THE IDEM

CHARACTERISTICS AND RISKS
OF
IDEM EQUITY AND INDEX OPTIONS

For Limited Distribution in the
United States to Qualified Broker-Dealers
and Qualified Institutions

MERCATO ITALIANO DEI DERIVATI
("Italian Derivatives Market,"
a Division of The Borsa Italiana S.p.A.)

[Effective Date May 16, 2012]

Options offered at the Mercato Italiano dei Derivati (the Italian Derivatives Market or "IDEM") have not been registered under the U.S. Securities Act of 1933 (the "Act") or any state securities law. Neither this document nor the options have been approved or disapproved by the U.S. Securities and Exchange Commission ("SEC") or any state securities commission. This document is not a solicitation of orders for transactions on the IDEM, nor does it constitute investment advice.

This document is intended for distribution only to "**Qualified Broker-Dealers**" and "**Qualified Institutions**" in the United States. To be Qualified, each such entity must have had prior actual experience in the U.S. domestic options markets. In addition, such entities must meet the same qualifications as a "qualified institutional buyer" under Rule 144A of the Act as promulgated by the SEC or as an entity excluded from the definition of "U.S. person" by Rule 902(k)(2)(vi) of Regulation S under the Act.

Accordingly, qualification generally requires that a Qualified Broker-Dealer be registered as such with the SEC and must in the aggregate own and invest on a discretionary basis at least U.S. $10 million of securities (as defined and provided in Rule 144A of the Act). A Qualified Institution either must fall within one of the categories of entities listed as qualified institutional buyers in Rule 144A of the Act and in the aggregate own and invest on a discretionary basis at least U.S. $100 million in securities (as defined and provided in Rule 144A of the Act), or, alternatively, must be a specified international organization as provided in Rule 902(k)(2)(vi) of Regulation S under the Act.

Members of the Borsa Italiana S.p.A. (the "**Borsa Italiana**"), the entity that organizes and manages the Italian Stock Exchange and its division, the IDEM (collectively, the "**Exchange**"), will be advised that they may execute opening options transactions with or for a person located in the United States only if that person is a Qualified Broker-Dealer or a Qualified Institution, acting for its own account or the accounts of other Qualified Broker-Dealers or Qualified Institutions or the accounts of non-U.S. persons within the meaning of Rule 902(k)(2)(i) of Regulation S under the Act. Appropriate documentation will be required for this purpose.

The IDEM is governed by rules and trading procedures that are contained in the "Rules of the Markets Organized and Managed by the Italian Exchange" and by the accompanying Instructions – which are implementing provisions approved by the Borsa Italiana's Board of Directors – thereto, adopted in their current version by the Borsa Italiana's shareholders on October 7th 2011, and approved by the Commissione Nazionale per le Società e la Borsa (the National Commission for Companies and the Borsa, or the "Consob") of November 24th 2011 (the "Exchange Rules") and effective as of November 25th 2011 (Announcement of Borsa Italiana n. 200034). The IDEM's Central Counterparty, Cassa di Compensazione e Garanzia (the "CC&G") clears transactions made on the IDEM in accordance with its Regulations. (Copies of the Exchange Rules, the relevant Instructions, and the CC&G Regulations are available for review, in Italian and in English, at the main offices of the Borsa Italiana in Milan, Italy and on the companies' websites www.borsaitaliana.it and www.ccg.it). A representative at that office will be available to Qualified Broker-Dealers and Qualified Institutions during normal business hours to respond to inquiries of a general or specific nature concerning the IDEM, or the Exchange in general, but not to give advice or receive or direct orders concerning options traded on the IDEM.

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1. INTRODUCTION

The Exchange was founded in 1808. The IDEM was organized in 1994 under the laws of Italy as the equity derivatives market of the Exchange. The IDEM commenced trading operations on November 28, 1994 with the introduction of the MIB 30 Index Futures Contract, replaced in September 2004 by the S&P/MIB index, calculated and managed by Standard and Poor's, and on June 1st 2009 by FTSE MIB following the migration of the index provider from Standard and Poor's to FTSE International Limited. As the primary equity derivatives exchange in Italy, the IDEM has become an integral part of the Italian securities markets. Trading on the IDEM is conducted through an electronic trading system. This document refers to two types of options that are traded on the IDEM: options on individual stocks that are listed and traded on the Exchange ("**Equity Options**") and options on the FTSE MIB Index ("**Index Options**") (Equity Options and Index Options may be referred to herein collectively as "**Options**"). Index Options contracts with monthly, quarterly, half-yearly and annual maturities are referred to as "**MIBO options**" and contracts with weekly maturities are referred to as "**weekly MIBO options**".

Regulatory Framework

The regulatory framework of the Exchange is governed by: (1) Legislative Decree 58 of February 24, 1998; (2) Consob Regulation No. 11768 of December 23, 1998 as amended and (3) the Exchange Rules.

With respect to the regulatory framework of the Exchange, the Exchange was privatized at the beginning of 1998 and the Borsa Italiana has assumed many of the responsibilities previously held by the Consob.[1/] In 2007 Borsa Italiana and London Stock Exchange merged into London Stock Exchange Group.

Consob is the public authority responsible for regulating the Exchange and for supervising the Exchange and Borsa Italiana with the aim of ensuring the transparency of the markets, the orderly conduct of trading and the protection of investors.

Furthermore, Consob is the competent authority for ensuring:

- transparency in the conduct of business by securities market participants regarding their trading activities in the markets (including reporting obligations to the Consob and disclosure requirements by intermediaries to clients) and correct behavior by securities market participants;
- disclosure of complete and accurate information to the investing public by listed companies;
- accuracy of the facts represented in the prospectuses related to offerings of transferable securities to the investing public;
- compliance with regulations by auditors registered with and regulated by Consob.

The Consob also conducts investigations with respect to potential infringements of laws relating to insider dealing and market manipulation.

As of the date of publication of this document, the Board of Directors of the Borsa Italiana is responsible for: (a) organizing and creating rules governing the markets; (b) creating and maintaining supervisory procedures to ensure proper functioning of the markets; (c) approving the types of derivative contracts to be traded and the trading methods; (d) the dissemination of market and listed company information; and (e) the calculation and management of all stock indices, except the FTSE MIB Index calculated and managed by FTSE International Limited and disseminated by the Borsa Italiana. The President and Chief Executive Officer of the Borsa Italiana is exclusively responsible for: (a) the admission, exclusion and suspension of financial instruments and intermediaries to, and from, trading; and (b) the surveillance of the market, including monitoring market conditions and operations. If in the course of its surveillance activities the Borsa Italiana detects evidence of potential trading abuses (i.e., allegations of insider trading or market manipulation) the Borsa Italiana reports evidence of such activities to the

1/ The privatized Exchange came into full operation on January 2, 1998 after it received authorization to engage in business by the Consob. In granting such authorization, the Consob verified that (i) the Exchange's rules were in compliance with European community law, and (ii) such rules would promote the Exchange's three objectives of supervision: transparency, orderly trading conditions and the protection of investors. Although the Exchange is now privatized, it still remains subject to the regulatory oversight of the Consob.

Consob, which has the primary responsibility for conducting investigations and bringing enforcement actions in such matters.

In addition to the supervisory activities conducted by the Board of Directors, the Bank of Italy and Consob also exercise supervisory powers over investment firms and banks. Specifically, with respect to investment firms and banks, the Bank of Italy regulates: (a) capital adequacy; (b) risk management procedures; (c) permissible holdings; (d) administrative and accounting procedures; and (e) internal control mechanisms, while the Consob regulates: (a) the rules of conduct to be observed in dealings with customers, especially in terms of conflict of interest; (b) minimum information requirements; and (c) records of orders and transactions, and is responsible for investigations and enforcement relating to trading abuses.

IDEM Options

The prices for Equity and Index Options are publicly quoted, and the Options are bought and sold, in euros. All transactions creating or closing positions in such Options are executed at the Exchange by members of the IDEM. The trades are settled at CC&G. The underlying shares of the Equity Option, if the Equity Option is exercised, are physically settled through the Settlement System (Express II) managed by the Central Securities Depository ("Monte Titoli"). The Index Options are cash settled at CC&G. Options are not evidenced by certificates, although transactions and positions are recorded in statements from CC&G to clearing members and statements by members to customers.

IDEM Equity and Index Options are not fungible or interchangeable with options that are traded on any other market. Thus, any IDEM Equity and Index Option position recorded in CC&G statements can be closed only on the IDEM or exercised by a customer (through a clearing member) giving a notice of exercise to CC&G.

Equity Options and Index Options are further discussed in greater detail in Sections 4 and 5. Options on other types of underlying assets are, and may in the future be, traded on the IDEM, but they are not presently intended for use by U.S. entities to whom this document is made available and therefore are not addressed in this document.

The potential risks which apply generally to all aspects of options transactions are assumed to be known to readers of this document. This document's purpose is to introduce experienced and sophisticated U.S. registered broker-dealers and large U.S. institutions to the special aspects, requirements and risks involved in trading IDEM Equity and Index Options. Such entities considering these instruments must have had actual prior experience in options investment in the U.S. markets and therefore be familiar with the risks of all options investments and the differences between American and European-style options.

This document does not suggest or recommend any types of investment strategy. It is limited to a descriptive overview of the IDEM, IDEM Equity Options and Index Options, the clearing and guarantee services provided by CC&G, the Italian central counterparty, and risks unique to foreign options transactions.

2. OPERATION OF THE IDEM MARKET

General

The Borsa Italiana operates and manages the Exchange, which includes the IDEM and the underlying equity markets which consist of the primary Italian equity market referred to as the Mercato Telematico Azionario ("**MTA**").

Trading in IDEM Equity and Index Option contracts is effected through an electronic trading system.

The underlying stocks for Equity and Index Option contracts are traded on the MTA. The MTA market is electronic, fully automated and order driven, and takes place on a different trading system than that used on the IDEM. The trading session consists of an opening auction (8:00 a.m. – 9:05 a.m.) followed by a continuous trading session running from 9:05 a.m. until 5:25 p.m. Central European Time ("**CET**") and the closing auction from 5:25 p.m. to 5:35 p.m.. The Exchange's clearing functions are carried out by CC&G, the Italian Central Counterparty. In April

2000, the Borsa Italiana acquired a majority ownership stake (approximately 60%) in CC&G and now owns approximately 86% of CC&G.

The IDEM currently lists Equity Option contracts on 47 equity securities of companies listed on the MTA as well as options contracts on the FTSE MIB Index. In 2011, the average daily trading volume on IDEM was 104,894 Equity Option contracts and 13,756 Index Option contracts.

Market Participants

Market Making on the IDEM

Market makers on the IDEM market contribute to the liquidity of the market and the efficiency of the price discovery process through their quoting activity.

Market makers display bids and offers on a continuous basis or respond to "request for quotes" depending on their market making status. To facilitate their market making functions market makers are permitted to use enhanced application provider interfaces ("APIs") to enter two-sided orders or mass quotations. Market makers are also provided discounts from trading fees on all contracts traded in their proprietary trading account just for products on which they perform market making activity, as described below. Finally, market makers are provided with the "Market Maker Protection" functionality that allows them to automatically pull their quotes during fast market phases, therefore enhancing the operational risk management of their trading positions.

Members can serve in four different market making categories (each category is discussed in more detail below):

1. Primary Market Maker: a Primary Market Maker is required to display bids and offers on a continuous basis for the first four consecutive maturities for stock options and for the first seven consecutive maturities for index options. For stock options belonging to the "Focus Group", a group of the most liquid stock options reviewed annually by the Exchange and whose names are published in the "Avvisi di Borsa Italiana" available on the Borsa Italiana's website the fifth and the sixth maturities also need to be quoted. Primary Market Makers receive a 60% fee discount for market making in index options and a 80% discount for market making in stock options.

2. Liquidity Provider: a Liquidity Provider is required to display bids and offers on a continuous basis for the first four consecutive maturities and for the same number of series and quantities required for the Primary Market Maker on those maturities on both stock and index options contracts. Liquidity Providers receive a 30% discount for index options and a 20% discount for stock options.

3. Market Maker: a Market Maker is required to respond to request for quotes (RFQ) for all listed maturities, up to 5 years for index options (12 maturities), up to 3 years for long-dated stock options (those underlyings that have maturities greater than 1 year), and up to 1 year for those underlyings that only have maturities up to 1 year. Market Makers receive a 60% fee discount for index options and a 40% discount for stock options.

4. *Designated market maker*: a designated market maker is required to display bids and offers on a continuous basis on weekly MIBO options contracts. The designated market maker receives a 60% fee discount for weekly MIBO options contracts.

The following is a description of the specific market making obligations for each category of market maker.

I. Market Makers

With the aim of improving the liquidity of the derivative instruments traded, Borsa Italiana may provide for the participation of market makers that undertake to display bids and offers for minimum quantities of contracts.

As of April 15th, 2012, there were 13 market makers in the FTSE MIB Index Options, and 17 market makers in the Equity Options.

In accordance with Art. 4.7.13 and Art. 4.7.14 of the Rules (the latest version of which are available on the Borsa Italiana's website www.borsaitaliana.it), firms that serve in one of the three categories of market makers for Equities and Index Options are intermediaries that are identified in the following subsections of the "Register of derivatives market makers" (the "**Register**"): Primary Market Maker, Liquidity Provider, and Market Maker ("**Listed Market Makers**").

Market makers for "*MIBO options*" contracts shall be intermediaries that are identified in the Primary Market Maker subsection of the Register, intermediaries identified in the Market Maker subsection of the Register and intermediaries identified in the Liquidity Provider subsection of the Register. Market makers for "*weekly MIBO options*" contracts shall be intermediaries identified in the Designated Market Maker subsection of the Register.

A. Market Making on "MIBO options"

1. Market makers identified in the Primary Market Maker subsection of the Register are required to display bids and offers on a continuous basis for the first seven consecutive maturities for the following series of FTSE /MIB index call and put options:

   a. the at-the-money series and the first four out-of-the-money series for call options and the at-the-money series and the first four out-of-the-money series for put options;

   or

   b. the first five out-of-the-money series for call options and the first in-the-money series, the at-the-money series and the first three out-of-the-money series for put options;

   or

   c. the first in-the-money series, the at-the-money series and the first three out-of-the-money series for call options and the first five out-of-the-money series for put options.

   The above obligations must be fulfilled for the following quantities:

   - at least fifteen contracts for the first three consecutive maturities;
   - at least ten contracts for the fourth, fifth and sixth maturities:
   - at least five contracts for the seventh maturity.

   Primary Market Makers are required to restore their quotations within two minutes of a hit on the book.

2. Market makers identified in the Liquidity Provider subsection of the Register are required to display bids and offers on a continuous basis for the first four consecutive maturities and for the series referred to in paragraph A.1 above for quantities equal to at least:

   - fifteen contracts for the first three consecutive maturities;
   - ten contracts for the fourth maturity.

3. Market makers identified in the Market Maker subsection of the Register are required to respond to requests for quotations for all the maturities listed and for quantities equal to at least ten contracts for the at-the-money series, the first five in-the-money series and the first five out-of-the-money series for call and put options. Market makers are required to respond to requests for quotations within two minutes of their being made; the response must remain on the book for at least thirty seconds. On the sixth and fifth trading days before the expiry day the obligations referred to in this paragraph A.3 for the nearest maturity must be fulfilled for the following call and put series: the at-the-money series, the first two in-the-money series and the first two out-of-the-money series. The quotation obligations for the nearest maturity shall cease to apply on the fourth trading day before the expiry day.

B. *Market Making on "weekly MIBO options"*

Market makers identified in the Designated Market Maker subsection of the Register are required to display bids and offers on a continuous basis for the following call and put series of the weekly MIBO options contract:
a. until the Wednesday preceding the maturity day: seven consecutive series within a range of strike prices defined by the at-the-money series, one in-the-money series and seven out-of-the money series;

b. on the Thursday preceding the maturity day: five consecutive series within a range of strike prices defined by the at-the-money series, one in-the-money series and five out-of-the money series.
The above obligations must be fulfilled for the following quantities:
- at least ten contracts until the Wednesday preceding the maturity day;
- at least five contracts on the Thursday preceding the maturity day .

In displaying the bids and offers referred to above, Listed Market Makers must observe the maximum spreads determined by Borsa Italiana and indicated in the Instructions accompanying the Rules.

Listed Market Makers are monitored by Borsa Italiana to verify compliance with these standards.

C. Market Making on single stock options

1. For options contracts whose underlying belongs to the "Focus Group"**,** Market makers identified in the Primary Market Maker subsection of the Register are required to display bids and offers on a continuous basis for the first six consecutive maturities for the following series of call and put stock options:

   a. the at-the-money series and the first three out-of-the-money series for call options and the at-the-money series and the first three out-of-the-money series for put options;

   or

   b. the first four out-of-the-money series for call options and the first in-the-money series, the at-the-money series and the first two out-of-the-money series for put options;

   or

   c. the first in-the-money series, the at-the-money series and the first two out-of-the-money series for call options and the first four out-of-the-money series for put options.

For options contracts whose underlying does not belong to the "Focus Group", market makers identified in the Primary Market Maker subsection of the Register are required to display bids and offers on a continuous basis for the first four consecutive maturities for the following series of call and put stock options:

a. the at-the-money series and the first three out-of-the-money series for call options and the at-the-money series and the first three out-of-the-money series for put options;

or

b. the first four out-of-the-money series for call options and the first in-the-money series, the at-the-money series and the first two out-of-the-money series for put options;

or

c. the first in-the-money series, the at-the-money series and the first two out-of-the-money series for call options and the first four out-of-the-money series for put options.

Market makers identified in the Primary Market Maker subsection of the Register shall fulfil the obligations referred to in paragraph B.1 for a minimum number of contracts equal to one of the following values: 10, 20, 30, 40, 60, 80, 100, 120, 140 or 160 contracts. Borsa Italiana shall divide the underlyings of the option contracts into classes of liquidity on the basis of the volume of trading of the underlying on the MTA market, the multiplier of the option contract, and the price and historical volatility of the underlying. Each class of liquidity shall be assigned a minimum number of contracts for which Primary Market Makers are required to quote.

Primary Market Makers are required to restore their quotations within two minutes of a hit on the book.

2. Liquidity Providers are required to display bids and offers on a continuous basis for the four consecutive maturities and for the same quantities and series as are applicable for Primary Market Makers.

3. Market makers identified in the Market Maker subsection of the Register are required to respond to requests for quotations:

- for the first six consecutive maturities: the at the money series, the first five in-the-money series and the first five out-of-the-money series for call and put options:
  - for at least forty contracts for the underlyings in the “Focus Group”;
  - for at least twenty contracts for other underlyings;

- for the maturities that follows the sixth: the at the money series, the first two in-the-money series and the first five out-of-the-money series for call and put options, for at least twenty contracts.

Market makers are required to respond to requests for quotations within two minutes of their being made; the response must remain on the book for at least fifteen seconds.

In displaying the bids and offers referred to above, Listed Market Makers must observe the maximum spreads determined by Borsa Italiana and indicated in the Instructions accompanying the Rules and communicated with the Notice.

Listed Market Makers are monitored by Borsa Italiana to verify compliance with their minimum market maker requirements.

II. IDEM specialists

With the aim of improving the liquidity of the derivative instruments traded, Borsa Italiana may provide for the participation of specialists, other than Listed Market Makers, that undertake to display bids and offers for minimum quantities of contracts. For the purpose of performing this activity, specialists shall use other intermediaries affiliated with the specialist possessing the qualifications indicated in the Instructions accompanying the Rules (in particular, specialists use a company belonging to the same corporate group and authorised to trade in their home country to perform their liquidity provider functions). Specialists are entered in the “Register of derivatives specialists” divided into categories corresponding to the different contracts traded according to the type of quotation obligations. Specialists have the same market making obligations, technology rights and fee discounts applicable to the corresponding categories of Market Makers described above. The three categories of Specialists are: Primary Specialist, Specialist, and Liquidity Provider Specialist.

III. Market Intermediaries

The types of intermediaries authorized to trade on the Exchange (cash and equity derivatives) are Italian securities firms known as “Società di Intermediazione Mobiliare” or “**SIMs**” and banks which can act in a dual capacity (*i.e.*, for both proprietary and customer accounts) and stockbrokers who are only permitted to trade on behalf of customers. Pursuant to implementation of the EU Directive (the First Investment Directive) at the end of 1996, European financial institutions and banks are able to trade directly on the IDEM through their own accounts and on behalf of their clients. Further also non EU investment firms and banks are able to participate in the Exchange if they are authorized by the Italian competent authorities (Consob and Bank of Italy, respectively). All Italian intermediaries are subject to the regulation and supervision of both the Consob and the Bank of Italy. In particular, Consob supervision is aimed at promoting fair trade practices and transparency in intermediaries’ relations with investors. The Bank of Italy verifies capital adequacy, risk management procedures and internal control structures.

As of mid-1999, intermediaries that engage exclusively in trading financial instruments for their own account and that participate indirectly in the clearing and settlement guarantee system (“**Non ISD Local Firms**”), have been authorized to trade on the Exchange. In order to be admitted for trading on the Exchange, Non ISD Local Firms must (i) have their registered office in an EU member state, (ii) be authorized to trade in an EU market, (iii) be subject in their home country to supervision by a public authority or a body recognized by a public authority with which Consob has entered into agreements for the supervision of their activity in the Italian markets, and (iv) be subject in their home country to capital, experience and integrity requirements for corporate officers and shareholders equivalent to those laid down in EU laws and regulations for intermediaries dealing in financial instruments.

SIMs and banks trading for their own accounts on the IDEM must meet specific capital and concentration ratios established by Bank of Italy to guarantee a certain level of capital adequacy to cover the risks relating to positions taken in Options. Capital ratios cover position risk relating to the fluctuations in prices of the securities that make up the FTSE MIB Index (market or systematic risk) and/or the characteristics and position of the issuer (specific risk). The capital under consideration for surveillance purposes must at least provide for the overall coverage requested (verification take places daily).

Prior to trading on the IDEM, market intermediaries, but not eligible U.S. customers or U.S. intermediaries (which are viewed as customers of the CC&G member), must become CC&G members. There are three types of membership: general, individual, and non clearing members. The types of CC&G memberships are discussed in further detail in Section 7.

<u>Trading Procedures</u>

The electronic trading system used on the IDEM is based on the SOLA system which is currently used in various other futures and options markets.

Access to the trading system can be obtained directly through the terminals provided to users, or indirectly through users' own front-office systems (using application program interfaces). The latter permits the use of information, analytical and trading functions specifically developed by the user.

Trading on the IDEM is continuous and all orders and quotes entered in the electronic order book are sorted according to the best prices and the time an order was entered. Thus, if two orders are entered at the same time, priority will be given to the order with the better price. Market orders are matched first with the best prices available at the time entered. When a buy and sell order match, the transaction is automatically executed.

The hours of continuous trading on the IDEM market are 9:00 a.m. to 5:40 p.m. CET for the Index Options and Equity Options.

During continuous trading, all trading and information functions are available to users. In addition, during this period, the system also manages the give-up facility and sends information on executed transactions to CC&G.

Traders may enter four types of orders into the system:

Single Orders

Both market orders and limit orders for Options are placed in the electronic order book. Market orders are matched first within the current best available prices and limit orders are placed according to their target execution price. In addition, market participants may specify certain timing and quantity parameters (*e.g.,* "good until cancelled," "fill-or-kill," etc.).

Combination Orders

The IDEM's electronic trading system is capable of handling combination ("combo") orders, which entails the execution of multiple separate orders (i.e., with different strike prices or expirations). The system handles combo orders automatically using algorithms based upon the best prices available in the "combo" and the legs order books, which guarantees the execution of the legs of the combination if the legs can be matched simultaneously.

Market intermediaries can place two types of combo orders: "Non-standard combination" and "Tailor-made combination".

Non-standard combo orders are user-defined combinations, of two or more legs relative to different contract series which must be executed simultaneously, which must be entered with a "fill-or-kill" parameter.

"Tailor-made combination orders" ("Flexco orders"); permit market participants to create non-standard combinations of up to a maximum of 2 legs involving different series, which must be executed simultaneously. Borsa Italiana may, from time to time, change the number of legs eligible to be entered as part of a Flexco order and all such changes will be notified to market participants on the Borsa Italiana's website. In particular, the operational strategies that may be entered as Flexco orders can include derivative contracts on the same underlying or on different underlyings provided the value of the index point or the number of shares underlying the contracts is the same. The Borsa Italiana periodically issues a Borsa Italiana Notice specifying the maximum number of different series and the list of financial instruments that can be associated in operational strategies that may be entered as

Flexco orders. Flexco orders create a special trading book for the specified combination, (if this is not already present in the system from another market participant Flexco order) on which the orders shall be displayed. Flexco orders shall be executed: a) through automatic matching with "single orders" corresponding to the underlying legs of the Flexco order present in the market; or b) on the special trading book, through automatic matching with other Flexco orders present on that book.

Internal and Interbank Cross Orders

Cross orders can be executed on all derivatives products traded on the IDEM. There are two types of Cross Orders, Interbank Cross orders and Internal Cross orders.

"Interbank Cross" orders may be entered with the aim of concluding contracts where the counterparties to the trade are two different intermediaries, provided the price is between the best bid price and the best ask price, excluding such prices.

"Internal Cross" orders may also be entered with the aim of concluding contracts where a single intermediary that enters the orders trades two client orders against each other or the intermediary takes the opposite side of the client order, provided the price is between the best bid price and the best ask price, excluding such prices.

Block Trades

The IDEM Rules include a block trade provision related to FTSE MIB Index Options and single stock options. The Rules provide for block trades as follows:

Block trades –FTSE MIB Index Options

"Interbank Cross" and "Internal Cross" orders may be entered with the aim of executing contracts at a price outside the range between the best bid price and the best ask price if:

- the order is for more than 100 contracts; and
- the difference between the order price and the best prices on the trading book is not more than 10 per cent.

Block trades – stock options

"Interbank 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 or more than 1000 contracts; and
- the difference between the order price and the best prices in the trading book is not more than 10 per cent.

Stop Loss Orders

Single orders may also specify the "stop-loss" method of execution. This consists in the entry of an order that remains dormant until the market price of a financial instrument traded on the IDEM market reaches the (trigger) price chosen by the approved intermediary, in accordance with the instructions of the client, on entering the stop-loss order. The subject of the orders activated when the trigger price is reached may be a derivative instrument different from the financial instrument to which the trigger price refers. Stop-loss orders are activated when the market price is equal to or higher than, or equal to or lower than, the trigger price, depending on the condition specified by the intermediary, in accordance with the instructions of the client, on entering the order. When entering stop-loss orders, intermediaries, in accordance with the instructions of their client, may choose the market price to be compared with the trigger price from among: the last price, the best bid price and the best ask price. Orders that have not been activated at the end of the session shall be automatically cancelled.

Borsa Italiana shall periodically issue a Notice listing the derivative financial instruments to which the trigger price may be referred where they are different from the derivative instrument that is the subject of the stop-loss order that is activated. Such Notices are available at (http://www.borsaitaliana.it/quotazioni/derivati/primopiano/comunicatiidem.en.htm).

An additional benefit of the IDEM electronic trading system is the comprehensiveness of the information functions available and, in particular, the system's links with the underlying market. As a result of these functions, the windows-based system allows traders to easily manage orders entered into the system and receive all general and specific information relating to the derivatives market and the shares that make up an Index. Furthermore, reports on executed trades are received by traders in real time.

Generally, the information available on the IDEM's trading system includes information on prices, price depth, order depth, market statistics and all concluded trades. More specific information also is available for the trader on all orders entered. This information allows a trader to modify, cancel, activate or deactivate orders. Moreover, an order history function allows a trader to reconstruct the history of all orders entered by such trader or other traders in a firm.

Finally, users can take advantage of application program interfaces (API) to connect their front office and back office systems directly to the system. The front office connections permit the automatic entering of orders, while the back office connections are available for all products traded on the IDEM. These connections provide information such as the daily list of new instruments introduced, data on new or expiring series, orders executed during the day, daily settlement prices, clearing reports, exercise request history and exercise and assignment reports.

Trading Halts

For the purpose of the automatic control of the regularity of trading, the following trading parameters are defined for Options traded on the IDEM:

A maximum variation of the price of trades with respect to the control price and a maximum price variation between two consecutive trades is defined for each option series. The control price is generally the same as the official price of the derivative instrument which is calculated by CC&G, but in order to ensure regular trading, Borsa Italiana may change the control prices. The attempt to conclude trades with prices outside the established limits, leads to an automatic suspension of trading in the instrument series for one minute ("Circuit Breaker"). The suspension and the resumption of trading is communicated to the market. During the suspension no trades can be concluded or orders entered for the instrument series. The trading parameters can be changed anytime by Borsa Italiana, if necessary.

Trading in any Equity Option may be halted temporarily when trading in the underlying security has been suspended on the cash market.

Trading in Index Options may be halted if market conditions or other circumstances (such as technical problems with the electronic trading system for the cash market) prevent or interrupt timely calculation of the FTSE MIB Index.

During a trading halt, no new position may be opened. In addition, when trading in an underlying security and Option on such security has been suspended, exercise notices on such Option might be suspended as well. Trading in Options is not suspended, however, in the event that CC&G requests intra-day margin payments from clearing members.

Trade Reporting and Matching

The trading system automatically records all transactions and sends them to members' accounts at CC&G.

All responsibilities with respect to guarantee and clearing functions of IDEM products are performed by CC&G, an Italian joint-stock company formed on March 31, 1992. CC&G is currently subject to the control of the Borsa Italiana, which acquired a majority ownership stake in CC&G in April 2000. Among other activities, CC&G has been the central counterparty on the cash equity markets (MTA) since May 23, 2003 and on the cash wholesale Italian bond market (MTS) since December 16th, 2002. CC&G and clearing and settlement procedures are discussed in further detail in Section 7.

Data Dissemination

A range of information on IDEM Equity and Index Options is made available by the Exchange's data distribution system, the "DDM" (Diffusione Dati di Mercato), to the public via a number of data vendors such as REUTERS and Bloomberg. Many of these data vendors offer this information to subscribers in the U.S. The information that is made publicly available on each series of Equity and Index Options includes (real time, at the end of the session or Official List):

1. Exercise price and expiration month.
2. Current bid and offer for, and corresponding quantities for, the best five prices of each series.
3. Premium price of last contract sale of previous session, and price of first contract in current session.
4. Current total of contracts sold.
5. Aggregate open interest as of the previous day's close.
6. Previous day's volume in numbers of contracts.
7. Previous day's closing premium bid and offer prices.
8. Closing prices for each option series.

All prices are quoted in euros (equity options) or index points (index options).

Broker Responsibilities

Except for stockbrokers, members of the IDEM acting as brokers for customers also may trade for their own accounts. However, members have a duty at all times to deal to the customer's best advantage. Brokerage firms in Italy are regulated by the Consob and Bank of Italy.

Segregation of Funds

Italian law requires that in providing financial services, the financial instruments and funds of individual customers held in any capacity by an investment firm, and the financial instruments of individual customers held in any capacity by a bank must be held separately in every respect from the assets of the intermediary and from those of other customers. Actions with respect to such assets may not be brought by or on behalf of creditors of the intermediary. Creditors of individual customers may bring actions, but only up to the amount of the assets owned by such customers.

Legal and court-ordered set-offs shall not apply to accounts referring to financial instruments or funds deposited with third parties and agreements may not be made for their set-off against claims of the depository or the sub-depository on the intermediary or the depository. Except where customers have agreed in writing, the investment firm or bank may not use, on its own behalf or on behalf of third parties, financial instruments belonging to customers that they hold in any capacity. Nor may the investment firm use, on its own behalf or on behalf of third parties, funds belonging to customers which it holds in any capacity.

Broker Insolvency

The Italian markets have in place a "compensation fund" called the National Guarantee Fund (the "**Fund**") which is an Institution established pursuant to Article 15 of Law 1/1991, which has legal existence under private law and autonomous capital under Article 2.1 of Law 598/1994 and Article 62.1 of Legislative Decree 415/1996 (http://www.fondonazionaledigaranzia.it/HomeEng.htm). The Fund is not managed by CC&G or Borsa Italiana. Its function is to compensate investors should an investment firm go into bankruptcy and be unable to repay its clients. The Fund has been in operation since 1991 and is regulated by the Italian Treasury. The Fund is financed by intermediaries. The compensation made through the Fund covers up to a maximum of 25% of the total credit held by each client at the insolvent firm. The Fund covers both regulated and over-the-counter market transactions.

Default of Clearing Members

CC&G has rules and procedures that apply in the event of default of one of its members. Such rules and procedures are discussed in detail in Section 7.

3. SPECIAL FACTORS IN INVESTING ABROAD USING IDEM CONTRACTS

In addition to the general risks inherent in buying and writing traded options, including market supply and demand effects on the liquidity of particular options series, special risk factors are present and should be considered in transacting in options outside the U.S. Generally, these factors include differences in the currency, in time zones, in settlement periods and procedures, in market features and in certain option features. While there are features of its operation and self-regulation which the IDEM has in common with U.S. options exchanges, there are some important differences specific to the IDEM, particularly in the allocation of investigatory and enforcement authority between the IDEM and Consob. Significant differences in market, contract and settlement features, and regulatory framework are described in separate sections of this document. Additional significant factors are referred to below.

Currency Exchange Rates

As all Equity and Index Option premiums, settlements and exercises are payable only in euro, a U.S. investor should take into account the exchange rate between the U.S. dollar and the euro. Any movement in the U.S. dollar buying and selling rates for such currency may alter profit and loss profiles for any IDEM Options position or strategy. As U.S. dollars or dollar-denominated securities are not accepted as margin for written positions on the IDEM, an exchange rate change should not affect the accepted amount of margin required, but could alter the cost to a U.S. investor of the required margin. It should especially be noted that all settlements of Options upon their exercise and assignment (*i.e.*, the sale or purchase of the underlying security in the case of Equity Options, or the payment in cash of the difference between the strike price and the Index settlement price in the case of Index Options) must be paid or received in euro.

Time Zones and Holidays

The Equity Options and the FTSE MIB Index Options markets currently operate from 9:00 a.m. to 5:40 p.m. CET. The trading hours of the underlying equity securities currently are from 8:00 a.m. to 9:05 a.m. (opening auction), from 9:05 a.m. to 5:25 p.m. (continuous trading) and from 5:25 to 5:35 (closing auction). In addition, certain of the securities underlying the Equity Options are available for trading from 6:00 p.m. to 8:30 p.m. CET, in the After Hours Market. Such hours may be changed in accordance with the rules of the relevant market and changes in trading hours are notified to market participants on the Borsa Italiana's website at http://www.borsaitaliana.it/quotazioni/derivati/primopiano/comunicatiidem.en.htm.

U.S. investors should take time zone differentials into account when timing investment decisions and when making required premium or margin payments. The overlap of opening of U.S. market hours and the IDEM trading hours will vary depending on the time of year (standard or daylight savings time in the U.S. and Italy) and in which U.S. time zone the investor is located. For most of the year, CET is six hours ahead of Eastern Standard time; that is, 9:00 a.m. Eastern Standard time in New York is 3:00 p.m.. In Italy, as well as in general in the EU, the Daylight Saving Time begins on the last Sunday of March and time reverts to Standard Time on the last Sunday of October. For 2012, the Daylight Saving Time is from March, 24 to October, 27. For U.S. investors the time periods allowed by brokers for payment of premium or provision of margin may be abbreviated by the time zone differential, since deadlines will be according to CET throughout. Allowance may also have to be made for the time needed for U.S.-Italy communication. An effect of the time zone difference is that if the U.S. markets were to decline during their afternoon, Equity and Index Options positions on the IDEM could not be closed out until the next morning CET.

There are days on which the IDEM will be closed when U.S. businesses are open, and vice versa, because of differing schedules of national holidays. Italian national and banking holidays for 2012 are included in Appendix 2.

4. EQUITY OPTION CONTRACTS

Underlying Securities

Equity Options traded on the IDEM are American-style options. Equity Options have been introduced on stocks drawn from the most liquid and highly capitalized shares traded on the MTA. Trading in Equity Options began on February 19, 1996.

The Equity Option Contracts Specifications

Expiration Months: Contracts shall be available with monthly maturities, three-month maturities (March, June, September and December) and six-month maturities (June and December) for the two years following the current year. In each trading session the four three-month maturities and the two nearest monthly maturities shall be quoted for each stock option, giving a total of six maturities. There is no duplication of serial months and quarterly months. In addition the stock options for which are also quoted the four six-months maturities (June and December) of the two years following the current year are established in Stock Exchange Notice, available at http://www.borsaitaliana.it/quotazioni/derivati/primopiano/comunicatiidem.en.htm, taking into account the liquidity of the stock options and the interest of the market.

Equity Options expire at 8:15 a.m. CET on the third Friday of the expiration month. The last trading day in an Equity Option is the last business day before the expiration day. A new maturity is introduced the first trading day following each contract expiry. Changes to option expiration times are published in notices on the Borsa Italiana's website.

1. *Exercise Prices*: For each maturity up to twelve months (monthly and three-month maturities) at least 15 exercise prices shall be quoted for both the call and the put series, expressed in euro and referred to an individual stock~~:~~ with intervals indicated in column A of the following table; for the four six-month maturities more than twelve months at least 21 exercise prices shall be listed for both the call and the put series, with intervals indicated in column B of the following table. But, when six-month maturities fall within the twelve months, new exercise prices shall be introduced, up to at least 15 exercises prices shall be traded for both the call and put series with intervals indicated in column A of the following table.

Exercise prices (euro)	***Maturities up to 12 months*** Intervals (euro) (COLUMN A)	***Maturities more than 12 months*** **Intervals (euro)** (COLUMN B)
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**
More than 40.0001	2.0000	**4.0000**

New exercise prices are introduced automatically by the trading system when the value of the reference price of the stock on the previous trading day finishes above or below the average between the at-the-money strike and the first strike nearest to it. The "reference price" of a stock is calculated as the weighted average of the last 10% of shares traded.

Contract Size: While the premium for an Equity Option is quoted in euro, the minimum unit of trading in Equity Options is one contract, which represents either 100, 500, 1,000, 2,500, or 5,000 shares of the underlying security. Equity Option contract sizes for each underlying security can be obtained on the Borsa Italiana's website at http://www.borsaitaliana.it. Occasionally, it is necessary to adjust the size of existing option contracts to reflect changes in the capitalization of companies concerned.

All orders in Equity Options should refer to the number of contracts and not to the number of shares of the underlying security to which the option contracts relate: for example, an order for options on 5,000 shares of the underlying security, where each contract represents options on 1,000 shares, should be placed as an order for *five* contracts. Orders cannot be executed in fractions of a contract.

Premiums: Premiums on Equity Options are quoted in euro per share, with the minimum price movement being 0.0005 euro. The premium is the only variable factor, all other terms of the options contract being predetermined. The premium is expressed as an amount per option on a single share of the underlying equity. Premium is payable in full to CC&G by the buying clearing member on the trading day following the purchase date.

Contract Adjustments

In the event of: (a) reverse splits and splits involving the financial instruments underlying the traditional options contract; (b) bonus and cash increases in capital with the issue of new shares of the same class as those underlying the Option; (c) cash increases in capital with the issue of new shares of a different class from those underlying the Option, shares with warrants, convertible bonds or convertible bonds with warrants; (d) mergers and spin-offs of companies issuing the financial instruments underlying the Option; (e) conversions of shares of one class into shares of another class; or (f) distributions of extraordinary dividends, one or more of the following elements of the applicable Option may be adjusted: (i) the exercise price, (ii) the number of underlying shares, and (iii) the type of shares to be delivered or the number of positions.

The foregoing adjustments are designed to limit the distortive effects of the above-described events. Upon the occurrence of such an event, an adjustment coefficient shall be determined using generally accepted rules of financial equivalence.

Upon the implementation of any such adjustments, the *Borsa Italiana* shall determine the manner in which the Options contract in question is to be adjusted and shall promptly inform the market of such adjustments.

Position Limits

There are no position limits for Equity Options.

Margin Requirements – *see Section 7*.

Exercise by Holders – *see also Section 7.*

Equity Options traded on the IDEM are American-style and thus can be exercised at any time (by 6:30 p.m. CET on any trading day) until the expiration date. The right to exercise the Equity Option will be suspended on the day prior to the distribution of dividends by the underlying company, and during the day prior to the start of capital operations of the company. If the *Borsa Italiana* suspends the stock underlying an Equity Option, it shall specify whether the exercise right of such Option also is suspended. The right of early exercise also shall be suspended on the last day of an acquisition tender offer for the underlying stock.

On the last day of trading prior to expiration, all Equity Options that are "in the money" are automatically exercised. If a holder does not want his/her option to be exercised automatically, the holder's clearing member must communicate this to CC&G by 8:15 a.m. CET the day after the last day of trading (referred to as "Exercise by Exception").

The contracts of sale that result from the early exercise of Equity Options or the exercise of Equity Options at expiration shall be settled in the rolling settlement system on the third day following the day of exercise. The settlement process for Equity Options is discussed in detail in Section 8.

Allocation to Writers

For Equity Options exercised prior to expiration, CC&G will randomly assign exercises to clearing members, in the manner indicated in CC&G Regulations, that have writer (seller) positions in the Equity Option contract series involved in early exercise. Notice of the assignment shall be given by CC&G through the IDEM Clearing Station, the Internet Clearing Workstation (information available during the night) and Clearing reports (information available before 9:00 a.m. CET of next trading day). Following the assignment notice, members will assign the exercise to their customers who hold open writer positions in the Equity Options contract series involved in the early exercise according to the time priority with which their respective positions were opened.

Clearing functionalities are available over two different systems:

- the IDEM trading system, which makes available both a stand alone workstation (IDEM Clearing) and an application programme interface (OMNet APIs) and
- Internet Clearing Workstation (ICWS), that is a web based application.

Through the IDEM trading system it is possible to perform some typical middle office trade allocation functionality such early exercise, trading give-up and open-close change.

Through the ICWS it is possible to perform the back office functionality such international give-up, trade transfer, position transfer and gross position change.

Dividends

The holder of a call contract is not entitled to receive any payment of ordinary cash dividends declared on the underlying share. Consequently, no adjustment is made to the terms of an Equity Option contract as the result of the underlying share being marked “ex dividend,” although allowance for this may be reflected by changes in the premiums at which contracts trade in the market. The “ex dividend” date is set at the first trading day following the monthly option expiration date. It should be noted that Italian companies typically pay dividends once a year, usually in the same month of each year.

5. INDEX OPTION CONTRACTS

The IDEM currently trades options on the FTSE MIB Index, which were introduced on June 1st 2009. The FTSE MIB Index Options replaced the S&P/MIB Index Options, changing the name of the index but not the index methodology. FTSE MIB Index Options are European-style options with an underlying notional value equal to the current level of the FTSE MIB Index multiplied by 2.5 euro, respectively.

The FTSE MIB Index measures the performance of the broad Italian equity market. The index currently includes 40 listed securities. The eligible universe for the FTSE MIB Index is derived from all stocks trading on MTA. The FTSE MIB Index provides diversity over 10 economic sectors by adhering to the Industry Classification Benchmark (ICB) The 10 ICB sectors that underlie the FTSE MIB Index are: Oil&Gas, Materials, Industrials, Consumer Goods, Health Care, Consumer Service, Telecommunications, Utilities, Financials and Technology.

When companies are added to the FTSE MIB Index, the market capitalization of FTSE MIB Index constituent companies is adjusted to reflect only free-floating shares (see Appendix 3, Section 2(c) for more details regarding the Investable Weight Factor and the method utilized to calculate the market capitalization of FTSE MIB Index constituent companies).

The FTSE MIB Index Option Contract Specifications

Exercise: FTSE MIB Index Options are exercisable only on their expiration day.

Contract size: each FTSE MIB Index Option represents a notional value of 2.5 euro per index point. This means that if the Index value equals 20,000, each contract has an underlying value of 50,000 euro.

Expirations up to 12 Months: six expirations are always available: four quarterly (March, June, September and December) expirations of the current year, plus the two nearest non quarterly calendar months are always available for trading;

Expirations beyond 12 Months up to 60 Months: four six-month expirations (June and December) of the first and second years following the current year plus annual expirations maturing in December of the third and fourth year following the current year are always available for trading. For each maturity up to twelve months (monthly and three-month maturities) at least 15 exercise prices shall be traded for both the call and the put series, with intervals of 500 index points. For the four six-month maturities more than twelve months and the annual expirations in the third and fourth years following the current year at least 21 exercise prices shall be listed for both the call and the put series, with intervals of 1,000 index points. But, when six-month maturities fall within the twelve months, new exercise prices shall be introduced with intervals of 500 index points, up to at least 15 exercises prices shall be traded for both the call and put series, with intervals of 500 index points.

Weekly MIBO options : contracts shall be admitted to trading with maturity days equal to the 1^{st} , 2^{nd} and 4^{th} Friday of the month and the 5^{th} if there is one. Weekly MIBO options shall be admitted to trading on the Thursdays of each month except the second. If a Thursday is not a trading day, the admission day shall be the first trading day subsequent such day. The maturity day shall coincide with the Friday of the week subsequent to the listing of the contract; if a Friday is not a trading date, the maturity day shall be the first trading day before such day. Trading shall end at 09.05 on the maturity day. For each *"weekly MIBO option"* at least 21 exercise prices shall be traded for both the call and the put series, with intervals of 100 index points.

At the end of each trading day all of the maturities of the following option series shall be excluded from listing:

- call series whose exercise price, with respect to that of the at-the-money series, is higher than the 10th out-of-the-money exercise price or lower than the 10th in-the-money exercise price; or
- put series whose exercise price, with respect to that of the at-the-money series, is lower than the 10th out-of-the-money exercise price or higher than the 10th in-the-money exercise price; and
    - for which the following conditions are simultaneously satisfied: [Please Indent the following three bullet points:] there is no open interest;
    - the open interest of the put (call) with the same exercise price and maturity is zero;
    - the open interest of all the call and put series with exercise price furthest from the at-the-money price, with respect to that of the series to be excluded, is zero.

New exercise prices shall be introduced where the reference value of the FTSE MIB index of the preceding trading day is:

- for call options, higher (lower) than the average of the at-the-money price and the first out-of-(in-)the-money price;
- for put options, higher (lower) than the average of the at-the-money price and the first in-(out-of-) the-money price.

Borsa Italiana may introduce additional strike prices with respect to those referred to in paragraph 4 when it is necessary to ensure regular trading, with account taken of the performance of the underlying index. The strike prices will be generated with the interval specified in paragraph 4 or their multiples for call and put options.

The FTSE MIB Index Options contract shall be quoted in index points and the premium tick shall be equal to 1 for the weekly MIBO options contracts; the premium tick shall be as follows for the other FTSE MIB Index Options contracts:

Option Price	Min. Tick Value
Less than 100 index points	1 index point
Between 102 and 500 index points	2 index points
Above 505 index points	5 index points

Composition of the FTSE MIB Index

The FTSE MIB Index measures the performance of the broad Italian equity market. The index currently includes 40 listed securities. The eligible universe for the FTSE MIB Index is derived from all stocks trading on Borsa Italiana Markets. Currently, there are Equity Options for some, but not all, of the individual securities included in the FTSE MIB Index.

The FTSE MIB Index provides diversity in over 10 economic sectors by adhering to the Industry Classification Benchmark (ICB), a classification system created by FTSE Group and Dow Jones Indexes.

FTSE MIB Index constituent companies are identified after rigorous analysis of the broad Italian equity universe. Thus, it currently tracks 40 leading companies that represent Italy's primary industries, providing investors with a broad but manageable index. Companies themselves play no role in the selection process and are not consulted regarding their inclusion in the index. The FTSE MIB Index is not a fixed number index and the Index Committee (see Appendix 3, Section 2 for further details) reserves the right to change the number of stocks after due analysis and consideration and with ample notice to the markets. Changes will be made only if the Index Committee concludes that the current number does not satisfactorily reflect the complete listed market.

With respect to newly listed securities, the Index Committee generally maintains prospective constituents under observation for 6 months with regard to their liquidity. Where the period of observation is less than 6 months, the Index Committee will objectively evaluate the significance of share characteristics, including liquidity and market capitalization. Situations may arise where such companies should be immediately added to the index, for instance when a newly listed company's market capitalization is equal to or greater than 3% of the markets' total capitalization.

The Index Committee rigorously analyzes both the financial and operating condition of each company in order to add companies to the index that demonstrate relative stability. The calculation of the index is managed and supervised by FTSE. In particular, an Index Committee comprising appointees of FTSE and the Borsa Italiana oversees the overall management and direction of the FTSE MIB stock index. The Index Committee consists of five members, with two members appointed by Borsa Italiana and three members appointed by FTSE. One of the FTSE members serves as the chairman of the Index Committee. The Index Committee has authority over all issues relating to the maintenance and operation of the FTSE MIB stock index, including, but not limited to:

(i) maintenance and inclusion policies, including additions or deletions of index constituents and other matters affecting the maintenance and calculation of the FTSE MIB stock index;

(ii) general editorial policy with respect to educational and marketing materials relating to the FTSE MIB stock index;

(iii) sector/industry classifications within the FTSE MIB stock index; and

(iv) the creation of sub-indices.

Notwithstanding the above, members of the Index Committee appointed by the *Borsa Italiana* have a veto right with respect to the decisions of the Index Committee regarding any modifications to the calculation of the FTSE MIB stock index, the inclusion of companies in the FTSE MIB stock index, and maintenance of the FTSE MIB stock index.

The FTSE MIB Index has a very high correlation with the Italian general stock market index (the "ITALY FTSE ALL SHARE" Index).

Please see Appendix 3 for further detail regarding the composition of the FTSE MIB Index.

How the FTSE MIB Index is Calculated

Calculation of the FTSE MIB Index starts at each session with the initial trading of the first share and ends with the closing auction. The FTSE MIB Index is typically reviewed twice a year, in March and September (reshuffle) and rebalanced four times a year (March, June, September, December).

The base value of the FTSE MIB is set equal to 24,402 as of 31 December 1997.

Set forth below are the annual high-low ranges of the FTSE MIB Index for the last seven full calendar years and for 2012 through the month of March:

	2005	2006	2007	2008	2009	2010	2011	2012
Low	**30,645**	**34,850**	**37,358**	**17,968**	**12,621**	**18,382**	**13,474**	**14,401**
High	**35,957**	**41,434**	**44,364**	**38,063**	**24,425**	**23, 811**	**23,178**	**17,133**

Position Limits

There are no position limits for the FTSE MIB Index Option contracts.

Margin – See Section 7.

Calculation of Index Value for Exercise of the FTSE MIB Index Option

FTSE MIB Index Options expire at 9:05 a.m. CET on the last trading day for the option — the third Friday of the expiration month (where this is a non trading day, the expiration date shall be the first trading day preceding such date). For settlement purposes, the FTSE MIB Index settlement price is determined by the opening prices of the shares in the Index on the last trading day.

In the event of a technical failure or trading suspension of the equity securities underlying the Index, the expiry settlement price will be determined by the Borsa Italiana in accordance with the method it deems most appropriate under the specific circumstances.

Exercise, Assignment and Settlement

At expiration, if an Index Option is “in the money”, CC&G automatically exercises the Index Option (subject to Exercise by Exception), and the buyer receives the equivalent of 2.5 euro times the difference between the exercise price and the final settlement price, the latter being the opening value of the FTSE MIB Index on the settlement day.

When an “in-the-money” FTSE MIB Index Option contract is exercised, writers of the same series of Index Options are randomly debited the difference (between the strike price and final settlement price) overnight.

6. TAXATION AND TRANSACTION COSTS

Before engaging in IDEM Equity and Index Options transactions, U.S. entities should consult their own tax advisors with respect to Italian and U.S. federal, state and local tax considerations relevant to them. The following discussion does not purport to be exhaustive or applicable to particular circumstances, or to constitute tax advice.

Italian Taxes

Under Italian law, non-residents are not subject to Italian taxes.

U.S. Federal Income Taxes

The following discussion is a general summary of possible United States federal income tax consequences to U.S. Holders (as defined below) of acquiring, holding and disposing of Equity or Index Options. This summary is based upon the Internal Revenue Code of 1986, as amended (the "**Code**"), and certain judicial decisions, administrative pronouncements and U.S. Treasury regulations, changes to which could apply on a retroactive basis and affect the tax consequences described herein.

The rules governing the United States federal income tax consequences of Option transactions are complex and depend on the taxpayer's particular situation. This summary does not purport to deal with all aspects of federal income taxation that may affect U.S. Holders, particularly in light of their personal circumstances, nor with U.S. Holders that may be subject to special treatment under the federal income tax laws. In this connection, this summary does not consider, among other things, (i) the federal income tax consequences relating to an Option that is part of a hedging transaction, (ii) the possible application of the "straddle" rules of the Code, (iii) an Option that is part of a "conversion transaction" within the meaning of Section 1258 of the Code, (iv) the federal income tax consequences of selling an Option in a "short sale" within the meaning of Section 1233 of the Code or (v) the tax consequences to other special classes of U.S. Holders, such as dealers in securities, U.S. Holders in whose hands the Options or the stock underlying the Options would not be a capital asset, tax exempt U.S. Holders, or U.S. Holders whose functional currency is not the U.S. dollar. A complete discussion of the federal, state, local and foreign tax consequences of an investment in a U.S. Holder is beyond the scope of this summary.

As used herein, the term "**U.S. Holder**" means a holder or writer of the Options, as the case may be, that is, for United States federal income tax purposes, a corporation or other entity taxable as a corporation organized under the laws of the United States or any state thereof or a trust if a United States court can exercise primary supervision over the trust's administration and one or more United States persons are authorized to control all substantial decisions of the trust.

Each U.S. Holder that is treated, for U.S. federal income tax purposes, as a partnership should consult its own tax advisor.

This discussion was written on the understanding that it may be used or referred to in the promoting, marketing, and recommending of the investment discussed in this document. The discussion was not written and is not intended to be used by any person, and cannot be used by any person, for purposes of avoiding penalties under the Code. Each potential U.S. Holder should seek advice from an independent tax advisor based on the potential U.S. Holder's particular situation.

Except upon receipt of stock pursuant to exercise and physical settlement of an Equity Option, a U.S. Holder generally would recognize capital gain or loss upon the sale, transfer, settlement or lapse of an Option in an amount equal to the difference between the amount realized from the sale, transfer, settlement or lapse (together with any premium received for writing the Option) and such U.S. Holder's basis in the Option. If the opening transaction were a purchase of an Option, the capital gain or loss upon closing the transaction generally would be treated as long-term capital gain or loss if the Option were held for more than twelve months. If the opening transaction is a sale (writing) of an Option, the capital gain or loss upon closing the transaction should generally be treated as short-term capital gain or loss regardless of how long the opening transaction remains open.

A U.S. Holder who receives stock pursuant to exercise and physical settlement of an Equity Option would not recognize gain or loss on such exercise, but generally would be treated as having purchased such stock on the date of such exercise in exchange for the exercise price together with any premium paid for the Option or less any premium received for entering into the Option, as the case may be. Thus, the U.S. Holder's basis in the Option generally would be added to the U.S. Holder's basis in the acquired stock. A U.S. Holder generally would recognize gain or loss on a subsequent sale or exchange of the stock equal to the difference between its basis in the stock and the amount realized on sale or exchange of the stock. Such gain or loss generally would be treated as long-term capital gain or loss if the stock were held for more than twelve months (not including the holding period of the exercised Equity Option).

Similar rules pertain to the writing by a U.S. Holder of an Option, as recognition of income attributable to the premium received is deferred until a U.S. Holder assigns the option, the option is exercised by the purchaser or lapses unexercised.

Given that the Options are denominated in the euro, for purposes of determining gain or loss, if the Options are treated as traded on an established securities market, and a U.S. Holder, as an accrual basis taxpayer, files a prescribed election, the amount realized (as determined on the trade date) will be determined by translating the units of the euro received into the U.S. dollar at the spot rate on the settlement date of the sale. A U.S. Holder also may recognize gain or loss on currency fluctuations occurring between the times a U.S. Holder obtains and disposes of euro, between the time it accrues and collects income denominated in the euro, or between the times it accrues and pays liabilities denominated in the euro. Such gains or losses generally will be treated as ordinary income or loss.

Notwithstanding the foregoing, the tax consequences to U.S. Holders that hold Index Options may generally be different if the Index Options constitute “Section 1256 contracts” as to which the “mark-to-market” rules of Section 1256 apply. Because the FTSE MIB Index has been determined by the SEC to be a “broad-based stock index,” the Index Options will constitute “Section 1256 contracts” and therefore may be subject to the “mark-to-market” rules as described below if the IDEM constitutes a “qualified board or exchange” within the meaning of Section 1256(g) of the Code. The IDEM would be considered to be such a “qualified board or exchange” only upon the determination of the Secretary of the Treasury. As of the date of this document, no such determination is in effect. Accordingly, the “mark-to-market” rules of Section 1256 of the Code do not currently apply to the Options. It is possible, however, that the Secretary of the Treasury could, in the future, make such determination. In such a case, Index Options acquired after such a determination (and possibly Index Options acquired prior to such determination) generally would be subject to the “mark-to-market” rules of Section 1256 of the Code and a U.S. Holder of an unexercised Index Option generally would be required to treat the Option as if it were sold for its fair market value on the last business day of the taxable year during which the holder owned the Index Option.

If a U.S. Holder acquires Equity Options with respect to stock of a (non-U.S.) corporation that is a "passive foreign investment company" (“PFIC”) then under proposed U.S. Treasury Regulations, generally, such Equity Options would be treated as stock of the non-U.S. corporation for purposes of applying the PFIC provisions to the disposition of the Equity Options. Certain adverse U.S. tax rules that apply to ownership of PFIC equity interests by U.S. persons would apply to U.S. Holders. Further, the U.S. Holder could not make a “QEF” election that will apply to the Equity Option or the stock subject to the Equity Option to ameliorate these potentially adverse U.S. tax rules.

Currently, there is a 15% maximum income tax rate for U.S. Holders that are trusts on long-term capital gains (including 60% of capital gains on “Section 1256 contracts” described above). This rate is scheduled to increase 20% for long-term capital gains for taxable years beginning after December 31, 2010. There currently is a 35% maximum income tax rate on each of (i) ordinary income, (ii) 40% of capital gains on Section 1256 contracts, and (iii) in the case of corporate U.S. Holders, all other capital gains.

Transaction Costs

The transaction costs borne by investors include brokers’ commissions which reflect charges for opening and closing positions and for exercise. CC&G does not impose minimum or maximum commission rates, which are a matter to be decided between the member broker and customer.

CC&G currently charges a clearing fee of 0.30 euro per contract for Index Options and 0.10 euro per contract for Equity Options., For Index Option contracts in excess of 100 within a single trade, a reduction of 50% is applied to the unit fee per transaction In the case of Equity Options, a 100% fee reduction is applied for each extra lot exceeding the first 1,000 lots of each trade. The Exchange also charges transaction fees which vary based upon the type of instrument and the volume of contracts traded. Specific information with respect to such fees is available upon request from the Exchange. IDEM members generally pass these charges on to their customers.

7. CLEARING AND SETTLEMENT

CC&G clears all trades effected on the Exchange and guarantees the completion of all Option transactions. CC&G is a company belonging to the Borsa Italiana group of companies following the full acquisition by Borsa Italiana S.p.A CC&G is subject to the supervisory authority of the Bank of Italy and Consob.

CC&G's rules do not specifically forbid U.S. intermediaries from becoming members of CC&G regardless of its admission as a member of the IDEM. The Exchange currently does not allow U.S. intermediaries to be admitted to trade on the IDEM.

The shareholders' equity as of 31 March 2012 is 123 million euro of which, the shareholders' capital is 33 million euro. CC&G serves as the ultimate guarantor of all the trades it registers which are cleared between clearing members with respect to Options contracts available on the IDEM, and guarantees each of the clearing members, as necessary, full payment of any uncovered liabilities resulting from a clearing member's default.

Recording Trades

Once an Option trade is matched on the market, the trading system automatically communicates it to the clearing system (managed by CC&G) which immediately registers it on the clearing member's account. Therefore, registration of a transaction constitutes confirmation of the validity of such transaction. In the event, however, of a mistrade that requires the cancellation/ adjustment of one or more transactions, CC&G will, upon request from the Borsa Italiana, make the appropriate adjustments required.

CC&G permits the transfer of trades of the same day (international give-up), of the two previous days and of positions from one clearing member's account to another (*e.g.*, where a client changes its affiliation from one member to another) through the BIt Clearing Station. As a general rule, however, no positions may be transferred from the house account and between accounts (house and client) of the same clearing member.

CC&G is interposed as the buyer to every clearing member writer, and writer to every clearing member buyer on a principal-to-principal basis. While no direct link then remains between the buyer and writer in the original trade, for every current holder of an Options contract there is a current writer with a corresponding open position. CC&G becomes the central counterparty when a trade is matched.

CC&G maintains a daily record of contracts held and written, and every member firm of the IDEM is required to keep a continuous record of the Option contracts held or written by its customers. Transactions in IDEM Options are evidenced by contract notes (advices), clearing reports and periodic statements issued by CC&G to its members, and by members to customers. CC&G, however, is not responsible for inaccuracies or omissions in contract notes or periodic statements furnished to customers by IDEM members.

Option contracts held or written by customers, as well as the day-to-day margin requirements, are recorded in the books of those members through which the original transactions were made and cleared. Offsetting transactions are typically made through these firms as well. However, the execution of the offsetting trade can be made through any executing broker operating on the Exchange and then cleared (and recorded by) the clearing member through the "international give-up" process.

CC&G IDEM Members

CC&G has three types of membership: general and individual clearing member and non clearing member. General clearing members must have at least 25,000,000/40,000,000 euro in net assets (depending on the number of non-clearing members that clear through them) while individual clearing members need at least 10,000,000 euro in net assets. No capital requirements are required for indirect membership. General clearing members participate directly in the clearing of contracts traded both (a) by non clearing members and (b) by themselves for their own account and on behalf of their clients. Individual clearing members only clear contracts traded by themselves and their clients, while the trades of non clearing members are cleared through one and only one general clearing member with whom they have established an arrangement. Consequently, general clearing members have final responsibility to CC&G for those contracts that they clear on behalf of non clearing members, including any margin due on those positions. In addition, general and individual clearing members are required to be direct members of the rolling Settlement system for the equity market or, alternatively, take part in such system through a designated Settlement Agent.

Customers, on the other hand, have contractual agreements only with the intermediary that executes their orders, except in case of give-up agreements where customers designate a clearer different from the one their intermediary has agreements with. All arrangements between such parties are individually negotiated.

Each clearing member has two accounts with CC&G: one for client business and another for proprietary (or "house") transactions. Furthermore, General Clearing Members maintain, for each non clearing member, two additional accounts with CC&G: one for client business and another for proprietary (or "house") transactions of the non clearing member. CC&G provides also a service of subaccouts that allows segregation of clients' positions . Neither CC&G nor the clearing members may offset liabilities on a house margin account with credits arising on the client margin account.

CC&G guarantees trades up to the total value of the net assets of CC&G.. As of 31 March 2012, the shareholders' equity is 123 million euro of which, the shareholders' capital is 33 million euro.

Settlement

Settlement of Options Transactions

Both Index and Equity Option contracts traded on the IDEM are "stock-style options." That is, premium payments are settled the day following the purchase of Options. In fact, by 9:30 a.m. CET on the business day following an Option transaction, Option buyers must pay premiums, and Option sellers must deposit margins with CC&G (see the section on Margin Requirements below). Option Premium is paid to the Option seller on the business day following the transaction. .

Settlement Upon Exercise

Index Options are European-style, that is they may only be exercised on the expiration day. Exercise of Index Options results in cash settlement between clearing members' accounts. Such settlement is based on the difference between the FTSE MIB Index final settlement price and the Index Option's strike price. All in-the-money Index Options are automatically exercised at expiration. Cash settlement amounts are debited and credited on the business day following the Option expiry/exercise.

On the other hand, Equity Options are American-style, that is they may be exercised any day prior to and including the expiration day. On the last day of trading prior to expiration, CC&G automatically exercises all Equity Options that are "in the money" (subject to Exercise by Exception). If the holder of an Equity Option chooses to exercise such option before or at the expiration date, the holder should instruct its broker to ensure that an exercise notice is transmitted to CC&G.. All exercise orders must be given before certain cut-off times on each business day. Such times are established by the IDEM member with respect to its particular client to ensure that CC&G receives the exercise order before 6:30 p.m. CET on any day prior to the option's expiry, and before 8:15 a.m. CET, on the expiration day. Exercise of an Option is not permitted after the options expiration date.

Once an Equity/Index Option is exercised CC&G makes a random, computer-generated assignment of the exercise to a member whose account with CC&G will reflect the writing of an Option of the same series as the exercised Option. Such assignment is made after 6:30 p.m. CET for days prior to the Option's expiry, and between 8:15 and 9:00 a.m. CET, on the expiration day. The member, in turn, makes an assignment of the exercise to a customer who is a writer of an Option of the same series.

Once an exercise is allocated by a clearing member to a particular writer, that writer is contractually obligated to its broker to perform in accordance with the terms of the Option. These obligations are secured by the securities or other margin deposited by the customer with the clearing member.

Whether or not its customers perform, the assigned clearing member then becomes obligated to perform the obligations with respect to the assigned Option, that is, to purchase the underlying asset (in the case of an exercised put) or to sell the underlying asset (in the case of an exercised call) for the specified exercise price, or in the case of a cash-settled Option, to pay the exercise settlement amount.

The purchase (sale) of the underlying asset in case of an exercised call (put) is settled through the rolling settlement system, on the third business day following the day of exercise. See Section 8, the "Rolling Settlement System."

CC&G and the Exchange have no responsibility for settlements between any clearing member and its customers, or for the funds or securities of a customer that are held by such clearing member. However, clearing members do guarantee the final settlement of their customers' transactions on the IDEM.

Margin Requirements

In order to safeguard the integrity of the IDEM, CC&G performs a risk management function through the calculation and collection of margins. CC&G Margin requirements are determined using the Theoretical Intermarket Margins System ("TIMS") developed by the U.S. Options Clearing Corporation. TIMS is a sophisticated system for measuring monetary risk inherent in option portfolios. By using TIMS, CC&G is able to measure, monitor and manage a member's risk exposure level.

Margins on Option contracts are generally paid only by Option writers. Option buyers do not pay margins because the maximum loss on their position is equal to the premium they pay[3].

Margin requirements for short Option positions are computed on a daily basis (separately for house and client accounts) for each clearing member and are referred to as initial margins. Initial margins consist of two components: premium margins and additional margins. Premium and additional margins are calculated as follows:

PREMIUM MARGINS	is the amount necessary for CC&G to close the position of the defaulting member by repurchasing the Options sold. The hypothetical repurchase price is represented by the daily settlement price of the Option.
ADDITIONAL MARGINS	is the additional cost sustained by CC&G to repurchase the Option in a "worst case scenario". To determine this, CC&G: • defines the "margin interval" which equals the percentage daily maximum change in the underlying stock or Index (this differs according to the volatility of each underlying asset); and • calculates the theoretical value of the sold Option on the basis of the price of the underlying asset plus (for a call) or minus (for a put) the margin interval The difference between this theoretical value and the daily settlement price of the Option is the additional margin.
TOTAL INITIAL MARGINS	PREMIUM MARGINS + ADDITIONAL MARGINS

CC&G requires initial margins to be posted in euro, Italian, French and German government bonds, or any other instrument approved by CC&G. In addition, CC&G may require a clearing member to deposit "intra-day" margins in the event it deems such action necessary and appropriate to protect the interest of other clearing members, the Exchange and the public. Requests for intra-day margins are made to clearing members in the event of large price variations, or to those clearing members whose positions reach a risk exposure level considered too large by CC&G in relation to the margins already deposited.

Intra-day margins are also calculated using the TIMS system. Specifically, during the trading day, CC&G may, at any time it deems appropriate, request the payment of intra-day margins to clearing members. The amount of such request generally will be equal to the initial and variation margins and premiums, calculated on the total open positions and evaluated at the prices recorded on the market.

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3 There is an exception to this rule during the three-day period between option exercise and settlement. During that period, the positions are marked to market for both the Option buyer and seller against the strike price of the exercised Option.

Furthermore, at the end of each trading day, CC&G calculates and notifies each general and individual clearing member the initial margins to be paid. Initial margins are to be paid to CC&G (by 9:30 a.m. CET) by general and individual clearing members. To further ensure market security, brokers, whether they are general, individual or indirect clearing members, are obligated to require their customers to deposit and maintain, at all times, sufficient margin cover to buy back their sell positions. The amount of such cover is based on the most unfavourable fluctuation in the value of the underlying interests during the following trading session. Brokers may, but are not required to, use the same risk-based margin calculation methodology applied by CC&G to calculate clearing members' margin deposits. In any event, the amount of the initial cover deposited by customers must at a minimum, represent the theoretical cost of liquidation of the customer's Options portfolio (aggregating the customer's short and long positions) that would be required had CC&G's margin calculation methodology been applied. Current regulations prohibit clearing members from funding customers' margin requirements.

As indicated above, buyers of Options are required to pay premiums upon the purchase of Options, and thus do not run any risk (other than loss of premium) in connection with the contracts they hold. As a result, the holders of positions consisting solely of buy options (calls or puts) are not subject to calls for margin deposits.

Before undertaking transactions with respect to Options, investors are encouraged to discuss and confirm their understanding of the customer margin requirements with their brokers.

Default Fund

To provide a further level of protection in the highly unlikely event of a member's default that results in losses larger that the margins deposited, CC&G has established a Default Fund, which is funded by market intermediaries (both general and individual clearing members). The size of the Default Fund for the equity markets (cash & derivatives) is currently equal to euro 950 million. The adequacy of the size of the Default Fund is evaluated at least once a month through stress tests. A separate Default Fund has been also established for the Bond Market. The two Default Funds are totally segregated (i.e. the Equity Default Fund will not be used to cover losses arising from a Default on the Bond market and vice versa).

Default of Clearing Members

Should a general or individual clearing member not fulfill its obligations to deposit required margins and premiums due with CC&G or settle contracts requiring the delivery, CC&G will:

a) suspend the clearing member from trading on all regulated derivatives markets and from carrying out its functions as a clearing member. In addition, CC&G will immediately notify the Borsa Italiana, the Bank of Italy and the Consob of such suspension. CC&G may, however, refrain from immediately suspending the clearing member if it has sufficient reason to believe that any payments due will be settled by 12:00 a.m. (CET). Should, however, the member fail to perform its obligations within this additional period, CC&G will immediately suspend the member;

b) close out the contractual positions of the clearing member vis-à-vis CC&G. In closing out the contractual positions of the defaulting clearing member, CC&G does not offset positions between client and proprietary accounts of a general clearing member, and thus, separate transactions for closing out client and proprietary contractual positions may be necessary. The funds made available and the initial margin released from such transactions are then utilized by CC&G to settle the debts of the clearing member. Should the available funds be insufficient to cover such debts, CC&G will cover any outstanding amount utilizing the Default Fund and its own resources, to the extent of such resources. If, however, the available cash and securities exceed the amount of such debts, the excess will be refunded to the clearing member. These operations are executed separately for the member's own account and client accounts (in the case of a general clearing member). If the cash available and the securities deposited in the member's client accounts as guarantee are insufficient to cover the amount due to CC&G, any securities or cash deposited in the member's house account as guarantee, in excess of the amount due to CC&G on that account, may be utilized to cover such debt. Any excess guarantee or available cash deposited in the client account, however, cannot be utilized to cover debts arising from the closure of the house account.

c) CC&G may, however, defer the closing out of the contractual positions in the general clearing member's client accounts and the non-clearing member's client and proprietary accounts in order to verify the availability of other general clearing members to assume the positions in those accounts. If another general clearing member is available, the contractual positions in those accounts of the defaulting member are jointly transferred along with their applicable initial margins. Notice of any such transfer will be promptly provided to the clients of the defaulting clearing member and to its non-clearing member.

Default of Non-Clearing Members

If a non clearing member defaults on its obligations, the default procedures implemented are as follows:

d) the general clearing member that maintains a relationship with the non clearing member in the clearing and guarantee procedures, will immediately notify CC&G of such default and CC&G will suspend the non clearing member from trading on the regulated derivatives markets;

e) the general clearing member will then close out of the contractual positions of the defaulting non clearing member's house account. The funds made available and the initial margin released will then be utilized by the affiliated general clearing member to settle the debt of the non-clearing member. Should those funds be insufficient, the affiliated general clearing member will insure that the outstanding balance is covered.

f) CC&G verifies the availability of the general clearing member to assume the contractual positions of the defaulting non clearing member entered in its client account. Should the general clearing member not be available, CC&G verifies whether the conditions exist for the transfer, within three hours of the time at which the default was confirmed, of such positions to other clearing members. Should no other clearing member be available, the general clearing member will then close out the contractual positions entered in the "non clearing member's client account."

8. ROLLING SETTLEMENT SYSTEM

All the stocks included in an Index are guaranteed by CC&G and subject to the three day rolling settlement procedures of the Exchange. The settlement procedures on the Exchange are operated by Monte Titoli. It is completely integrated with Bank of Italy cash management. The resulting transfer of stock is settled through CC&G in the settlement system. All trades concluded are automatically sent to the pre-settlement system (X-TRM), a screen-based Monte Titoli service which (i) matches and checks all trades , (ii) routes contracts to CC&G, (iii) generates on behalf of CC&G bilateral balances (iii) sends the settlement instruction to the settlement system. .

The settlement stage takes place on the third day following the trade date (T+3 or L) and may occur in three different cycles: the night cycle, a multilateral settlement process that ends at 7:00 a.m. of the settlement day; the daily net cycle, a multilateral settlement process for transactions failed during the night cycle; and the gross cycle, a gross settlement process (RTGS) for transactions failed during the daily net cycle. Failed transactions at the contractual settlement date (L) are reprocessed every day in the gross settlement cycle until the expiry date (L+7) that is defined by the Exchange. Failed transactions on shares at the expiry date (L+7) are not reprocessed anymore in the gross settlement cycle and a buy-in procedure is carried out by CC&G. In this regard, CC&G confers a Buy-In Agent with powers to buy the shares within the three following days (from L+8 to L+10) for the account of the member in fail. Shares received by CC&G from the Buy-In Agent are simultaneously delivered to the buyer. If the Buy-In Agent does not succeed in buying the Non-Derivative Financial Instruments CC&G proceeds with a cash settlement on at L+11.

With regard to the settlement of exercised Equity Options, the resulting transfer of stock is settled through CC&G in the settlement system. CC&G determines the bilateral net positions between the direct clearing member (*i.e.*, general or individual) responsible for Equity Options exercised / assigned and CC&G itself. Due to the fact that CC&G is the central counterparty for delivery of exercised Equity Options, CC&G's net position is always zero, with CC&G recording a stock credit (debit) versus the call (put) for the exercising clearing member and a stock debit (credit) versus the call (put) for the assigned clearing member. Once the bilateral balances are determined, CC&G (the day after the exercise/assignment) sends them automatically to the pre-settlement system (X-TRM), where they are added to the balances arising from the cash market pre-settlement system in order to determine, for each clearing firm, the final amount of stocks to be delivered and the payment of cash to be made on the relevant settlement day.

Italian equity securities traded on the Exchange must be dematerialized and are registered with the Central Securities Depository ("Monte Titoli"). As of December 2002, *Borsa Italiana* acquired a controlling participation (around 99%) in the capital of Monte Titoli. The securities circulate as transfers between intermediaries' accounts held with the Monte Titoli. Italian broker-dealers are only permitted to act as a depository with the Monte Titoli for their house and clients accounts. Accordingly, Eligible U.S. Broker-Dealers and Eligible Institutions may obtain certificates for underlying securities only through an Italian broker-dealer.

Appendix 1

Appendix 1 contains the Representation of Qualified Status form.

REPRESENTATION OF QUALIFIED STATUS

This form must be completed by any U.S. entity wishing to transact business in Equity and Index Options ("Approved IDEM Options") on the Italian derivatives Market (the "IDEM"). It contains representations and warranties as to the status of the U.S. entity as a Qualified Person for the purpose of the IDEM's Rules.

TO BE COMPLETED BY IDEM MEMBER:

Name of the IDEM Member: ______________________________
Name of Qualified Institution: ______________________________
Address: ______________________________
____
____

Name of Qualified Broker-Dealer: ______________________________
Address: ______________________________
____
____

REPRESENTATIONS BY U.S. CLIENT:

The Qualified Institution/Broker-Dealer identified above hereby represents and warrants to the IDEM Member as follows:

1. Its name and address set out above are correct.
2. It (i) is a Qualified Broker-Dealer or Qualified Institution, sufficient to be a qualified institutional buyer under Rule 144A of the U.S. Securities Act of 1933 (the "Act"), and (ii) has had prior actual experience in the U.S. traded options markets and as a result thereof has received the options disclosure document entitled "Understanding the Risks and Uses of Listed Options" that is prepared by the Options Clearing Corporation and U.S. options exchanges.
3. It has received the IDEM Disclosure document.

Circle applicable item number(s) 4 through 7 and fill in applicable amount and date:

4. If a Qualified Broker-Dealer, it owns and invests on a discretionary basis U.S.$__________ (an amount not less than U.S. $10 million) worth of securities eligible under Rule 144A of the Act as of __________ (a date at or since the close of its most recent fiscal year).
5. If a Qualified Institution, it owns and invests on a discretionary basis U.S.$__________ (an amount not less than U.S.$ 100 million) worth of securities eligible under Rule 144A of the Act as of _________ (a date at or since the close of its most recent fiscal year).
6. If the Qualified Institution is a bank, savings and loan association or other thrift institution, in addition, it has a net worth of U.S.$__________ (not less than U.S. $25 million) as of _________ (a date at or since the close of its most recent fiscal year).
7. If the Qualified Institution is a registered investment adviser and it is acting on behalf of a discretionary client that is not a registered investment company or a non-U.S. person within the meaning of Rule 902(k)(2)(i) under Regulation S of the Act, that client is a Qualified Institution which owns U.S.$_________ (an amount not less than U.S. $100 million) worth of securities eligible under Rule 144A of the Act as of __________ (a date at or since the close of its most recent fiscal year).
8. Its transactions in Approved IDEM Options will be for its own account or for the account of another Qualified Broker-Dealer or Qualified Institution or for the managed account of a non-U.S. person within the meaning of Rule 902(k)(2)(i) under Regulation S of the Act.
9. It will not transfer any interest or participation in an Approved IDEM Option it has purchased or written to any other U.S. person or any person in the U.S., who is not a Qualified Broker-Dealer or Qualified Institution.

10. It acknowledges that it will only cause any disposition of an Approved IDEM Option by instruction to the IDEM Member with whom it has a contract in respect of the Approved IDEM Option, and that the disposition of the Approved IDEM Option by the IDEM Member shall be effected only on IDEM and, by the actions of the IDEM Member directly or indirectly, there shall be settlement of the Approved IDEM Option at CC&G of the IDEM in Milan. It also understands that any required payments for premium, settlement, exercise or closing of any Approved IDEM Option in respect of which it has a contract with the IDEM Member must be made in Milan and measured in euro. It also understands that, if in relation to an Approved IDEM Option it has a contract as a writer with the IDEM Member, margin must be provided to the IDEM Member, and maintained, measured in euro.
11. If it is a Qualified Broker-Dealer or Qualified Institution acting on behalf of another Qualified Broker-Dealer or Qualified Institution that is not a managed account, it has obtained from the other written representation to the same effect as these representations and will provide it to the IDEM Member upon demand.
12. It will notify the IDEM Member of any change in the foregoing representations prior to placing any future order, and the foregoing representations will be deemed to be made with respect to each order it gives to the IDEM Member.

Signed for and on behalf of the Qualified Person by:	______________________________ (signature)
Name:	______________________________ (print)
Position:	______________________________ (Chief Financial Officer, equivalent or other executive officer)
Date:	______________________________

NOTES:

A Qualified Person is a U.S. entity in either of the following categories:

1. A Qualified Broker-Dealer is a U.S. entity that (i) is registered as a broker-dealer with the SEC, (ii) in the aggregate owns and invests on a discretionary basis, at least U.S.$10 million of securities (excluding securities of issuers affiliated with such broker-dealer and the following “excluded instruments”: securities issued or guaranteed by the United States or an instrumentality thereof, bank deposit notes and certificates of deposit, loan participations, repurchase agreements and securities subject to repurchase agreements, and interest rate, currency and commodity swaps) and (iii) has had prior actual experience with traded options in the U.S. options market.
2. A Qualified Institution is a U.S. entity that (i) in the aggregate owns and invests on a discretionary basis at least U.S. $100 million in securities (excluding securities of issuers affiliated with such institution and the “excluded instruments” as defined for Qualified Broker-Dealers above), (ii) has had prior actual experience with traded options in the U.S. options market and (iii) falls within one of the following eleven categories:

   (1) An insurance company regulated by a state in the U.S.

   (2) An investment company registered with the SEC under the U.S. Investment Company Act. To reach the U.S. $100 million invested in securities, a registered investment company may aggregate securities owned by the entire “family of investment companies” of which it is a part, defined to include investment companies having the same investment adviser (or, in the case of unit investment trusts, the same depositor) or having advisers (or depositors) that are majority-owned subsidiaries of the same parent or of each other.

   (3) An investment adviser registered with the SEC under the U.S. Investment Advisers Act.

   (4) A bank (including a U.S. agency or branch of a foreign bank), savings and loan association or other thrift institution, regulated in the U.S. which has a minimum net worth of U.S. $25 million.

(5) A corporation (other than a bank or thrift institution), partnership, or business trust.

(6) An employee benefit plan within the coverage of the U.S. Employee Retirement Income Security Act (“ERISA”).

(7) An employee benefit plan established and maintained by a state or municipal government or instrumentality in the U.S.

(8) A U.S. tax-exempt charitable organization.

(9) A business development company as defined in the U.S. Investment Company Act or U.S. Investment Advisers Act.

(10) A small business investment company licensed by the U.S. Small Business Administration.

(11) An international organization, such as The International Monetary Fund, the International Bank for Reconstruction and Development, the Inter-American Development Bank, the Asian Development Bank, the African Development Bank, the United Nations, or an agency, affiliate or pension plan of such international organizations.

Appendix 2

NATIONAL HOLIDAYS IN ITALY – 2012

Dates the Exchange is closed in 2012 (excluding Saturdays and Sundays)

April 6

April 9

May 1

August 15

December 24

December 25

December 26

December 31

The Trading Calendar and Hours for 2011 and 2012 are available on the Borsa Italiana's website at: www.borsaitaliana.it/borsaitaliana/calendario-e-orari-di-negoziazione/calendario-borsa-orari-di-negoziazione.en.htm

Appendix 3

A) RULES OF CALCULATION OF THE FTSE MIB INDEX

FTSE MIB

Index Methodology

1. General Overview

The FTSE MIB measures the performance of the broad Italian equity market. The index currently includes 40 listed securities. The eligible universe for the FTSE MIB is derived from all stocks trading on the MTA.

The FTSE MIB provides diversity in over 10 economic sectors by adhering to the Industry Classification Benchmarks (ICB). Details of the Industry Classification Benchmark are available and published on the FTSE website (www.ftse.com). ICB has become the industry standard, providing the financial community with one complete set of global sector and industry definitions. The 10 ICB sectors that underlie the FTSE MIB are: Oil&Gas, Materials, Industrials, Consumer Goods, Health Care, Consumer Service, Telecommunications, Utilities, Financials and Technology.
When added to the index, the market capitalization of FTSE MIB constituent companies is adjusted to reflect only free-floating shares.

2. Index Construction

FTSE MIB constituent companies are identified after rigorous analysis of the broad Italian equity universe. Thus, it currently tracks 40 leading companies that represent Italy's primary industries, providing investors with a broad but manageable index. Companies themselves play no role in the selection process and are not consulted regarding their inclusion in the index. A committee called the Italian Index Policy Committee (the "Index Committee") shall oversee the overall management and direction of the FTSE MIB Index. The Index Committee shall consist of five members, with two members appointed by the *Borsa Italiana* and three members appointed by FTSE. Notwithstanding the above, members of the Index Committee appointed by Borsa Italiana have a right of veto with respect to the decisions of the Index Committee regarding any modifications to the calculation of the FTSE MIB stock index, the inclusion of companies in the FTSE MIB stock index and maintenance of the FTSE MIB stock index. The FTSE MIB is not a fixed number index and the Italian Index Policy Committee reserves the right to change the number of stocks after due analysis and consideration and with ample notice to the markets. Changes will be made only if the Committee concludes that the current number does not satisfactorily reflect the complete listed market. The Index Committee shall resolve all the issues related to the maintenance and operation of the FTSE /MIB, such as, but not limited to:

(i) maintenance and inclusion policies, including additions or deletions of constituents and other matters affecting the maintenance and calculation of the FTSE MIB;

(ii) general editorial policy with respect to educational and marketing materials relating to the FTSE MIB stock index;

(iii) sector/industry classifications within the FTSE MIB; and

(iv) the creation of sub-indices.

In order for a company to be included in the FTSE MIB Index it must be admitted to trading on a market organized and managed by Borsa Italiana. Thus, all stocks traded on Borsa Italiana Market are eligible for inclusion except savings shares (*azioni di risparmio)* and preferred shares, unless the ordinary shares of a company are not listed or demonstrate less liquidity than the savings or preferred shares. Foreign stocks listed on the Borsa Italiana Market are also eligible for inclusion if they comply with *Borsa Italiana* disclosure requirements. Before listing an issuer organized outside Italy, Borsa Italiana must, as set forth in the Rules of the Markets Organized and Managed by the Italian Exchange, obtain a confirmation from Consob that the issuer is able to comply with the information requirements deriving from listing. Therefore, the lack of an information sharing agreement between the Consob and the relevant authority in the foreign country would prevent the company from being listed on a market organized and managed by *Borsa Italiana* and consequently would prevent it from being included in the FTSE MIB Index.

With respect to newly listed securities, the Index Committee generally maintains prospective constituents under observation for 6 months with regard to their liquidity. Where the period of observation is less than 6 months, the Index Committee will objectively evaluate the significance of share characteristics, including liquidity and market capitalization. Situations may arise where such companies should be immediately added to the index, for instance when a newly listed company's market capitalization is equal to or greater than 3% of the markets' total capitalization.

The Index Committee rigorously analyzes both the financial and operating condition of each company in order to add companies to the index that demonstrate relative stability.

The Index Committee classifies all the stocks listed on Borsa Italiana Markets first by ICB sectors, then ranks them by liquidity, followed by Adjusted Market Capitalization. The most representative stocks in each sector are selected based on both their liquidity and their size relative to companies within the same sector.

All listed securities are continually monitored - in an effort to maintain a candidate pool for index constituent selection - using the following general criteria:

- ICB sector representation
- Liquidity (value traded, days traded, float turnover[7])
- Investable Weight Factor (IWF[8])
- Size (Adjusted Market Capitalisation[9])

(a) Sector Representation

Index constituents represent leading companies in the primary global economic sectors and industries. The index portfolio weights are designed to mirror the sector weights of the Italian equity market. Since index construction focuses on the most liquid, sector-representative stocks, it is possible that not all 10 global sectors will be represented at all times in the FTSE MIB Index. The ICB methodology classifies a company according to its primary line of business as measured by revenues, earnings and/or market perception of the stock.

(b) Liquidity

A stock's liquidity is measured by the ratio of its previous 6-month total value-traded, to its float adjusted market cap. Stocks are generally required to have a minimum threshold of 30% float turnover to be considered for index inclusion. However, this turnover threshold may differ with respect to certain market sectors as some sectors (e.g., technology) naturally have higher turnover than other sectors (e.g., banking).

(c) Investable Weight Factor (IWF)

The ownership of a company's outstanding shares is analyzed by the Index Committee in order to screen for Adjusted Market Capitalization, as expressed by the IWF.

The IWF will be calculated by determining all shareholders holding 5% or more of shares outstanding of the specific share class, excluding *Organismi di Investimento Collettivo del Risparmio* (i.e., investment companies including

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[7] Float Turnover = 6 Month Value Traded times 2 / Adjusted Market Cap

[8] Investable Weight Factor = 100% – Sum of the percentage shareholdings held by major shareholders

[9] Adjusted Market Capitalization = Investable Market Capitalization = Price times Shares Outstanding times Investable Weight Factor (IWF)

OEIC and SICAV[10]). In the case of a legally binding control block (*patti di sindacato*) with a total weight of 5% or more, the individual shareholders each with stakes of less than 5% will be excluded from free-float.

IWFs are reviewed twice per year in March and September. Changes to IWFs are implemented immediately after the expiration of the outstanding derivatives contracts (third Friday of March and September).

The source of information used for the IWF calculation is CONSOB[12] for Italian companies. In the case of foreign listed companies included in the FTSE MIB, information used for the IWF calculation is sourced from official government filings or where unavailable, from company financial statements and representatives.

The following is an example of IWF calculation:

Company Omega's main shareholders for free float contribution:

Shareholder	% of outstanding shares held in Omega	Included in Omega free-float calculation
a) Beta S.p.A.	32%	NO
b) Mr. Gamma	12%	NO
c) Delta Mutual Fund	6%	YES (mutual fund)
d) Epsilon Insurance	3%	YES (< 5%)
e) Eta Pension Fund	2%	YES (< 5%)
f) Theta Bank	15%	NO
g) Others (open market)	30%	YES
Total IWF (100% - a + b + f)	41%	

(d) ***Size***

Stocks with an IWF of less than 25% may only be included in the FTSE MIB if they pass specific liquidity screens, and the Adjusted Market Capitalization and float turnover are sufficiently large with respect to other companies of the same sector.

3. Index Calculation

The base value of the FTSE MIB is set equal to 24,402 as of 31 December 1997.

a) ***FTSE MIB Index Value***

The FTSE MIB index value *I(t)* at time *t* is calculated using the following formula:

$$I(t) = M(t)\,D(t)$$

where:

M(t) = total market capitalization at time *t* equal to:

10 "OEIC" is an Open-ended Investment Company in the United Kingdom; "SICAV" is *Société d'Investissement à Capital Variable* (which is an open-ended investment company in continental Europe similar to an open-ended mutual fund in the United States).

12 The *Commissione Nazionale per le Società e la Borsa* – the public authority responsible for regulating the Italian securities markets

$$M(t) = \Sigma\, p(t) * q(t) * IWF$$

and

$p_i(t)$ = Last price at time t of the i-share. It is the price of the last contract concluded at the end of a predetermined and configurable interval (or fixing), which at present is equal to 30 seconds. Where trading of one of the stocks in the basket is suspended, the index shall be calculated using the price of the last contract concluded before the trading suspension.

$q_i(t)$ = Number of shares in the index of the i-constituent

IWF_i= Investable Weight Factor of the i-constituent

$D(t)$ = Value of the index divisor at time t. By definition, the index divisor satisfies the relation:

$I(t) = M(t)/D(t)$

b) **Index Accuracy**

The level of precision for the Index calculation is the following:

- Index values are published rounded to two decimal places, real time;
- Index values are published rounded to two decimal places, end of day;
- Share prices are rounded to four decimal places;
- Numbers of shares outstanding are expressed in units;
- IWFs are rounded to three decimal places;
- Capped IWFs are rounded to six decimal places;
- Market capitalization is stated to five decimal places, although the calculation uses unrounded numbers;
- The Divisor is stated to eight decimal places and calculated using ‘un-rounded’ Index Values.

4. Index Maintenance

Maintenance of the FTSE MIB includes periodical index revisions and constituent changes arising due to vacancies created when a stock is deleted from the index.

Other changes having an impact on the FTSE MIB are changes in sector and industry classification. Changes to the classification of a company within the FTSE MIB Index will be advised by the ICB and the necessary adjustments will be made to the relevant industry sectors at the same time that the constituent changes are implemented. Where a constituent is the subject of a merger, restructure or complex takeover which results in a constituent (or part of a constituent) being absorbed by another, the industry classification of the resulting constituent(s) will be reviewed by the ICB. Periodic changes to the industry classification of a company are agreed and announced by the ICB. Such changes will be implemented after the close of the index calculation on the next working day following the third Friday of each month.

A. INDEX REVISIONS

Index Changes

a) March / September Index Ordinary Revisions (Additions and Deletions)

A twice-yearly review of index constituents takes place in March and September. The review analyzes to what extent the FTSE MIB best represents the Italian listed equity universe. Changes are made to the list of index constituents only if the Index Committee perceives that the Index’s representation has deviated from that of its universe.

Once a year in March, the Index will be reviewed to assess if the total number of stocks in the index remains appropriate. Should the Index Committee decide that a larger or smaller number of constituents is more representative of the Italian listed equity market, a change will be made.

The prices applied to index changes are closing prices of the third Friday of March and September. The number of shares used is that reported in the Borsa Official List 3 trading days before the revision, except in the case of companies which have a merger or a capital increases under way, in which case the number of shares shall be equal to the number of shares following the operation.

Where Friday closing prices of one or more stocks included in the FTSE MIB have not been set by the end of the closing auction session, FTSE will use the prices of such stocks as fixed by the Borsa Italiana.

Public announcement of constituent changes to the FTSE MIB will be made no later than 10 business days before the effective date; announcement of the number of shares in a constituent stock is made no later than 3 business days before the effective date. All announcements are made after the close of Borsa Italiana Markets by means of a press release.

b) Index Rebalancing - Quarterly Share Changes

The number of shares of all the FTSE MIB components are updated on a quarterly basis using the closing prices of the third Friday of March, June, September and December, (to coincide with the expiry of IDEM[13] contracts).

The number of constituent's shares used is equal to the number of shares reported in the Borsa Official List 3 trading days before the rebalancing, except in the case of companies which have merger or capital increases under way, in which case it shall be equal to the number of shares following the guarantee operation.

Announcement of quarterly share changes and of the number of shares is made after the close of Borsa Italiana Market no later than 3 business days before the effective date by means of a press release.

c) On-going Changes

For corporate actions (for example, mergers and share capital increases) that result in changes of more than 10% of shares outstanding, the number of shares outstanding will be adjusted in the index when the corporate action is considered effective. All other changes to shares outstanding (that result in changes of less than 10% of shares outstanding) will occur at the quarterly share update.

In all cases, when a change in market capitalization occurs, to ensure FTSE MIB continuity, the divisor is adjusted to account for this change. The new Divisor is obtained by dividing the new Adjusted Market Capitalization by the Adjusted Market Capitalization efore corporate actions, multiplied by the old divisor .

The FTSE MIB Index is adjusted following the criteria used for derivatives products managed by IDEM.

Announcement of the adjustments is made after the close of Borsa Italiana Markets no later than 3 business days before the effective date by means of a press release.

B. EXTRAORDINARY: ADDITIONS AND DELETIONS TO THE INDEX

An index addition is generally made only if a vacancy is created by an Index deletion. To respond quickly to events affecting the index, the Committee continuously monitors a pool of pre-screened, prospective “add” candidates. However, the number of companies included in the FTSE MIB is not fixed and companies may be added at times when no companies are being removed from the Index.

Index additions are determined in accordance with the FTSE MIB Index construction principles, as set forth in the introduction above, with a bias toward preserving sector representation in the index.

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[13] Italian Derivatives Market

a) Index Additions

Index additions may occur in the following situations:

(i) Merger/spin-off. If two merging companies, both the acquiring and the acquired, are index constituents, the Index Committee will likely include the new merged entity in the FTSE MIB, and evaluate a new member from the candidate pool to fill in the gap created by the merger. If a non-constituent absorbs a current constituent of the FTSE MIB, the latter will be removed from the index and replaced with a new member from that index candidate pool, possibly the non-constituent acquiring company, if it qualifies. Weights of the constituents will be based on the opening price and the number of shares subsequent to the merger.

(ii) New listing. Newly listed companies whose capitalization is equal to or more than 3% of the current capitalization of the entire market are added in the index with an extraordinary revision.

b) Index Deletions

Index deletions may occur if the relevant index constituent company no longer meets the current criteria for inclusion or is no longer representative of its industry sector. Examples that may lead to a constituent's removal from the index are:

(i) positive outcome of a take-over offer;

(ii) relevant spin-offs;

(iii) restructuring;

(iv) significant and ascertained or presumable reduction in liquidity or capitalization;

(v) if Borsa Italiana delists a constituent company (e.g. in cases of involvement of the issuer in insolvency procedures and in cases of liquidation of the issuer).

Additions and deletions driven by a corporate event are generally implemented when the transaction has been declared wholly unconditional. Should a "subject to" clause exist, the Index Committee will analyze and treat each event on a case-by-case basis. Announcement of additions or deletions is generally made after the close of Borsa Italiana Markets 10 business days before the effective date of the change by means of a press release.