



PRESS ANNOUNCEMENT

Thursday 29th October, 2014

Thomas Murray Maintains a Central Securities Depository Rating of AA for Italy's Monte Titoli S.p.A. with Stable Outlook

LONDON - Thomas Murray, the specialist custody rating, risk management and research firm, has issued a CSD rating for Italy's Monte Titoli S.p.A. maintaining its AA status, which translates as 'very low Overall Risk'. The rating is made up of the following components:

CSD Rating	Overall Rating	Asset Commitment Risk	Liquidity Risk	Counterparty Risk	Asset Safety Risk	Asset Servicing Risk	Financial Risk	Operational Risk	Governance & Transparency
Monte Titoli Rating:	AA	AA	AA+	AA	AA-	AA+	AA	AA-	AA-

The overall rating of 'AA' reflects a weighted average of the eight risk factors and relates to a very low risk exposure profile with 'Stable' outlook. The outlook indicates there are no significant developments in the marketplace that may alter the Overall Risk in the next six months.

Monte Titoli, part of the London Stock Exchange Group, is the sole depository for all eligible securities in Italy. It has operated since 1981 and is regulated by Banca d'Italia, CONSOB and the Italian Treasury. Monte Titoli receives cleared trades from various CCPs, the main ones being CC&G and LCH.Clearnet S.A. which are also part of the London Stock Exchange Group. Monte Titoli has cash accounts at Banca d'Italia to facilitate trade settlement using the TARGET 2

payment system.

Some key features of Monte Titoli's operations as they impact the specific risk factors are as follows:

Monte Titoli operates a very efficient batch settlement model for on-exchange transactions which requires the pre-positioning of cash and securities for both buyers and sellers, for relatively short durations - the overnight batch process involving the longest asset commitment period of up to three hours. For off-exchange and OTC trades, real time gross settlement takes place as soon as both securities and cash are available for settlement so normally it takes about 50 seconds for transfers to be effected. Overall, this translates into a very low risk for Asset Commitment.

Liquidity Risk is also very low due to a model which requires low liquidity and supports post-trade access to liquidity by repo; consequently, fail rates are relatively low, i.e. around 2%

Counterparty Risks for securities traded on-exchange and regulated markets such as MTS is mitigated by clearing trades using CCPs and adopting DVP settlement. The CCPs efficiently manage the participant's default risk and contribute to enhancing the level of participants through robust criteria and high quality monitoring.

Asset Safety Risk is mitigated by an explicit segregation between proprietary and client assets and the recognition that owners of omnibus accounts are holding securities on behalf of third parties.

Asset Servicing Risk exposure is very low. Monte Titoli has a high degree of automation for capturing and distributing related corporate event information to participants, and capturing and processing corporate event instructions. Over the last year, the rating has been upgraded from AA to AA+ with the full implementation of the corporate actions harmonisation project introducing fully SWIFT compliance and TARGET2 income distribution.

Financial Risk exposure has been assessed as AA. Monte Titoli's capital appears to be adequate especially as it does not act as principal for any of its activities. Monte Titoli benefits from the LSEG-wide insurance coverage. The company has been continuously profitable over the past few years and achieved a net profit after tax of EUR 22 million in the year to 31 March 2014.

Monte Titoli mitigates Operational Risk by maintaining a control system that incorporates a number of key features. It identifies risk for areas of operations through a risk register that is actively maintained through the risk manager and shared with internal audit. Inspections are undertaken by the regulators and there is oversight by the statutory auditors, Collegio Sindacale. These arrangements provide a reasonably comprehensive control environment although they don't yet include an external audit along the lines of ISAE 3402.

Monte Titoli operates modern system technology and there is high operational resilience in both the primary and secondary sites. In addition, the Business Continuity procedures have been enhanced with additional work stations and improvements for remote access by employees.

Governance arrangements are reasonable and depend on the LSEG structure. Monte Titoli provides a good level of public corporate information. The disclosed statistical information is available on the company's website.

Simon Thomas, CEO and Chief Rating Officer of Thomas Murray, said "*Thomas Murray was delighted to have again undertaken an independent CSD rating of Monte Titoli's operations. Significant preparations have been made in regard to T2S and the regulatory changes impacting Europe.*"

Mauro Dognini, General Manager of Monte Titoli, said "*The AA rating by Thomas Murray demonstrates the reliability of Monte Titoli and its continuous attention to operating efficiency. Monte Titoli offers to its clients a very low risk environment based on an agent role and direct access to Central Bank Money. The rating confirmation also represents an incentive for us in this crucial moment of migration to the new settlement platform T2S and transformation of the business model.*"

The CSD rating assesses the risk exposures for investors associated with the processes the CSD has in place to facilitate the safekeeping and the clearing and settlement of securities, where applicable. It assesses eight key risks. The methodology considers the capabilities of the depository and the quality and effectiveness of its operational infrastructure.

It also assesses the depository's willingness and ability to protect its participants or clients from losses. As part of the rating, the scope and quality of the depository's services is assessed. The ratings are on a consistent global scale, using the familiar AAA to C ratings scale. Once the rating is assigned there is an ongoing surveillance process to monitor the depository.

Separately, Thomas Murray has maintained proprietary assessments of over 140 CSDs globally as part of the Thomas Murray Depository Risk Assessment services. These reports are available via the Thomas Murray Data Services at ds.thomasmurray.com.

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The company has a strong position as a provider of public and private ratings and risk assessments on global custodians, domestic custodian banks and capital market infrastructures.

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Thomas Murray Data Services is a specialist custody rating, risk management, research and information provider specialising in the global securities services industry.

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