

**Memorandum of Understanding (MOU)**  
**on**  
**Co-operation for the Supervision of Market Infrastructure Providers**  
**between**  
**the Financial Services Authority**  
**and**  
**the Banca d'Italia**  
**and**  
**Commissione Nazionale per le Società e la Borsa**

**Preamble**

- A. The following Authorities in Italy and the United Kingdom have or will have responsibility for the Supervision of Market Infrastructure Providers as set out below:

In Italy:

(a) Banca d'Italia is vested with:

- supervisory powers on wholesale regulated markets for government bonds and their management companies, having regard to the objectives of overall efficiency and orderly trading, in accordance with Part III of legislative decree no. 58/1998 Consolidated Law on Financial Intermediation (CLF);
- supervisory powers on Multilateral Trading Facilities (MTFs) for wholesale trading of government bonds, in accordance with part III of the CLF;
- regulatory and supervisory powers on Italian guarantee, settlement and central depository systems and their management companies, having regard to the objectives of stability and containment of systemic risk, in accordance with part III of the CLF

In this respect, Banca d'Italia, *inter alia*:

- performs its supervisory tasks over wholesale markets and guarantee and settlement systems by analysing data provided in real time by the

management companies;

- issued, jointly with Consob, a regulation requiring that outsourcing arrangements between management companies and outsourcees must provide for appropriate safeguards allowing both authorities to perform their respective supervisory duties; such safeguards should entail effective access to data related to the outsourced activities, also through On-Site Inspections.

(b) Commissione Nazionale per le Società e la Borsa ('Consob') is vested with:

- regulatory and supervisory powers on regulated markets and Multilateral Trading Facilities, in accordance with part III of the CLF;
- powers of detection and prosecution of market abuse, in accordance with part V of the CLF;
- regulatory and supervisory powers on Italian guarantee, settlement and central depository systems and their management companies, having regard to the objectives of transparency and investor protection, in accordance with part III of the CLF.

In this respect, Consob, *inter alia*:

- receives a daily feed from settlement (including pre-settlement) and central depository systems;
- issued, jointly with Banca d'Italia, a regulation requiring that outsourcing arrangements between management companies and outsourcees must provide for appropriate safeguards allowing both authorities to perform their respective supervisory duties; such safeguards should entail effective access to data related to the outsourced activities, also through On-Site Inspections.

In the United Kingdom:

- (c) The Financial Services Authority ("the FSA") is responsible for the regulation and supervision of recognised clearing houses and recognised investment exchanges under the Financial Services and Markets Act 2000 (FSMA) and authorisation and supervision of investment firms operating Multilateral Trading Facilities under FSMA.

- B. The FSA, the Banca d'Italia and the Consob acknowledge that Market Infrastructure Providers which are regulated and/or supervised by the Italian Authorities may wish to offer trading facilities and/or Post-trading services in the UK and that Market Infrastructure Providers which are regulated and supervised by the FSA may wish to offer trading facilities and/or Post-trading services in Italy.
- C. The FSA and the Italian Authorities therefore wish to enter into this MOU to further facilitate, through the exchange of information and any other assistance, their co-operation in relation to the supervision of Market Infrastructure Providers regulated principally in either Italy or the UK and: i) operating in the other's jurisdiction and/or; ii) belonging to a company or a group of companies (Group) based or located in the other jurisdiction and/or; iii) outsourcing some of their regulated activities/functions to a company (based or located in the other jurisdiction) that is either within or not within the Group.

For the avoidance of doubt, for the purposes of this memorandum, a Group is considered to be based in a particular jurisdiction in which the ultimate holding company is located and carries out its business.

### **Interpretation**

1. In this MOU:

"Authorities" refers to the authorities listed in paragraph A of the preamble.

"Post-trading services" refers to guarantee and default funds, central depository, clearing and settlement services.

"Market Infrastructure Provider" means an entity referred to in a side letter between the authorities, which provides MIF, regulated markets and/or Post-trading services and is subject to the principal regulatory oversight of the Banca d'Italia and/or Consob in Italy, or of the FSA in the UK.

"Italian Authorities" refers to the Banca d'Italia and the Consob.

"Person" means a natural person, legal entity, partnership or unincorporated association.

"Requested Authority" means the Authority to whom a request is made under this MOU.

"Requesting Authority" means the Authority making a request under this MOU.

"Supervision" means regulation, supervision and oversight including oversight by the FSA of a principally Italian Market Infrastructure Provider operating in the UK and oversight by Banca d'Italia and Consob of a principally UK Market Infrastructure Provider operating in Italy.

"On-Site Inspections" means a Supervisory inspection of the books and records and premises of a Market Infrastructure Provider or a Service Provider conducted by the Banca d'Italia and/or Consob or the FSA (including related discussions with relevant staff of the Market Infrastructure Provider), as described in paragraphs 11 to 13.

"Home Authority" means the Authority in whose jurisdiction a Market Infrastructure Provider is based.

"Service Provider" means an entity which is or is not part of the Group to which a Market Infrastructure Provider belongs and which provides services for and on behalf of the Market Infrastructure Provider.

#### **Purpose of the MOU**

- 2 The purpose of this MOU is to facilitate co-operation between the Italian Authorities and the FSA in order to promote effective Supervision by the Authorities of Market Infrastructure Providers regulated principally in either Italy or the UK and to reduce any Supervisory overlap.

### **Effect of the MOU**

3. This MOU does not modify or supersede any laws or regulatory requirements in force in, or applying to, Italy or the United Kingdom. It is a statement of intent of the FSA and the Italian Authorities and is not intended to create any binding legal obligations, or to fetter the discretion of the Authorities in any way in the discharge of their Supervisory functions. It is also not intended to prejudice the individual responsibilities or autonomy of any Authority. This MOU does not affect any other arrangements between the Authorities or any arrangements between the Authorities and a Market Infrastructure Provider or third parties.

### **Principles for the Supervision of Market Infrastructure Providers**

4. The Authorities are or will be, in relation to Market Infrastructure Providers, responsible for performing their respective supervisory functions set out in paragraph A of the preamble.
5. Any division of responsibility for the Supervision of Market Infrastructure Providers shall be based on the respective legal or supervisory responsibilities of each of the Authorities.

### **Principles for co-operation between the FSA and the Italian Authorities**

6. The Authorities will co-operate closely and specifically exchange information in a timely way to assist each other to perform their respective functions relating to the Supervision of Market Infrastructure Providers.
7. The FSA will (either on its own initiative or at the request of the Banca d'Italia or Consob) provide to either one or both of the Italian Authorities relevant available information about any matter that is likely to assist the Italian Authorities to perform their respective functions relating to the Supervision of Market Infrastructure Providers.
8. The Italian Authorities will (either on their own initiative or at the request of the FSA)

provide the FSA with relevant available information about any matter that is likely to assist the FSA to perform its functions relating to the Supervision of Market Infrastructure Providers

9. Without limiting the scope of clauses 7 and 8, information to be provided under those clauses should include information that is available and relevant to:

- (a) contagion risk or systemic risk issues;
- (b) conduct of business issues, i.e. issues with regard to efficiency, transparency and governance;
- (c) major changes to the national legal frameworks to the extent relevant to the performance of the Authorities' respective Supervision functions;
- (d) any fact or issue the Authorities are aware of (including, for the avoidance of doubt, facts or issues about the holding company of the Group to which a Market Infrastructure Provider belongs that could materially affect the authorisation or recognition of the Market Infrastructure Provider;
- (e) any event or development of which they are aware of that has, or is likely to have, a significant detrimental effect on a Market Infrastructure Provider such as: serious organisational, financial or operational difficulties, and any other fact or issue that could affect the smooth functioning of the markets and of the Post-trading services or systems;
- (f) any amendments to ownership structure or governance arrangements of a Market Infrastructure Provider;
- (g) to the extent practical and to the extent that the Authorities are aware of it and legally permitted to obtain it having regard to their respective regulatory functions; (considering the unregulated status of a company within the Group), information that will affect a Market Infrastructure Provider's ability to: i) perform its regulated activity in an orderly manner; ii) meet its regulatory requirements including, for the avoidance of doubt, information pertaining to alliances, mergers or cross-shareholdings or bids that have occurred with regard to the holding company or other companies of the Group to which the Market Infrastructure Providers belong;
- (h) events or developments that are likely to have a significant effect on the markets and/or services and/or systems operated by one or more Market Infrastructure Providers with particular regard to their business continuity objectives and their

capability to keep control on the outsourced regulated activities/functions as required by relevant Italian and UK legislation.

- 10 Each Authority will endeavour to notify the other Authorities if it proposes to take any Supervisory action in relation to a Market Infrastructure Provider which might have a material effect on the performance by either of the other Authorities of their Supervisory functions. If it is not possible to notify one of the Authorities before taking such action, notification to one of them shall be made as soon as practicable thereafter.

### **On-Site Inspections**

- 11 In fulfilling their Supervisory function relating to a Market Infrastructure Provider the Authorities may need to conduct an On-Site Inspection of a Market Infrastructure Provider or a Service Provider based or located in the other jurisdiction.
- 12 Where paragraph 11 applies, the Requesting Authority will consult with the Requested Authority in relation to a requested On-Site Inspection. Following the consultation, where it is determined that the On-Site Inspection is necessary and possible having regard to applicable laws and regulations, the Requested Authority will notify the Requesting Authority of that decision and the following procedures will apply:
  - (a) where necessary, the Authorities will further develop specific details of the On-Site Inspection; and
  - (b) the performance of the On-Site Inspection will be carried out by the staff of the Requested Authority in accordance with the procedure provided for in the legislation applicable in the jurisdiction of the Requested Authority. The staff of the Requesting Authority may accompany the staff of the Requested Authority. At the discretion of the Requested Authority, staff members of the Requesting Authority may carry out all or certain aspects of the On-Site Inspection themselves.
- 13 If, following consultation between the Authorities, it is determined that an On-Site Inspection will not occur and the Requesting Authority determines that it is unable to satisfy its Supervisory obligations without an On-Site Inspection, the following

procedures will apply:

- (a) the Requested Authority will provide the Requesting Authority with relevant available information in relation to the Market Infrastructure Provider or the Service Provider as the case may be; and
- (b) the Authorities will work together to determine if the achievement of the objectives of the proposed On-Site Inspection can be facilitated by other means. This includes preparing a workable and agreeable arrangement having regard to applicable laws and regulations in Italy and the United Kingdom.

#### **Meetings of Authorities**

- 14 Representatives of the FSA and either or both of the Italian Authorities will meet periodically, as necessary, to discuss issues of common interest relating to the Supervision of Market Infrastructure Providers and to improve co-operation between the Authorities. Without prejudice to any of the Authorities' domestic competences and responsibilities, the issues to be discussed at these meetings may include, but will not be limited to:

- (a) assessment of risks affecting Market Infrastructure Providers' services or systems subject to the Authorities' supervision;
- (b) material and substantive developments to Market Infrastructure Providers' provision of MTF, regulated markets and/or Post-trading services;
- (c) compliance with EU and other international standards for MTF, regulated markets and/or Post-trading services; and
- (d) improving co-operation and co-ordination between the Authorities.

Representatives of a Market Infrastructure Provider may be invited for meetings with the FSA and either or both of the Italian Authorities.

#### **Additional arrangements**

- 15 Other practical arrangements regarding the modalities of co-operation between the FSA and the Italian Authorities may be agreed upon from time to time

## Requests for Assistance

16. Requests for assistance shall be made in accordance with the following requirements:
- (a) The Authorities will endeavour to provide information that is available as soon as practicable, where possible;
  - (b) Requests for assistance should be made in writing and addressed to the contact persons of the Requested Authority listed in Appendix 1;
  - (c) When there is a need for expedited action, requests for information and replies to such requests may be transmitted in any form, including orally, but shall be confirmed subsequently in the manner required in (b) above within the shortest possible time.
  - (d) To facilitate assistance, the Requesting Authority should specify in any written request the following:
    - (i) the information or other assistance sought by the Requesting Authority;
    - (ii) a general description of the matter which is the subject of the request;
    - (iii) the purpose for which the information or other assistance is sought;
    - (iv) if information is provided by the Requesting Authority for confirmation or verification, the information and the kind of confirmation or verification sought;
    - (v) where onward disclosure of information provided to the Requesting Authority is likely to be necessary, the identity of the Person to whom disclosure may be made and the reasons for such disclosure;
    - (vi) the desired time period for a reply;
    - (vii) any other matters specified by the Requested Authority.

## Treatment of requests

17. If a request for information or assistance is made, the Requested Authority will use all reasonable efforts to provide the information or assistance to the Requesting Authority, subject to its applicable laws, regulations and requirements and relevant EU legislation.
18. In any case where the request cannot be fulfilled in part or whole, the Requested Authority will consider whether there may be other assistance which can be given by

itself or by any other authority in its jurisdiction

#### **Permissible uses of requested information**

19. The Authorities shall use any information provided by the Requested Authority solely for the purposes of carrying out their functions relating to the Supervision of Market Infrastructure Providers.

#### **Confidentiality**

20. Each Authority shall maintain the confidentiality of any non-public information it receives under this MOU in compliance with applicable laws and regulations and applicable EU legislation. The Authorities shall not disclose such information, including by transmission to any other authorities, without the prior approval of the Authority that provided the information and subject to any other legal and regulatory constraints.
21. In the event of a legally enforceable demand to disclose any information received under this MOU, the Authority receiving the demand will notify the Authority that provided the information of such a demand prior to complying with it, and will assert all appropriate legal exemptions or privileges from disclosure with respect to that information as may be available

#### **Contact points**

22. A list of contact points to whom information or requests for information and assistance under this MOU should be directed is set out in Appendix 1. The references to the above persons, who shall also act as designated persons in the event of urgency or crisis situations, will be regularly updated by each of the Authorities by giving written notice to the other Authorities

#### **Entry into effect and termination**

22. This MoU shall come into effect on the date of the latest signature set out below and will continue to have effect until terminated by any of the Authorities giving thirty

days advance written notice to the other Authorities.

23. If either the FSA or the Italian Authorities give such notice, co-operation will continue with respect to all requests for information or assistance that were made under the MOU before the effective date of notification until the Requesting Authority terminates the matter for which information or assistance was requested. In the event of the termination of this MOU, information obtained under it will continue to be treated in the manner prescribed under clauses 19, 20 and 21.

#### **Review of MOU**

24. The FSA and the Italian Authorities will keep the operation of this MOU under review and will consult when necessary with a view to improving its operation and resolving any matters.

Amendment of MOU

25. This MOU may be amended by the joint agreement of the FSA and the Italian Authorities.

Executed by the FSA and the Italian Authorities in English and Italian.

Executed on 01/09/2010 by



For the FSA

The Chairman or the CEO

Executed on 10 AGO. 2010 by



For Banca d'Italia

The Governor

Executed on 18 MAG. 2010 by

For Commissione Nazionale per le Società e la Borsa

The Chairman



## Appendix 1: Contact Points

### For the FSA

Jennifer Boneham  
Manager - Equity Markets  
Markets Division  
The Financial Services Authority  
25 The North Colonnade  
Canary Wharf  
London E14 5HS  
UK  
tel: 44 20 7066 1128  
fax: 44 20 7066 1129  
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### For Banca d'Italia

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Side letter to accompany the Memorandum of Understanding (MoU) between the UK Financial Services Authority, the Banca d'Italia and the Commissione Nazionale per le Società e la Borsa on 01/09/2010, collectively "the Authorities", regarding co-operation for the Supervision of Market Infrastructure Providers

Pursuant to the MoU signed by the Authorities, it is agreed that

**Cassa di Compensazione e Garanzia S.p.A.**

**EuroMTS Limited**

**European Central Counterparty Limited**

**ICAP Electronic Broking Limited**

**Monte Titoli S.p.A.**

**MTS S.p.A.**

will be considered Market Infrastructure Providers pursuant to paragraph 1 of the MoU

Executed by the Authorities in English and Italian

Executed on 01/09/2010 by

For the FSA

The Chairman

Executed on 10 AGO. 2010 by

For Banca d'Italia

The Governor

Executed on 18 MAG. 2010 by

For Commissione Nazionale per le Società e la Borsa

The Chairman

*L. Cardin*

