

New Trading Service for ETFplus, SeDeX, MOT and MAC markets

Dear Customer,

On Monday 10 November, we successfully completed the first phase of the integration process with the Stock Exchange with the migration of the MTA and Expandi Markets onto the TradElect trading system. As you know, we are now planning the second phase of the migration process (that has been mentioned in previous correspondence) and which will include the ETFPlus, SeDex, MOT and the MAC markets.

The aim of this communication is to provide you with an overview of TradElect, the new trading system for these markets and further information regarding the key milestones for the migration plan.

TradElect: the new trading system for ETFplus, SeDeX, MOT and MAC markets

As per the MTA and Expandi markets, the physical access to the markets will be available either through the current network used for accessing Borsa Italiana's markets (Blt Network) or through the London Stock Exchange's network (Extranex). The same peripheral network equipment (routers, switch and firewalls) currently installed at member firms' and third parties' premises will be retained.

Logical access to the trading functionalities of the new ETFplus, SeDeX, MOT and MAC services will be performed through the new TradElect application protocol, whose technical specifications are detailed in documents Trading and Information Services – Interface Specification (TIS102) and Data Formats (TIS103). API libraries are necessary so all trading applications can access TradElect regardless of the operating system they are based upon.

The introduction of this new application protocol also for the ETFplus, SeDeX, MOT and MAC markets will however require market participants to adapt their interconnected software applications to the new interface. You should also be aware that, by default, the access to the above markets will be provided through the USAPs currently used to access the MTA and Expandi markets, unless the customer performs specialist market maker activity. From a logical point of view, segregation of access will be granted by the use of dedicated trader groups which will identify the activity carried out on each market/segment. For MOT market dedicated tradergroups can be used for both DomesticMOT and for EuroMOT. A default tradergroup will be used to identify Specialists activity.

However, customers may request additional USAPs and dedicate them to access one specific market or segment.

ETFplus, SeDeX, MOT and MAC markets data feeds will be broadcast through either Borsa Italiana's MTA service as usual, or the London Stock Exchange's Infolect service.

Where the Infolect service is chosen, market data will be disseminated according to the following configuration:

- physical access through the Blt Network or Extranex with minimum bandwidth capacity of 30 mbps
- logical access through the new application protocol, as defined in the "Interface Specification – Trading and Information Services" document;
- communication protocol used is multicast;
- the data feed broadcasts all order book variations, thus providing with the necessary information for full order book depth development.

The migration plan

The major milestones of the migration plan are as follows:

- Release of the first version of the Service Manual and of the Technical Interface Specification of

- TradElect: **December 2008**. Technical documentation will be published on Blt Systems' website & section Markets & Software docs and on the London Stock Exchange web-site's Technical Library.
- Availability of the external test environment (Customer Development Service or CDS) for TradElect Infolect: **early January 2009**.
 - Availability of the external test environment (Customer Development Service or CDS) for TradElect MDF/DDM-plus: **early January 2009**.
 - Availability of the Conformance Test Service (CTS) for TradElect, Infolect and MDF/DDM-plus: **February 2009**. The conformance test sessions, aimed at ensuring that the market participants' software applications are compliant with the new trading and information services (MDF or Infolect) will be performed on a dedicated environment (CDS) and they will be scheduled by Blt Systems during February/beginning of March 2009. We remind you that the conformance test is mandatory for all proprietary and third party software applications that are not compliant with the above services.
 - Specific functional tests for Specialist and Market Makers will be carried out during the month of **February 2009**.
 - Public test sessions (Dress Rehearsals) on the production environment will be performed during **February 2009**. Further details will be provided shortly.

The official live date of the new service is currently scheduled for the beginning of Q2 2009 but the final date will be fixed according to the outcome of the public test sessions (Dress Rehearsals) and it will be communicated to market participants at the appropriate time.

The migration to the TradElect system will also entail some changes to the current Markets model. We will shortly provide you with the details of the changes, which will be also described in the Service Manual.

From a regulatory point of view, Borsa Italiana recently carried out a market consultation regarding the amendments to the Rulebook, in order to take into account the new characteristics of the trading system. The new Rulebook will be approved by the Shareholders' meeting of Borsa Italiana during the month of January 2009 and will become effective after it has been approved by the Competent authority (expected date of 15 February 2009).

Please note that all communications related to the migration project will be published on the Blt-Club website section 'Blt Communications', as well as the London Stock Exchange's website. They shall also be sent to market participants' contract representatives, to the heads of ICT departments and to the person responsible for the relationship with the Markets Supervision of Borsa Italiana/Compliance Officer.

For any further details or queries relating to ICT issues, development and testing of your software applications, please call the Clients Services Department of Blt Systems (00800 26772000) or email to tradelect-support@borsaitaliana.it. **Your Technical Account Managers in Milan and London will also be able to assist with any queries that you have.**

Finally, we wish to inform you that further details concerning the migration to the new trading system for ETFplus, SeDeX, MOT and MAC will be presented at the following Technical User Groups:

- **26 November 2008** in Milan at Borsa Italiana – to register please email: Clients-Services@borsaitaliana.it
- **5 December 2008** in London at the London Stock Exchange – to register please email: techusergroup@londonstockexchange.com
- **10 December 2008** in Paris at the Hilton Hotel – to register please email: techusergroup@londonstockexchange.com

In addition, we will be happy to arrange one to one meetings with customers, on request.

Best regards,

Pietro Poletto
Head of Fixed Income Markets