

Regulatory Framework	<p>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.</p> <p>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.</p> <p>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.</p>	<p>http://www.consob.it/mainen/index.html?mode=gfx</p>
IDEM market	<p>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” Rules ok market, Title 5.3 and Instructions accompanying the rules Title IA.9) .</p>	<p>http://www.borsaitaliana.it/borsaitaliana/regolamenti/rules03032014no.en_pdf.htm</p> <p>http://www.borsaitaliana.it/borsaitaliana/regolamenti/istruzioni/instr21072014no.en_pdf.htm</p>
IDEM Options	<p>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</p>	<p>http://www.borsaitaliana.it/derivati/specifichecontrattuali/opzioni-su-azioni.en.htm</p> <p>http://www.borsaitaliana.it/derivati/specifichecontrattuali/ftsemi</p>

^{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.

	<p>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.</p>	<p>boptions.en.htm http://www.borsaitaliana.it/derivati/specifichecontrattuali/week1ymibo.en.htm</p>
<p>Methodology of the FTSE_MIB Index</p>	<p>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</p>	<p>http://www.borsaitaliana.it/borsa/indici/indici-in-continua/dettaglio.html?indexCode=FTSEMIB&lang=en</p>
<p>Market Participants: Market Making on the IDEM</p>	<p>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. Members can serve in four different market making categories</p>	<p>http://www.borsaitaliana.it/bitApp/home.bit?target=SearchMarketMakers&lang=en</p>
<p>Market Intermediaries</p>	<p>The Rules of Borsa Italiana disciplines the participation of the intermediaries in the markets, defining the subjects which can directly participate in the trading activity and the minimum requirements, which they have to meet, in terms of participation requirements and technological structure, and in terms of handling the settlement and clearing processes of the contracts concluded on the markets</p>	<p>http://www.borsaitaliana.it/borsaitaliana/intermediari/membership-e-servizio-bit-club/membership.en.htm</p>

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. 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.lseg.com/sites/default/files/content/documents/3.01.01.01.03.04%20Proposta%20di%20Garanzia%20Fideiussoria%20a%20favore%20della%20Cassa%20di%20Compensazione%20e%20Garanzia%20-%20Default%20Fund.pdf
Trading Procedures	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, as described in the Guide to the trading System	http://www.borsaitaliana.it/borsaitaliana/gestione-mercati/migrazioneidem/migrazioneidem.en.htm
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, as reported in the Instructions (art. IA.11)	http://www.borsaitaliana.it/borsaitaliana/regolamenti/istruzioni/instr21072014no.en_pdf.htm
Time Zones and Holidays	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	http://www.borsaitaliana.it/borsaitaliana/calendario-e-orari-di-negoziazione/calendario-borsa-orari-di-negoziazione.en.htm
Transaction Costs	The transaction costs borne by investors include brokers' commissions which reflect charges for opening and closing positions and for exercise. Customer pay trading and clearing fees	http://www.borsaitaliana.it/borsaitaliana/intermediari/guide-e-moduli/pricing1settembre2014.en_pdf.htm http://www.ccg.it/en/home/documents/fee-schedule/
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	http://www.ccg.it/en/home/about-us/ccg-s.p.a./ http://www.borsaitaliana.it/derivati/sistemaditradingeclearing/clearing/clearing.en.htm

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	http://www.ccg.it/en/home/risk-management/introduction/
CC&G IDEM Members	CC&G has three types of membership: general and individual clearing member and non clearing member	http://www.ccg.it/en/home/membership
Settlement prices	They are calculated by Borsa Italiana at the expiry and communicated to CC&G	http://www.borsaitaliana.it/derivati/derivati/derivati.en.htm
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	http://www.ccg.it/en/home/risk-management/introduction/
Default Fund	CC&G has established a Default Fund, which is funded by market intermediaries	http://www.ccg.it/en/home/risk-management/default-fund-parameters/
Rolling and settlement System	All the stocks included in an Index are guaranteed by CC&G and subject to the two day rolling settlement procedures of the Exchange. The settlement procedures on the Exchange are operated by Monte Titoli	http://www.ccg.it/en/home/risk-management/documentation/