.
7. The exemption referred to in paragraph 6 may be revoked by Borsa Italiana at any time and shall not limit Borsa Italiana's ability to apply the measures referred to in Articles 3.4.3 and 3.4.4 of the Rules.

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**Provisions in paragraph 5 will enter into force starting on [XXXXXXXXXXXX].**

**In the transition period the following apply:**

5. Intermediaries shall communicate immediately to Borsa Italiana any position that exceed the limits in paragraph 1, relating to the intermediaries activity on own account and that on the account of each of their clients, by sending a written communication to the following email address [ms@borsaitaliana.it](mailto:ms@borsaitaliana.it).

**5.bis Borsa Italiana may request market intermediaries to provide all necessary information and document also concerning transaction carried out on the markets on behalf of their clients, for the purpose of monitoring limits in paragraph 1.**

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### **Article ~~IA.3.7~~ IA.3.2.3**

*(Transmission of orders to the market)*

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### **Article ~~IA.3.8~~ IA.3.2.4**

*(Technical breakdowns in market intermediaries' systems)*

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### TITLE IA.11

#### SURVEILLANCE OF THE MARKETS

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##### **Article IA.11.1.3** **(Extraordinary procedure)**

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7. In the case of mistakes involving electricity futures traded in the **IDEX segment of the IDEM market and durum wheat futures traded in the AGREX segment of the IDEM market** resulting from the entry of a single order or quotation that led to the conclusion of one or more contracts, the conditions referred to in paragraph 1 shall be the following:
- the error correction request must be submitted to Borsa Italiana as promptly as possible;
  - the transactions to which the request refers must originate from an evident mistake;
  - the transactions to which the request refers must have prices above or below the levels established on a case-by-case basis by Borsa Italiana by calculating the theoretical “reference” prices referred to in Article IA.11.1.4 and the maximum divergence thresholds beyond which prices are to be considered abnormal referred to in Article IA.11.1.5, paragraph 7;
  - for electricity futures**, the amount referred to in Article 4.9.3, paragraph 4(c), of the Rules must exceed the values shown in the following table;

<i>Electricity futures</i>	Loss limit (€)
<i>Monthly futures</i>	25,000
<i>Quarterly futures</i>	50,000
<i>Annual futures</i>	100,000

- for durum wheat futures, the amount referred to in Article 4.9.3, paragraph 4(c), of the Rules must exceed €25,000.**
8. In the case of mistakes involving electricity futures traded in the **IDEX segment of the IDEM market and durum wheat futures traded in the AGREX segment of the IDEM market** resulting from the entry more than one order or quotation that led to the conclusion of a number of contracts that can be traced back to the original error, the conditions referred to in paragraph 1 shall be the following:
- the error correction request must be submitted to Borsa Italiana as promptly as possible;
  - the transactions to which the request refers must originate from an evident mistake;
  - the interval between the conclusion of the first and last contracts to which the request refers must not be more than 60 seconds;
  - the transactions to which the request refers must have prices above or below the levels established on a case-by-case basis by Borsa Italiana by calculating the

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theoretical “reference” prices referred to in Article IA.11.1.4 and the maximum divergence thresholds beyond which prices are to be considered abnormal referred to in Article IA.11.1.5, paragraph 8;

e) the amount referred to in Article 4.9.3, paragraph 4(c), of the Rules must exceed:

- **€100,000 for electricity futures;**
- **€50,000 for durum wheat futures.**

9. Borsa Italiana shall promptly inform the applicant where the request for activation of the extraordinary procedure is refused, giving the reasons for the refusal.

### **Article IA.11.1.4**

*(Determination of the theoretical “reference” prices)*

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6. The theoretical price for electricity futures traded in the **IDEX segment of the IDEM market and durum wheat futures traded in the AGREX segment of the IDEM market** shall be determined by Borsa Italiana on the basis of one or more of the following parameters:

- the average calculated separately for the bid prices (in the case of a mistake by the seller) or the ask prices (in the case of a mistake by the buyer) of the bid-ask quotations supplied, at the explicit request of Borsa Italiana, by at least one of the most active intermediaries in the market;
- the arithmetic mean of a maximum of six successive contracts concluded on the same day, chosen from among those concluded before or after the mistake;
- the last applicable control price.

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8. The theoretical reference prices determined pursuant to this article shall be rounded to two decimal places with respect to the last figure of the tick of the financial instrument.

9. The market makers and intermediaries consulted by Borsa Italiana in order to determine the theoretical prices shall be selected from among those not directly or indirectly affected by the error being corrected.

### **Article IA.11.1.5**

*(Determination of the maximum divergence thresholds)*

1. Following the determination of the theoretical prices, the prices of the contracts at which the extraordinary error handling procedure may be applied shall be calculated, i.e. all the prices respectively above or below the theoretical reference price reduced or increased by the maximum divergence threshold, as determined in the following paragraphs.

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7. The maximum divergence for electricity futures **traded in the IDEX segment of the IDEM market and for durum wheat futures traded in the AGREX segment of the**

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**IDEM market** in the event of mistakes referred to in Article IA.11.1.3, paragraph 7, as a result of errors committed in the continuous trading phase shall be established on the basis of the following table:

<b>IDEX segment: electricity futures</b>	Divergence
<i>Monthly futures</i>	3%
<i>Quarterly futures</i>	2%
<i>Annual futures</i>	1%

	<b>Divergence</b>
<b>AGREX segment: durum wheat futures</b>	<b>5%</b>

8. The maximum divergence for electricity futures **traded in the IDEX segment of the IDEM market and for durum wheat futures traded in the AGREX segment of the IDEM market** in the event of mistakes referred to in Article IA.11.1.3, paragraph 8, as a result of errors committed in the continuous trading phase shall be established on the basis of the following table:

<b>IDEX segment: electricity futures</b>	Divergence
<i>Monthly futures</i>	1.5%
<i>Quarterly futures</i>	1%
<i>Annual futures e</i>	0.5%

	<b>Divergence</b>
<b>AGREX segment: durum wheat futures</b>	<b>5%</b>

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11. The values of the prices determined pursuant to this Article shall be rounded to the nearest tick of the same financial instrument.