

Information document with regard to the clearing of regulated derivative instruments and the segregation of accounts held with Central Counterparties pursuant to Articles 38 (1) and (39 (5 and 7) of (EU) Regulation no. 648/2012 on OTC derivative instruments, central counterparties and trade repositories.

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Introduction – contest and scope of this document

Working with financial derivative instruments is governed, inter alia, by EU Regulation no. 648/2012 (hereinafter EMIR or the Regulation).

Some provisions of this Regulation concern the Central Counterparties (CCP) and the Direct Participants (DP) of these bodies.

The CCP is the party which, in a transaction, positions itself between two contracting parties preventing the latter from being exposed to the risk of non-fulfilment of its own contractual counterparty and guaranteeing that the transaction is completed successfully.

The Direct Participant is the party which is authorised to enter into transactions with the CCP either on its own behalf, or on behalf of other operators who are not Direct Participants.

FinecoBank (the Bank) is Direct Participant with the *Cassa di Compensazione e Garanzia* (CC&G) [Clearing House and Guarantee Fund] which is the only authorised CCP in Italy.

This document contains the requested information, pursuant to EMIR, relating to the possible account segregation solutions, the relative costs, the correlated protection level and the main legal implications of the various segregation levels offered, including information on the applicable bankruptcy legislation.

Prior to choosing a specific segregation model, the client should read this document and the information provided by the CCP, in order to gain an overview of the various possible methods of segregation offered; of the main differences between said methods; and the legal context of reference.

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This document acts as an information guide in support of the choice of segregation model, but under no circumstances does it constitute legal advice or any other form of advice, nor should it be interpreted in this vein.

This document describes the main implications which take effect on the occurrence of some conditions. Nevertheless, the concrete aspects of each segregation model proposed will also automatically depend on the rules imposed by the CCP of reference.

The Bank does not take on any liability as regards the accuracy and exhaustiveness of this information document.

1. Regulatory Frame of Reference

Regulation No. 648/2012 of 4 July 2012 (European Market Infrastructure Regulation – EMIR) decreed by the European Parliament and the Council of the EU on OTC derivatives, central counterparties (CCPs) and trade depositories, which entered into force on 16 August 2012, provides, inter alia, new obligations with regard to centralised clearance derivatives.

Specifically, the EMIR Regulation provides, as regards listed derivative transactions as well as OTC derivatives, that the CCPs (or the legal persons who position themselves between the counterparties of contracts negotiated across one or more financial markets, acting as buyers with regard to each seller and as sellers with regard to each buyer) and their direct participants:

- Make public the prices and fees applied to the services provided, including the discounts and reductions, as well as the conditions to be met in order to enjoy said benefits (Article 38 – EMIR);
- Are obliged to offer their clients, at least, the choice between “omnibus segregation” and “segregation per individual client” informing them of the costs associated with this choice and the level of protection relative to each option (Article 39 – EMIR).

This is with the aim of allowing market participants to make an informed choice, guaranteeing said participants’ transparency as regards prices, fees, and the management models of the risks associated with the services provided by the Central Counterparties (CCP), by their members and by the trade repositories.

Specifically, the DPs, for the derivative contracts which are performed through a Central Counterparty, must:

- Make public the prices and fees applied to the clearing services provided (including discounts and reductions, as well as the conditions to be met in order to benefit therefrom)¹;
- Offer their clients the choice between two types of account²:
 - Account with omnibus segregation;
 - Account segregated per individual client

In the first case the DP holds two segregated accounts with the CCP: one for transactions completed on its own behalf and one (so-called omnibus account) for all transactions completed on behalf of clients. The distinct evidence of the transactions completed by each individual client is in this case kept by the sole DP.

¹ Pursuant to Article 38 (1) of EMIR

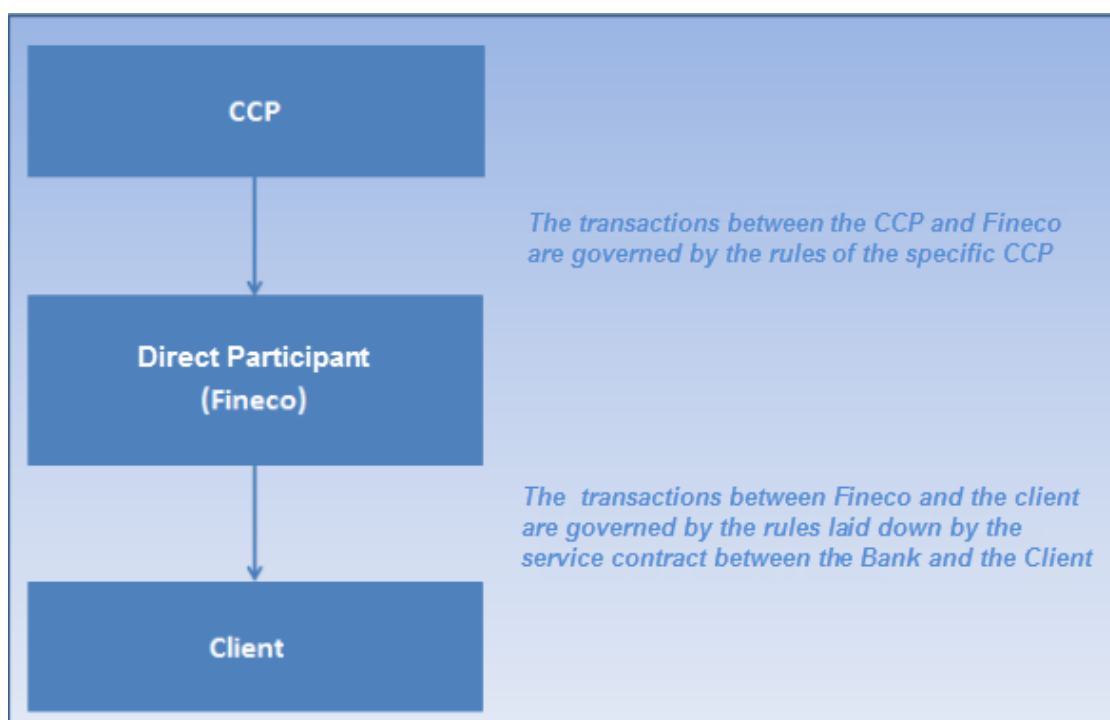
² Pursuant to Article 39 (5) of EMIR

In the second case the DP also holds segregated accounts with the CCP, referring to individual clients who have made this choice, with the exclusive aim of hosting their transactions.

- To make public the levels of protection and the costs associated with the various levels of segregation offered³.

2. Information on Clearing Service

The “principal to principal” clearing model, a model used by Fineco in order to clear a transaction with *Cassa di Compensazione e Garanzia* (hereinafter also “CC&G”), sole CCP of which the Bank is a direct participant, generally provides for two contractual relations: the first, between the client and the Bank based on an appropriate service contract, the second between the Bank and the CC&G governed by the rules applicable to the CCP. As shown hereinafter, the transaction which is subject to clearing counts as a transaction between the client and the Bank, and as another one, which is the same but working in the opposite direction, between the Bank and the CCP.



3. Differences between the segregation models

Information has been provided hereinafter regarding the choice between omnibus segregation and individual segregation.

Before making this choice, clients must also review the information provided by the CC&G (see link below), as regards the segregation of accounts models.

³ Pursuant to Article 39 (7) of EMIR.



<http://www.lseg.com/it/markets-products-and-services/post-trade-services/ccp-services/ccg/emir/segregation-and-portability>

There are two main account types:

- Omnibus Client Account (Omnibus Segregated Account)⁴
- Individual Client Accounts (Individual Segregated Accounts).

Omnibus Segregated Accounts. They are accounts in which the recording of positions and guarantees allows, at any point, a distinction to be made between these positions and guarantees and those recorded in the other individual accounts. The positions recorded in each account can be offset, at any point, only by positions recorded in the same account. The guarantees recorded in an account are used to cover margins calculated on positions registered in the same account. This means that in the event of default of the CCP or the Direct Participant the (positive) positions and the guarantees of a client shall be offset by those of other clients (negative) thus being leading to a loss for the client with positive positions.

Individual segregated accounts. These are accounts in which the recording of the positions and of the guarantees of a Client allows for a distinction to be made at any point between these positions and guarantees and those of the relative Direct Participant (Fineco), as well as those of the other clients of the same Direct Participant. The positions recorded in each individual account may be offset, at any time and without delay, only by positions which have been recorded in the same individual account. The guarantees recorded are used exclusively to cover the margins which have been calculated on positions recorded in this account.

The special features of this type of account stem from the impossibility to offset the positions and guarantees of a client with those of anything else.

STRUCTURE OF CC&G ACCOUNTS		
Own Account	“Third Party Omnibus” Account (MOA)	Individually segregated accounts (ISA)
Account dedicated to the recording of positions and guarantees of the account owned by the Direct Participant.	Account dedicated to the recording of positions and guarantees of indirect participants (clients of the direct participant) as a whole.	These are accounts which can be opened at the request of the Direct Participant and which are dedicated to the registration of positions and guarantees of the Indirect Participants who have opted for individual segregation.
	Omnibus Client Account	Individual Client Account
May the CCP offset the positions and guarantees of the client with those owned by the direct participant?	No	No
May the CCP offset the positions and guarantees of the client together with those of the other clients of the same direct participant?	Yes	No

In the absence of an expression of preference regarding the desired segregation model, the positions and guarantees of the client shall be allocated to the omnibus segregation model.

⁴ EMIR Regulation Article 39 (2) in connection with Article 39 (9)



4. Repercussions for the client in the event of insolvency of the Bank or of the CCP

4.1 – General Information

The insolvency of the Direct Participant commonly falls under the remit of those cases whereby the CCPs implement the default procedures provided for by their own rules in order to protect the stability and efficiency of the financial system.

These procedures provide for, in general, the transfer of the contractual positions and of the relative guarantees of the clients with a third party subject rather than, in the event of being unable to transfer, the closure of said positions and guarantees.

The transfer process, as with the closure process, may vary depending on the CCP in question since both the law of reference as well as the applicable rules and procedures may change.

In this regard it is therefore advisable that the client is aware of the rules in question and, in particular, checks all conditions required by the CCP prior to choosing the desired segregation model.

4.2 – What happens if FinecoBank S.p.A. is declared insolvent pursuant to the rules established by the CC&G?

The Bank is Direct Participant of the *Cassa di Compensazione e Garanzia* (“**CC&G**”) with whom it completes transactions on behalf of its own clients. The contractual relationship between the Bank and the CC&G is governed by Italian law – the provisions of bankruptcy legislation being included therein - and by the regulatory and procedural rules of the CC&G itself.

For the purposes of this information note, on the subject of the protection of positions and guarantees provided at the CCP, Article 79 *septies* (1) of Legislative Decree 58/1998 takes on a particular importance (so-called Consolidated Finance Bill), which, by way of a concise summary, provides for, in the case of insolvency of the CCP or of the Direct Participants, the protection of the guarantees and of the margins paid within the context of the clearing by third party creditor shares as well as, in the event of insolvency of Direct Participants (and not therefore also the CCP), the management of the positions of the insolvent Direct Participant in a way which is dependent on the transfer, on the meeting of specific conditions, of the positions and guarantees of the relative clientele.

In line with this regulatory provision, in the case whereby the Bank is declared insolvent, the CC&G default procedure provides for, where possible, the transfer of existing contractual positions and of guarantees recorded by the Bank to a third party Direct Participant (defined “Designated Participant”) using different methods depending on the type of registration account which has been pre-chosen by the client.

In this regard it is specified that, in any event, the transfer of the positions does not occur automatically and for it to take place, the conditions required by the CC&G must be met.

Where it is not possible to proceed with the transfer, the contractual positions of the clients involved shall be closed in line with the procedures provided for by the CC&G.

For further details on the default procedure, also in relation to the conditions necessary in order to allow the transfer of positions, the client is advised to read the information which has been made available by CC&G on its own website www.ccg.it.

4.3 What happens if the CCP becomes insolvent?

Even though this information note is focussed, for the most part, on the repercussions of the Bank becoming insolvent, it is specified that the insolvency of the CCP, rather than of other intermediary



third parties who are involved in various ways in the clearing process, could also impact on the existing positions of the clients with the CCP.

The relative consequences may vary depending on the law of the country in which the CCP has been established as well as based on the specific regulatory provisions issued by the same CCP in order to protect investors.

Specifically, as regards the CC&G, it is noted that this body is governed by Italian law and is subject to the relative bankruptcy provisions.

In the event whereby the CC&G should be declared insolvent, the relative positions shall be closed in line with the procedures provided for by the CC&G itself.

In this regard, for further details, the client is advised to read the information which has been made available by CC&G on its own website www.ccg.it.

5 Applied costs

5.1 Clearing and Segregation (Article 39 EMIR)

Pursuant to the sole regulatory obligations referred to above, FinecoBank S.p.A., in its capacity as direct participant in *Cassa di Compensazione e Garanzia S.p.A.* (CC&G, as CCP), provides, herein, the maximum tariffs applicable in relation to:

- Execution and clearing per type of derivative
- Segregation level chosen by the client

The tariffs are understood to be net of fees and of any other relevant charge – even of a tax nature – paid to CC&G or to third parties for the provision of clearing services.

The fees shown hereunder, to be understood as fully inclusive of the Execution Fee and of the Clearing Fee, requested by the Bank for each individual transaction on ETD derivative instruments traded on IDEM markets of the Italian stock exchange (for both account types, Omnibus Segregation and Segregation for Individual Client), are as follows:

Fees generated with regard to derivatives		
Futures	Up to €499	From €500 upwards
FTSE MIB	€9.95 per lot	€3.95 per lot
Mini FTSE MIB	€3.95 per lot	€1.95 per lot
Futures azioni [shares] Italy	€3.95 per lot	€1.95 per lot
Options		
FTSE/Mib Titoli [Securities]	€6.95 per lot	€3.95 per lot

The fee applied, to each individual client, by FinecoBank for the maintenance of the accounts held with CC&G is indicated as follows:



B A N K

Fee type	Derivative Type	Account Type	Unitary Tariff
Account maintenance fee	ETD	Omnibus Segregation	Free
		Segregation for Individual Client	€10,000 (monthly)

In order to express the choice relating to the account type (omnibus or with segregation per individual client) the form found at the following [link](#) must be completed in full and sent, by REGISTERED POST WITH ACKNOWLEDGEMENT OF RECEIPT, to the address found at said link.

It is noted that the amounts indicated in this document may be subject to changes also owing to the change of the costs applied by CC&G.

5.2 Notification (Article 9 EMIR)

With reference to the notification service to the Trade Repository of the information requested pursuant to Article 9 EMIR please be advised that no payment is requested from the client who delegates the Bank to carry out this activity on its behalf.