a LCH The Markets' Partner	N°	Title
Instruction	**III.4-10**	**PROCEDURES FOR SETTLING NET FAILS ON DEBT SECURITIES EXECUTED ON OR REPORTED BY A TRADING AND MATCHING PLATFORM AND MTS ITALY**

In the following, the reference day D designates the intended Settlement Date agreed on the day of Transaction's conclusion or the early termination date resulting from a deliver-out repurchase agreement (Repo) with an "open" termination feature.

CHAPITRE 1 MANAGEMENT OF NET FAILS ON FRENCH, BELGIAN, GERMAN, SPANISH, DUTCH, AUSTRIAN, PORTUGUESE, FINNISH, IRISH, SLOVAKIAN, SLOVENIAN, AND SUPRANATIONAL DEBT SECURITIES

Section 1.1 Buy-in

Article 1
In case of Net Fail the affected Clearing Members can be identified at the end of day D's Securities settlement system or central Securities depository process, in accordance with its terms and conditions.

Article 2
Variation Margins and Initial Margins continue to be calculated and called on Net Fail. Moreover, additional Margins are called from the defaulting Clearing Member beginning from the next Clearing Day, D+1. Such Margins shall be increased at intervals throughout the period in which the Net Fail is outstanding.

Article 3
Between D+1 and D+30 Clearing Days, the selling Clearing Member can deliver Securities at the delivery price. The selling Clearing Member can assert no claim to interest for the late receipt of cash.

Article 4
On the evening of D+29 Clearing Days, the selling Clearing Member to which a Net Fail belongs receives a notification from LCH SA by fax, by email or by any other electronic means.

Such notification requires the Clearing Member to settle the relevant Open Position by making sufficient provision on its central Securities depository or Securities settlement system account to allow the Net Fail to be settled in the normal daily settlement process at the latest on the evening of the D+30 Clearing Days otherwise LCH SA initiates the buy-in procedure for the quantity of Securities necessary to settle the Net Fails.

Article 5
On D+31 Clearing Day LCH SA seeks to buy-in the corresponding Securities at a tender price to fulfil its obligations to the buying Clearing Member. The tender price is deemed to be a maximum amount above which no offer of buy-in will be made. The tender price is defined as 108% of the closing price at the evening of D+30 Clearing Day. The Securities buy-in is renewed until D+35 Clearing Days. The selling Clearing Member must make daily payments of costs incurred.

Article 6
LCH SA determines the conditions under which the buy-in can be executed, under the two following principles:

- If the defaulting selling Clearing Member to which the Net Fail belongs executes wholly or partially its obligation to deliver the Securities then LCH SA gives priority to its full or partial delivery upon

any other Security provider offer. In this case, Net Fails are settled on the basis of the delivery price as referred to in Article 3.

- If the Clearing Member to which the Net Fail belongs does not deliver at all the Securities or delivers partially, LCH SA chooses for the whole or remaining quantity the cheapest provider and if there is more than one Securities provider with the same price and quantity, LCH SA will choose the first one presented.

Article 7
If LCH SA is able to buy-in the Net Fail, it charges the selling Clearing Member for the difference between the purchase cost and the cash amount credited by the buying Clearing Member.

Article 8
The buying Clearing Member can assert no claim to compensation for the late receipt of Securities.

Article 9
Open Positions, for which Securities remain undelivered after the performance of buy-in the evening of the D+35 Clearing Days, are settled by cash compensation. The defaulting Clearing Member pays the cash compensation to LCH SA, on D+36 Clearing Days, which passes it on to the Clearing Member(s) suffering from the Net Fail(s).

The cash compensation equals to 10% of the undelivered Open Position evaluated on the basis of the last Settlement Price available at the evening of D+35 Clearing Day.

Section 1.2 Sell out

Article 10
For Net Fails due to a lack of payment for which Securities have been received from the selling Clearing Member but have not been delivered to the buying Clearing Member, LCH SA can sell out the Securities corresponding to any buying net Open Position which remains unsettled on the morning D + 1 Clearing Day.

Article 11
The Clearing Day when the cash failure occurs, the buying Clearing Member to which a Net Fail belongs receives a notification from LCH SA, by fax, by email or by any other electronic means.

Such notification requires the Clearing Member to settle the relevant Open Position by crediting its central or commercial bank cash account to allow the Net Fail to be settled in the normal daily settlement process at the latest at 10.00 a.m. CET on the following Clearing Day otherwise LCH SA initiates the sell-out procedure and sells the quantity of Securities necessary to settle the Net Fails.

Article 12
LCH SA can change the timeframe for a sell-out, at its discretion, if it deems that excessive risk would be incurred otherwise.

CHAPITRE 2 MANAGEMENT OF NET FAILS ON ITALIAN DEBT SECURITIES

Section 2.1 Buy-in

Article 13
In case of Net Fail the affected Clearing Members can be identified at the closing of D's Securities settlement system or central Securities depository process in accordance with its terms and conditions.

Article 14
Variation Margins and Initial Margins continue to be calculated and called on Net Fail. Moreover, additional Margins are called from the defaulting Clearing Member beginning from D+1 Clearing Day. Such Margins shall be increased at intervals throughout the period in which the Net Fail is outstanding.

Article 15
Between D+1 Clearing Day and D+ 10 Clearing Days, the selling Clearing Member can deliver Securities at the delivery price. The selling Clearing Member can assert no claim to interest for the late receipt of cash.

Article 16
On the evening of D+7 Clearing Days, the selling Clearing Member to which a Net Fail belongs receives a notification from LCH SA, by fax, by email or by any other electronic means.

Such notification requires the Clearing Member to settle the relevant Open Position by making sufficient provision on its central Securities depository or Securities settlement system account to allow the Net Fail to be settled in the normal daily settlement process at the latest on the evening of D+10 Clearing Days otherwise LCH SA initiates the buy-in procedure for the quantity of Securities necessary to settle the Net Fails.

Article 17
On D+11 Clearing Days, LCH SA seeks to buy-in the corresponding Securities at a tender price to fulfil its obligations to the buying Clearing Member. The tender price is deemed to be a maximum amount above which no offer of buy-in will be made. The tender price is defined as 108% of the closing price at the evening of D+10 Clearing Day. The Securities buy-in is renewed until D+13 Clearing Day evening. The selling Clearing Member must make daily payments of costs incurred.

Article 18
LCH SA determines the conditions under which the buy-in can be executed, under the two following principles:

- If the defaulting selling Clearing Member to which the Net Fail belongs executes wholly or partially its obligation to deliver the Securities then LCH SA gives priority to its full or partial delivery upon any other Security provider offer. In this case, Net Fails are settled on the basis of the delivery price as referred to in Article 15.

- If the Clearing Member to which the Net Fail belongs does not deliver at all the Securities or delivers partially, LCH SA chooses for the whole or remaining quantity the cheapest provider and if there is more than one Securities provider with the same price and quantity, LCH SA will choose the first one presented.

Article 19
If LCH SA is able to buy-in the Net Fail, it charges the selling Clearing Member for the difference between the purchase cost and the cash amount credited by the buying Clearing Member.

Article 20
Open Positions, for which Securities remain undelivered after the performance of buy-in in the evening of D+13 Clearing Day, are settled by cash compensation. The defaulting Clearing Member pays the cash compensation to LCH SA, which passes it on to the Clearing Member(s) suffering from the Net Fail(s).

The cash compensation equals to 10% of the undelivered Open Position evaluated on the basis of the last Settlement Price available at the evening of D+13 Clearing Day.

Article 21
The buying Clearing Member can assert no claim to compensation for the late receipt of Securities.

Section 2.2 Sell out

Article 22
For Net Fails due to a lack of payment for which Securities have been received from the selling Clearing Member but have not been delivered to the buying Clearing Member, LCH SA can sell out the Securities corresponding to any buying net Open Position which remains unsettled on the morning D + 1 Clearing Day.

Article 23
The Clearing Day when the cash failure occurs, the buying Clearing Member to which a Net Fail belongs receives a notification from LCH SA, by fax, by email or by any other electronic means.

Such notification requires the Clearing Member to settle the relevant Open Position by crediting its central or commercial bank cash account to allow the Net Fail to be settled in the normal daily settlement process at the latest at 10.00 a.m. on the following Clearing Day otherwise LCH SA initiates the sell-out procedure and sells the quantity of Securities necessary to settle the Net Fails.

Article 24
LCH SA can change the timeframe for a sell-out, at its discretion, if it deems that excessive risk would be incurred otherwise.