

## LuxCSD Investor-CSD Functional specifications - Italy

### Introduction

This document describes the market specific processes in the given market that deviate from the generic processes and services as described in the LuxCSD Customer Handbook for the LuxCSD customer 48xxx accounts.

LuxCSD introduces a new link to the Italian market through CBF for all securities made TARGET2-Securities (T2S)-eligible by Monte Titoli as Issuer-CSD.

### Market access

#### Market link overview

Asset coverage	Securities primarily deposited with Monte Titoli
Settlement link	Relayed link via CBF to Monte Titoli
Withholding tax agent role	Yes

#### Assets not eligible for the Investor-CSD link to Italy

- Physical securities;
- Multi-listed securities with home CSD outside T2S;
- Italian securities in default.

### Account setup

Customers must segregate accounts according to the different tax status described below (upon receipt of relevant certification):

Account type	Tax Identification Number required in settlement instruction
E: Excluded from Italian Tax	Optional
S: Exempted single beneficiary account	Optional
X: Exempted omnibus account	Mandatory
N: Omnibus not exempted account	Not allowed

LuxCSD accounts (48xxx) will be defaulted to the status N (taxable) and will be taxed accordingly. Customers that want to benefit from exemptions must provide the relevant documentation including their tax identification numbers (TIN) to LuxCSD to allow the exemptions to take place.

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## Settlement

Customers will have access to the Italian market and can therefore access counterparties located in Monte Titoli.

In addition to this, LuxCSD customers will be allowed to settle Italian securities with any CSD-In participant that is an investor in Monte Titoli as well, provided that the counterparty Investor-CSDs have established the technical configuration to settle in T2S with LuxCSD participants.

## Instruction specifications

The instruction specifications are available on the [LuxCSD website](#).

## Counterparty formats

Customers are requested to inform their counterparties to use the following details.

### ICP counterparties (SWIFT ISO 15022)

**Note:** ICP counterparties should ask their domestic CSDs or local custodians for the correct format to reach LuxCSD customers. Some CSDs or local custodians may have proprietary formats that differ from the below.

Place of settlement	LUXCLULLXXX
Delivering/Receiving Agent (DEAG/REAG)	BIC11 of the LuxCSD participant
Buyer/Seller	BIC11 of the underlying customer

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### DCP counterparties (SWIFT ISO 20022)

Depository	LUXCLULLXXX
Party 1	BIC11 of the LuxCSD participant
Party 2	BIC11 of the underlying customer

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## Cash management

Please refer to the [LuxCSD customer handbook](#) for description of cash management services in central bank money (Cash settlement in T2S environment).

## Asset servicing

The asset servicing of LuxCSD for securities primarily deposited in Monte Titoli covers all events applicable on the Italian markets and the following business processes and services:

- Event announcement and entitlement forecast;
- Corporate action instructions handling;
- Payment management;
- Transaction management (e.g. market claims, transformations);
- Tax services;
- Proxy voting services.

The sections below describe the specifics for each business process applicable for the Italian market. Unless specified below, the asset servicing on the securities primarily deposited in Monte Titoli are the same as described in the Customer Handbook. Further changes will be described through the regular publications.

This document should be read together with the [Market Link Guide - Italy](#) and other relevant market information.

## Corporate actions on stock

The handling of corporate actions on stock on Italian securities is subject to the market specifics as below:

COAF reference	The Official Corporate Action Reference (COAF) is not available.
Sale and Purchase of Rights & Odd lots	Service is not available.
Right of Withdrawal event	Conditions of the event are mentioned in the agenda of the general meeting. If resolution to change the status of the company is voted, stakeholders who have not attended the meeting or who voted against the resolution, get the right to participate to the BIDS offer (buy back from the issuer).  The "Withdrawal letter to the issuer" can be sent to LuxCSD together with the MT565 instruction. The Certificate of Holding is issued by LuxCSD.
Payments - Tax status	Cash distributions are received gross from the agent and are made net of the customer's applicable withholding tax rate.  At the payment date, a tax is calculated on accrued interest: interest that has accumulated between the last payment date and the next payment date.  At redemption date, a tax is calculated on accrued issuance discount: the difference between the issuing price of the bond and the redemption price upon maturity.

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## Corporate actions on flows - Market claims and reverse market claims

The market claims and reverse market claims process on Italian securities is subject to the market specifics below:

Compensation basis	Market claims will be processed on a gross basis.
Non-T2S eligible proceeds	In accordance with Italian market rules, no market claims will be generated for non-T2S eligible proceeds (for example, cash distributions in a currency other than EUR) for cross-border trades when the counterparty is outside of LuxCSD or Clearstream.  All other trades will be subject to market claims following the standard LuxCSD service description using the corresponding CBL accounts of LuxCSD customers.

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## Corporate actions on flows - Transformations

The transformations process on Italian securities is subject to the market specifics as below:

Non-T2S eligible proceeds	In accordance with Italian market rules, no market claims will be generated for non-T2S eligible proceeds (for example, cash distributions in a currency other than EUR) for cross-border trades when the counterparty is outside of LuxCSD or Clearstream.  All other trades will be subject to market claims following the standard LuxCSD service description using the corresponding CBL accounts of LuxCSD customers.
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## Corporate actions on flows - Buyer protection

LuxCSD will adhere to the buyer protection standards by applying the manual buyer protection mechanism.

The manual buyer protection mechanism is a bilateral agreement between the trading parties by means of a manual process (no intervention from the market infrastructure regarding the exchange of buyer protection instructions).

LuxCSD will report the following key buyer protection dates in the MT564/568 Corporate Action Notification, if applicable, for the relevant events:

- Election to counterparty deadline in :98a::ECPD;
- Guaranteed participation date in :98a::GUPA.

## Tax services

Please refer to the existing Tax Matrix for description of the applicable tax services.

## Proxy voting services

LuxCSD provides, for the Italian securities, an elective proxy voting service to customers (or to any third party appointed by the customer in accordance with a power of attorney) for debts and equities eligible to LuxCSD.

The main features of the LuxCSD proxy voting service are as follows:

- Notification of meeting events via Xact Web Portal, Xact File Transfer and Xact via SWIFT (MT564);
- Delivery of meeting agendas, upon request;
- Handling of proxy voting instructions;
- Delivery of entry or admission cards for meetings, upon request;
- Re-registration of registered shares, if applicable;
- Blocking of securities, if applicable;
- Reporting of voting results, upon request.

Customers that do not want to use the Proxy Voting service via LuxCSD have the option to deselect meeting notifications through their Xact Web Portal subscription. Customers also have the option to partially opt out by filtering on Meeting type.

## Glossary

Acronym or abbreviation	Description
AGMs	Annual General Meeting
BP	Buyer Protection
CAJWG	Corporate Action Joint Working Group
CASCADE	CBF application for securities settlement
CASG	Corporate Action Sub-group
CCP	Central Counterparty
CeBM	Central Bank Money
COAF	Official Corporate Action reference
CoBM	Commercial Bank Money
CORP	Corporate Action reference
CSC/NCSC	(Non) Collective Safe Custody
CSD	Central Securities Depository
Customer	Customer means LuxCSD customer, unless otherwise specified
DCAs	Dedicated Cash Account in T2S
DCP	Directly Connected Participant
DVP	Delivery Versus Payment
DWP	Delivery with Payment
ECSDA	European Central Securities Depositories Association
EGMs	Extraordinary General Meeting
ICP	Indirectly Connected Participant
ICSD	International Central Securities Depository
INBA	Instructed Balance
MSU	Minimum Settlement Unit
NTS	Night Time Settlement
PFoD	Payment Free of Delivery
RVP	Receipt versus Payment
RWP	Receipt with Payment
SAC	Securities account in T2S
SE	Stock Exchange
T2S-in securities	Securities issued by a T2S CSD
T2S-out securities	Securities issued by a CSD/ICSD outside of T2S
UNBA	Uninstructed Balance

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