

Milan, February 2<sup>nd</sup>, 2024

## **Explanatory note on the contents and purposes of the amendments to the Vorvel Market Regulations approved by the Board of Directors of Vorvel Sim on 30th January 2024, which will enter into force on 12 February 2024 – Outcome of the consultation**

The approved changes will enter into force on February 12, 2024.

The revised texts are essentially identical to those presented for consultation. Following the feedback received, some small changes were made on detailed aspects.

### **I. Changes to Book 1 (General Part) and Book 2 of the Vorvel Certificates Segment**

#### **Purpose of the approved changes**

The purpose of the approved amendments is to provide some clarification regarding the use of the so-called "Distribution Service", as well as to provide for an additional method of sending settlement instructions for certificates and covered warrants centralized at Euroclear and Clearstream.

Following some interpretative doubts highlighted during the consultation phase, the final approved text clarified that also the Issuer, if a Participant Entity, can directly distribute the Financial Instruments, acting as an Appointed Intermediary.

#### **Content of the approved amendments**

##### **Article 18 – General Conditions of Distribution – General Part (Book 1)**

It should be noted that, if the Issuer is also a Market Participant, authorised to carry out the Distribution Service or interest in purchase, sale and exchange, it may itself hold the status of Appointed Intermediary.

##### **Articles 19 and 21 – Characteristics of Distribution – General Part (Book 1)**

With regard to the Distribution Service, article 19 of Book 1 clarifies that the Issuer may limit placement operations to specifically identified or identifiable distributors. In such cases, if these distributors are channeled by Order Flow Providers, the latter undertake not to involve other parties in the transaction.

In addition, article 21 of Book 1 specifies that it is also possible to send orders in "good till day" mode.

##### **Article 24 – Facility services for distribution and interest collection of buy, sell or switch – Specific Part Vorvel Certificates (Book 2)**

It is specified that the Issuer may operate directly or through the Appointed party or the Specialist.

## **Article 25 – Post Trading Services – Specific Part Vorvel Certificates (Book 2)**

With regard to the procedures for sending settlement instructions, Article 25 of Book 2 of the Certificates Segment provides for the possibility of forwarding instructions independently by the counterparties involved in the trades for certificates and covered warrants centralized with Euroclear and Clearstream.

## **II. Amendments to the current Vorvel Bonds Segment (introduction of a Segment-specific Book 2 and reference to Book 1 for the general part common to all Segments) and the removal of the current Vorvel Bonds Order Driven Segment as well as the related Regulations currently in force**

### **Purpose of the approved changes**

The approved amendments are intended to simplify Vorvel Sim's bond offering by concentrating it in a single Market Segment, which will continue to retain the name "Vorvel Bonds".

The Vorvel Bonds Order Driven Segment will be discontinued from the day of unification (scheduled for 12 February) and the securities traded there will be migrated to the Vorvel Bonds Segment.

The main consequences of this revision will be as follows:

- Technically, the new Vorvel Bonds Segment will operate as it does today. The same microstructure will be maintained, which will be accompanied by some limited improvements described in the communications previously sent to Market Participants (see paragraph 2 of the communication of 29 September 2023);
- the financial instruments currently traded in the current Vorvel Bonds Order Driven Segment will be migrated on a massive basis to the Vorvel Bonds Segment. The move will take place through the admission to trading of the same on the Vorvel Bonds Segment. At the level of the microstructure, their relocation will mean that the final daytime auction phase will disappear for the same financial instruments, a function that has long proved to be of little use and of negligible interest;
- the Mic Code "HMTF" will continue to be used for the new Vorvel Bonds Segment;
- the new specific rules dedicated to the new Vorvel Bonds Segment have been drafted as Book 2, which is in addition to Book 1 (General Part), according to the scheme already used for the Vorvel Certificates and Vorvel Equity Auction Segments;
- the rules of the new Vorvel Bonds Segment have been drafted to maintain the same trading possibilities currently possible in the 2 active Bond Segments (for example, Branded Bonds can still be traded with or without the support of a Specialist, as well as Eurobonds can be traded without the presence of a Market Maker, as today on the Vorvel Bonds Order Driven Segment).

On the basis of the new approach, the Trading Guide has also been drawn up, which you can find attached, which contains some parameters and further trading indications that were previously

present in the Regulations. The split was done while maintaining the setting that had already been used for Vorvel Certificates.

Following discussions with the Participants during the consultation, it was deemed appropriate to specify that the rules of conduct for the protection of Market Makers/Specialists on the financial instruments on which liquidity obligations are assumed are also to be extended to all Market Participants who do not assume such obligations. Therefore, liquidity providers who trade in a specific security without liquidity obligations also fall into this category.

In addition, a single threshold has been established for which the introduction of liquidity obligations for Liquidity Providers is triggered, in order to simplify internal operations and that of operator verifications. Also for simplicity's sake, this threshold has been made to coincide with that provided for by MiFID 2 and its Implementing Regulations.

### **Content of the approved amendments**

In general, the new setting of the specific rules dedicated to the Vorvel Bonds Segment (Book 2) follows the same logical-expository scheme as Books 2 in force for the Vorvel Certificates and Vorvel Equity Auction Segments.

For this reason, the text that we submit to your attention reports as highlighted changes (in yellow), the only passages that involve changes (mostly very limited) compared to the text currently in force for the Vorvel Bonds Segment.

#### **Article 1 - Vorvel Bonds Market Segment – Specific Part (Book 2)**

The only novelty is the introduction of a single Segment for all bond instruments and the adoption of the division of the rules between Book 1 and Book 2.

#### **Article 2 - Participants in the Vorvel Bonds Market Segment**

With regard to Order Flow Providers, the possibility currently set out by the Reg. for the Vorvel Bonds Order Driven Segment to be able to operate on their own account and not only on behalf of third parties has been maintained. In the new text, for reasons of continuity, this possibility has been limited only to the types of securities currently tradable in the Vorvel Bonds Order Driven Segment. The provisions of the new Article 4 regarding the preservation of the liquidity conditions of the Vorvel Market (highlighted in yellow) are sufficient to recreate the operational limitations currently present in the Vorvel Bonds Order Driven Segment.

Also for reasons of continuity with the rules currently in force, the figure of the "Gold" Order Flow Provider (never used by any Operator) has been maintained, limiting this possibility only to Operators who have already activated themselves as Order Flow Provider. This is one of the few substantial innovations in the new approach.

### **Article 3 - General description of the Market Model**

The possibility of modifying the trading proposal is also extended to orders, and not only to quotes.

### **Article 4 Requirements for participation in the Vorvel Bonds Segment and rules of conduct**

It has been clarified that the rules of conduct for the preservation of liquidity offered by Market Makers/Specialists (parties assuming liquidity obligations on financial instruments) apply to Order Flow Providers and also to Liquidity Providers who have not assumed obligations on those securities.

### **Article 5 Admission to trading of Financial Instruments**

The article traces the various types of eligible instruments and the subjects who can apply for the admission of the securities themselves. The set of rules covers all the cases currently possible in the two Segments in force.

The text is formulated in such a way as to ensure, in all possible cases, for financial instruments admitted with the Issuer's consent:

- compliance with the information requirements set out in the new Articles 10 and 11;
- the possibility of opening sanctioning proceedings in the event of violation of the same rules.

### **Article 7 Procedure for the admission to trading of Financial Instruments**

This article has also been supplemented to replicate all the cases currently possible in the two Segments in force.

### **Article 8 Contribution of Liquidity Providers and Liquidity Obligations to be assumed by Market Makers and Specialists**

This article introduces the so-called warm-up period (i.e. a time-limited period, with no liquidity obligations for Liquidity Providers, for newly admitted securities). The timing of the warm-up period has been structured to be consistent with the MiFID II Liquidity Requirements Framework.

It was then specified that Liquidity Providers can contribute securities that have exited the warm-up period up to a maximum of 50% of the total trading hours on a monthly basis.

### **Articles 10 and 11 Information requirements**

The two articles retrace the forecasts contained today in the Reg. for the Vorvel Bonds Order Driven Segment.

## **Articles 16 and 17 Orders and Reference Price**

Market Participants will also be able to place orders at best, i.e. without price limits, as well as "good till date" orders, as specified in the Trading Guide.

In addition, in line with what has been done for the Vorvel Certificates Segment, the weighted average Price is renamed as Reference Price and its calculation is modified, which is mainly based on a significant number of buying and selling quotes placed by Liquidity Providers.

## **Article 22 Error handling**

A time limit of 6 p.m. is added for sending the error handling request, as well as a limit of 2 hours from the conclusion of the contract for cancellation by agreement of the counterparties.

## **Article 23 Preservation of liquidity conditions**

Article 23 supplements and specifies the provisions contained in article 4 of Book 2.

In particular, article 23 states:

- the parameters that Vorvel Sim considers to identify conduct that may compromise the preservation of the liquidity conditions of the Segment;
- the steps that Vorvel Sim may take once violations of this rule of conduct have been identified.

## **Article 24 Changes to the trading parameters**

Since it is possible to trade convertible bonds or Minibonds admitted on the initiative or with the consent of the Issuer within the Bonds Segment, Vorvel Sim also accepts the changes made to both the maximum price variation limits and the reference price, based on the parameters defined therein.

## **Definitions**

In line with what is specified in the articles of Book 2, for the Order Flow Provider the possibility of trading on own account on financial instruments without a Specialist/Market Maker is added and the figure of the "Gold" Order Flow Provider is defined.

The figure of Liquidity Provider without liquidity obligations is also made explicit, as well as the figure of Specialist on the financial instruments issued or listed by it on the basis of a relationship with the Issuer.

Similarly, a distinction is made between Branded Notes (i.e. admitted to trading on the basis of a request with the Issuer's consent) and Non-Branded Notes.

The Warm-up Period is defined in accordance with the text of the rules and, finally, the Quotes with professional technical origin is defined, an additional type of trading proposal for Liquidity Providers, which can be used where provided only in addition to the "specialist" quotes, and not monitored by Vorvel Sim for the purpose of fulfilling liquidity obligations.

## **Changes to the Trading Guide**

**Purpose of the proposed amendments**

The post-warm-up threshold, above which the assumption of liquidity obligations is triggered, has been aligned with what was done on Book 2 Vorvel Bonds. In addition, the table for the allocation of free TPS has been modified, providing only for the existing figures of Market Participants.