



BANCA D'ITALIA

*Payment and Settlement Services
for the Italian Marketplace*

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The Italian Clearing and Settlement Infrastructure



Italy has a clearing and settlement infrastructure that permits the efficient handling of interbank payments and securities transactions concluded on financial markets.

The high degree of automation of the various components, coupled with the complete integration of market applications (trading and matching) with clearing and settlement services, reduces risks and operating costs and ensures safe and efficient settlement (see chart).

The system allows banks to manage on a unitary basis their liquidity with the central bank and the collateral they post with Monte Titoli, the Italian central securities depository (CSD).

The Italian clearing and settlement system is fully integrated at the EU level and allows the transfer in real time of cash, via TARGET, and of securities using the links established by Monte Titoli with its foreign counterparts.

The criteria for access to markets and clearing and settlement systems encourage wide participation by resident intermediaries and permit remote access by non-residents.

Banca d'Italia plays a pivotal role in the settlement of interbank payments and of the cash leg of the securities settlement system (Express II) and supplies correspondent banking services to non-euro-area institutions.



Info links:

www.sia.it

www.montetitoli.it

www.e-mid.it

www.mtsspa.it

www.borsaitalia.it

www.ccg.it

Market Highlights

A wide range of money and financial-market euro-denominated instruments can be traded in the Italian marketplace.

Trading on regulated markets is entirely electronic and based on platforms managed by the Interbank Company for Automation (Società Interbancaria per l'Automazione - SIA).

MID the screen-based Interbank Deposit Market was launched in 1990 and is managed by e-MID. Various maturities can be traded on this market; in particular, overnight deals automatically generate payment orders that are settled in real time through BI-REL, thereby avoiding any lag between the conclusion of contracts in the market and their settlement and ensuring an efficient redistribution of liquidity within the system.

MTS and the London based EuroMTS

these are the leading screen-based markets in Europe for the wholesale trading of Italian government securities and those of other EU countries. Trading is in the form of outright transactions and repurchase agreements (special repos and general repos).

Borsa Italiana (Italian Stock Exchange)

a variety of electronic order-driven markets, including the equity market (MTA), the Covered Warrant Market (MCW), the Nuovo Mercato (NM) for high-growth stocks and the retail markets for corporate bonds and Italian government securities (MOT) and Eurobonds, foreign bonds and asset-backed securities (EuroMOT).

Derivatives markets (IDEM)

these are managed by Borsa Italiana and permit trading in derivatives on equities (futures and options). Transactions are cleared by Cassa di Compensazione e Garanzia (CCG), which acts as the central counterparty, thereby covering financial risks from the moment contracts are concluded.

The Payment System

The interbank payment circuit is divided into two parts, both of which are managed by Banca d'Italia:

- the real-time gross settlement system (BI-REL), the Italian component of the TARGET system, manages the settlement accounts held by participants at the central bank. BI-REL, which mainly handles large-value payments, is based on SWIFT's FIN and SWIFTNet messaging services and is notable for its very high level of technical reliability; the large amount of intraday liquidity available ensures efficient and rapid execution;
- the clearing system for domestic retail payments (BI-COMP).

The Securities Settlement System

All transactions on financial markets, including the OTC market, are handled according to the straight-through-processing (STP) principle by being sent to the automated matching and correction system (RRG);

this reduces the operating risks and costs associated with the pre-settlement phase. The RRG system is the link between the trading of securities and the clearing and settlement of the resulting transactions.

The securities settlement system (Express II) is managed by Monte Titoli and is integrated with the funds transfer system to ensure the finality of payments by providing settlement in central bank money.

Two procedures are available for market clearing:

- the net settlement procedure; and
- the gross settlement procedure.

Both procedures provide a high level of protection against settlement risk by complying with the delivery-versus-payment (DVP) principle: the cash leg is settled using the BI-REL system, while the securities leg is settled by means of book entries on the accounts of Monte Titoli.

Correspondent Banking Services

Banca d'Italia is currently revising the range of financial services it provides to its foreign correspondents, primarily selected non-euro-area financial institutions. The Bank's widely diversified correspondent services serve to facilitate economic cooperation with Italy and the European Union and help to provide a level playing field for the business of EU and non-EU institutions.

**FROM TRADING TO SETTLEMENT:
THE BENEFITS OF FULLY AUTOMATED
SECURITIES AND CASH SYSTEMS**

THE ITALIAN SYSTEM PROVIDES EFFICIENT INTEGRATED SERVICES FOR EQUITY AND BOND TRADING:

TRADING

- ELECTRONIC PLATFORMS (MTS, BORSA ITALIANA)

PRE-SETTLEMENT

- AUTOMATED MATCHING AND CORRECTION SYSTEM (RRG)
- LINK WITH THE DVP SETTLEMENT PROCEDURE

SETTLEMENT

- NET AND GROSS (REAL-TIME) DVP
- DEMATERIALIZATION OF SECURITIES
- SETTLEMENT OF THE CASH LEG IN CENTRAL BANK MONEY
 - REAL-TIME TRANSFER OF COLLATERAL AND CASH
- CENTRAL COUNTERPARTY CLEARING (FOR EQUITIES AND MTS)

BI-REL

The Real-time Gross Settlement System



The New BI-REL real-time gross settlement system, launched in June 2003, is the Italian component of the TARGET system and replaces the previous system operated since 1997. Participants can make payments throughout the European Union.

Since all payment orders are settled continuously and individually in central bank money, the system provides a real-time irrevocable and unconditional settlement service.

Operational Features

The New BI-REL system is based on the SWIFT messaging services. For domestic interbank transactions the system use SWIFT's FIN Copy service, with the Y-Copy transmission mode ensuring confidentiality of the commercial information in the messages. Furthermore, the new SWIFTNet network has been also be adopted, based on the TCP/IP transmission protocol.

This provide participants with the interactive functions in real time, via two further SWIFT services: Browse, essentially for data inquiry, and InterAct, for optional actions such as modifying queued payment priorities or the size of one's liquidity reserve (see chart).

BI-REL working hours, during which both domestic and cross-border payments can be made, are the same as those of TARGET (from 7:00 to 18:00 Central European Time, with a cut-off time for customer payments at 17:00).

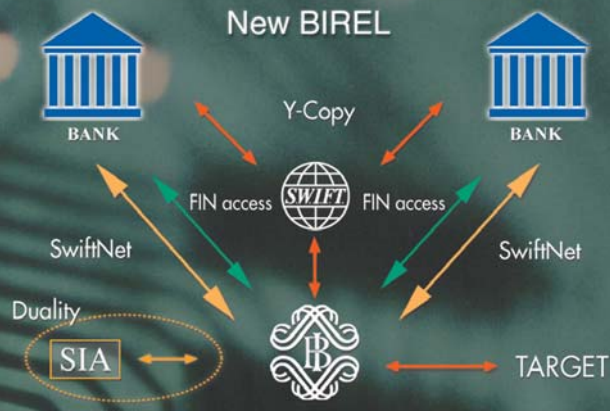
The BI-REL business day overlaps with the US Fedwire system completely and with the Bank of Japan payment system during the first operating hours in the morning (see chart).

Participants and Access Criteria

BI-REL envisages a two-tier participation model: direct participants hold a settlement account in BI-REL, have full access to the system functions and can enter transactions on behalf of indirect participants; indirect participants use the settlement services provided by direct participants, do not hold a settlement account and have access to a specific set of system functions. Indirect participants may maintain an account with Banca d'Italia external to the RTGS system ("centralised account") in order to settle operations with Banca d'Italia and to fulfil directly their reserve requirements. The access criteria are the same as those applying to all the European RTGS systems connected to TARGET. Access is granted on an open and non-discriminatory basis to: banks, investment firms, organisations providing clearing and settlement services, and public-sector bodies.

Remote access is possible within a specific legal and technical framework. Accordingly, institutions referred to above can access the Italian settlement system directly if they are established in a country belonging to the European Economic Area (the European Union plus Norway, Iceland and Liechtenstein).

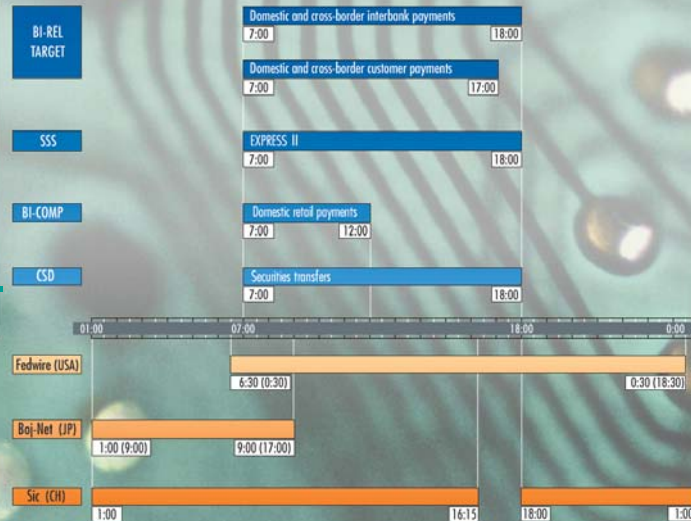
They are only required to open a settlement account with Banca d'Italia; there is no connection cost since financial institutions can access BI-REL via SWIFT. Remote participants in BI-REL can automatically settle not only large-value payments but also transactions concluded on the e-MID and EuroMTS markets.



Using BI-REL, participants can settle the following transactions on their euro-denominated settlement accounts with Banca d'Italia:

- monetary policy operations;
- large-value domestic payments, including transactions concluded on the screen-based Interbank Deposit Market;
- cross-border interbank and customer payments via TARGET;
- the cash leg of securities transactions (via EXPRESS II);
- multilateral balances generated by the clearing system for domestic retail payments (BI-COMP);
- daily cash margins on derivatives payable to Cassa di Compensazione e Garanzia.

Operating Times of the Italian Payment System (Central European Time - local times in brackets)



Liquidity Management

The Italian settlement system is highly liquid and marked by very short settlement times; payments temporarily without cover wait, on average, for less than 1 minute in the queuing mechanism; the value of queued payments has never exceeded € 1.9 billion during the working day (see charts). In addition to banks' compulsory reserves, which can be fully mobilised on a daily basis (almost € 16 billion), and the intra-day credit Banca d'Italia provides free of charge, the Interbank Deposit Market supplies an efficient means of redistributing liquidity. In the first three months of 2005, the daily use of intraday liquidity averaged € 4.0 billion or 3 per cent of the average amount settled; the peak value in the period did not exceed € 5.7 billion (see chart).

For the management of intraday liquidity, users have the possibility to "reserve" part of the funds available on their settlement accounts for urgent payments (the participants can tag an individual payment as urgent) and to set aside an exclusive liquidity reserve for the settlement, at the start of the operational day, of the multilateral clearing balances stemming from the overnight cycle of the securities settlement system Express II, managed by Monte Titoli. Both liquidity reserves can be managed in real time by participants through SWIFTNet interactive services. Moreover, always with a view to enabling a more flexible management of intraday liquidity, a liquidity saving mechanism - available from May 2004 - permit simultaneous bilateral settlement of individual queued payments after verification of participants' settlement account balances. This function is applied automatically throughout the operational day in order to reduce banks' intraday liquidity needs and to shorten transaction settlement times.



Optimum Use of Collateral for Intraday Liquidity

Collateral can be used to obtain intraday credit with maximum flexibility.

Throughout the TARGET working hours banks can obtain liquidity by transferring securities in real time from their centralised securities accounts to their pledged-out accounts at the central bank; moreover, the same collateral can be used several times during the day. Each bank has a single centralised account for cash payments consisting of its reserve and overdraft accounts. Payments are settled using the liquidity available in both these accounts according to an automatic mechanism, without any need for intra-account transfers. The full collateralisation of intraday liquidity has not given rise to any problems. Since the stock of eligible assets is considerable, the opportunity cost of intraday liquidity is close to zero.

The Queuing Mechanism

BI-REL provides a centralised queuing mechanism for payments temporarily without cover; the aim is to enhance the flexibility of the system by preventing banks from having to re-enter payments in the system that were without cover at the moment of entry.

Queued payments are settled on a FIFO (first-in first-out) basis within the priorities defined by the users at the time of entering the payment.

Users have the possibility, during the whole operational day, to change the priority of queued payments or cancel them through the SWIFTNet interactive services. The FAFO (first-available first-out) mechanism is activated automatically a few minutes before the end-of-day cancellation of queued payments in order to minimise the number of payments deleted. In practice the number of payments pending at the end of the day is very small and the number of queued payments cancelled marginal.

Fees

Participants are charged transaction fees for using the BI-REL system: the fee for domestic payments is based on a digressive fee scheme; the fees for cross-border payments are those established at the European level for TARGET. Transactions fees are charged to the sending bank. In addition, the direct participants pay on yearly basis € 3,000 for the use of SWIFTNet interactive functions and € 5,000 for the settlement of the operations with Banca d'Italia's branches (plus a per transaction flat fee of € 0.50).

BI-REL Volumes and Values

In the first three months of 2006, the average daily volume of payments settled through BI-REL was almost 39,000 and the average daily value almost € 140 billion. Italy ranks second in the euro area for the volume of domestic payments settled (more than 30,000 per day) and ranks third for cross-border payments sent (almost 8,000 and € 44 billion per day). The cross-border payments settled through BI-REL show a rising trend and include a large proportion of customer payments: more than 50 per cent. (see chart).



BI-COMP The Clearing System for Domestic Retail Payments

Domestic interbank retail payments are settled via the BI-COMP clearing system, which handles paper-based transactions (the Local Clearing subsystem) and electronic transactions (the Retail subsystem). On average the system handles more than 7 million payments a day (more than € 12 billions); there is a single daily clearing with the resulting multilateral balances settled in central bank money through BI-REL.

The Clearing Subsystems The Local Clearing subsystems is managed by Banca d'Italia and is exclusively concerned with the clearing of bank and postal cheques exceeding € 3,000 and banker's drafts exceeding € 12,500.

The Retail subsystem is managed by the Interbank Company for Automation and clears domestic retail electronic payment instruments entered using common standards. It handles about 95 per cent of retail payments in volume and is used for the following types of transaction:



- Cheque truncation (for amounts smaller than those processed by the Local Clearing);
- Credit transfers
- ATM and POS transactions
- Direct debits and trade bills
- Interest and dividend payments

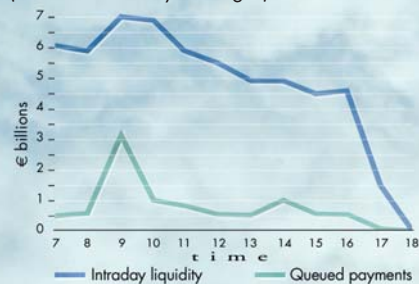
Participants

Participation in BI-COMP is reserved to banks, Banca d'Italia, the Italian Treasury and Poste Italiane. Direct participants settle their multilateral balances through BI-REL, while indirect participants entrust the settlement of their balances to a direct participant. In the near future it will be possible for foreign banks and service providers to access BI-COMP via SWIFT.

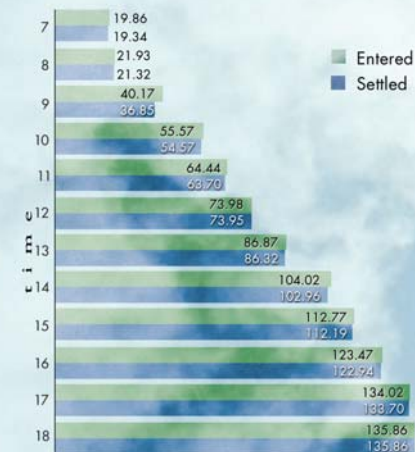
New BI-REL fee schedule

NUMBER OF PAYMENTS IN A MONTH	FEE PER PAYMENT EURO
up to 1,000	0.75
1,001 - 10,000	0.35
10,001 - 25,000	0.25
25,001 - 50,000	0.20
More than 50,000	0.15

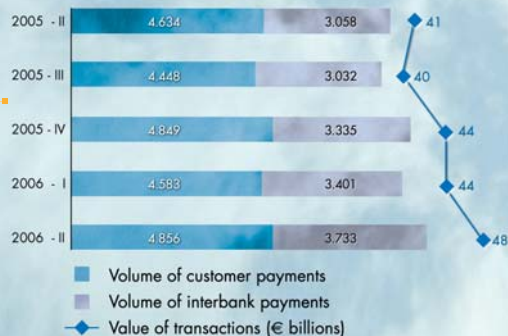
Queued Payments and Use of Intraday Liquidity (2006 Q1 - hourly averages)



Payments Entered and Settled (2006 Q1 - daily averages in € billions)



Cross-border Payments Sent by BI-REL (daily averages)





Arnaldo Pomodoro
Movimento in piena aria e nel profondo
BANCA D'ITALIA - Centro Donato Menichella

BANCA D'ITALIA

Portrait of an Institution: the Bank's Origins and Functions

The Origins of Banca d'Italia

Towards the end of the nineteenth century, after a series of difficulties for banks, including the banks of issue, a radical reorganisation of the banking system led in 1893 to the creation of Banca d'Italia through the merger of three of the existing banks of issue.

In its second year Banca d'Italia was appointed to act as the Treasury cashier in the provinces; since 1999 it performs all the treasury functions on behalf of the central government.

In 1926, as well as becoming the only bank of issue, it was granted its first powers of control over other banks with the aim of protecting savings. The 1936 Banking Law provided the legal framework for the industry for more than fifty years, until it was replaced by a new law in 1993, with a clear endorsement of the role of Banca d'Italia as the bankers' bank, regulatory authority and operator of the payment system.

After the two oil shocks in the seventies, which undermined the lira and unbinged the international monetary system, the autonomy of Italy's central bank was progressively increased.

The main steps in this process were the ban on monetary financing of the government in 1981 and the transfer to the Governor of the power to fix the official interest rates in 1992.

This enabled Banca d'Italia to play a fundamental role in curbing inflation and strengthening the country's productive system. The return to monetary stability and the start made on the consolidation of the public finances allowed to meet the convergence criteria established in the Maastricht Treaty and participate in Stage Three of Economic and Monetary Union from the outset. From 1 January 1999 the Eurosystem, made up of the European Central Bank and the national central banks of the member countries of the Monetary Union, has been fully operational. Banca d'Italia is an integral part of the Eurosystem; this is entrusted with the task of defining and implementing the monetary policy of the euro area, the primary objective of which is to ensure price stability.

Monetary and Exchange Rate Policy

Following the introduction of the euro, Banca d'Italia performs a twofold task in the field of monetary and exchange rate policy. On the one hand it participates in the decision-making process whereby monetary policy is formulated within the Eurosystem in the light of the economic conditions throughout the euro area; on the other, in accordance with the principle of subsidiarity laid down in Article 12 of the Statute of the ESCB, it carries out the operations with resident banks serving to give effect at the national level to the actions taken.

The management of the ECB's foreign exchange assets and any foreign exchange interventions by the Eurosystem needed to ensure the efficient and orderly working of the FX market are entrusted to the national central banks, which are free, within predetermined limits, to manage their portfolios of investments in dollars, yen and gold.

Banca d'Italia also remains responsible for managing the foreign exchange assets it continues to hold.

These serve to fulfil the obligations arising from Italy's participation in all the leading international organisations, permit the regular servicing of the Treasury's foreign currency debt and help maintain confidence in the stability of the Italian financial system and its ability to meet its international commitments.

Banking and Financial Supervision

Banca d'Italia has extensive powers and responsibilities as supervisor of the banking and financial system.

Supervisory action is set in the framework of the 1993 Banking Law and the 1998 Consolidated Law on Financial Intermediation.

The objectives of banking supervision are the sound and prudent management of intermediaries, the overall stability, efficiency and competitiveness of the system, and compliance with the rules and regulations governing credit.

The supervisory function is based on authorization, regulation, analysis of the companies' situations, interventions, on-site controls and crisis management.

Regulation takes the form of prudential rules on capital adequacy, risk limitation, permissible holdings and company organization, especially as regards internal controls.

Supervision of non-bank financial intermediaries concerns investment firms and collective investment undertakings.

The Bank's responsibilities in this field regard risk limitation and the stability of intermediaries. The Companies and Stock Exchange Commission (Consob) is responsible for supervising compliance with the rules for transparency and proper conduct.

Promotion and Protection of Competition in the Credit Sector

Banca d'Italia is the antitrust authority in the credit sector.

Competition is protected and promoted as a necessary condition for an efficient and sound banking and financial system.

In its antitrust capacity the Bank has specific instruments at its command to prevent mergers and acquisitions from creating or strengthening dominant positions in the national and local markets, and to intervene in cases of abuse of a dominant position and collusion between intermediaries.

The Bank adopts its decisions for the protection of competition taking account of the opinion formulated by Italy's Antitrust Authority. It collaborates with the European Commission in drawing up Community reform projects in the field of competition policy and examining cases involving banking institutions in the European market.

Note Issuance and Payment and Settlement Services

Banca d'Italia was granted the monopoly of the issue of banknotes in 1926. From then onwards it was responsible for the design and production of lira-denominated notes. With euro-denominated notes introduced in 2002,

Banca d'Italia is cooperating with the other euro-area central banks in the printing and distribution of the new currency.

In 1926 Banca d'Italia was also entrusted with the running of the clearing system.

The rationale for the decision was to concentrate clearing operations in a single body, so as to allow most transactions to be offset.

Giving the central bank a role in the payment system is justified by the need to foster efficiency and stability, which market forces are not usually capable of achieving on their own in a complex and diversified financial system.

These objectives are pursued both through the direct supply of payment and settlement services and through oversight of the payment system.

The foundations of today's clearing system for domestic retail payments were laid between 1989 and 1991; subsequently, a real-time gross settlement system for large-value interbank payments was introduced in 1997. The switch from clearing to gross settlement for wholesale transactions enhanced the security of payments and significantly reduced systemic risk at a time when volumes were rising rapidly.

With the launch of the Monetary Union at the beginning of 1999, Italy's gross settlement system became the domestic component of the TARGET EU-wide payment system.

Since 1999 Banca d'Italia has performed all the government's treasury functions. In particular, it centralises public resources and is responsible for their safekeeping, collects sums due to the state for whatever reason, executes orders for payments to government departments, takes deposits on behalf of the state, redeems public debt securities and makes the related interest payments.

Oversight of the Payment System

In common with its other functions, Banca d'Italia's oversight of the payment system has the ultimate objective of safeguarding confidence in the currency and the stability of the financial system.

In particular, it seeks to promote the system's efficiency and safety, thereby minimising the costs a suboptimal configuration would impose on the collectivity and contributing to the effectiveness of monetary policy impulses.

Payment system oversight is one of the functions that central banks have always performed, but it has only been formally recognised of late.

In Europe, the role of the central bank in promoting the smooth operation of payment systems is embodied in the Maastricht Treaty; in Italy, the 1993 Banking Law empowers Banca d'Italia to "issue regulations to ensure the efficiency and reliability of clearing and payment systems".

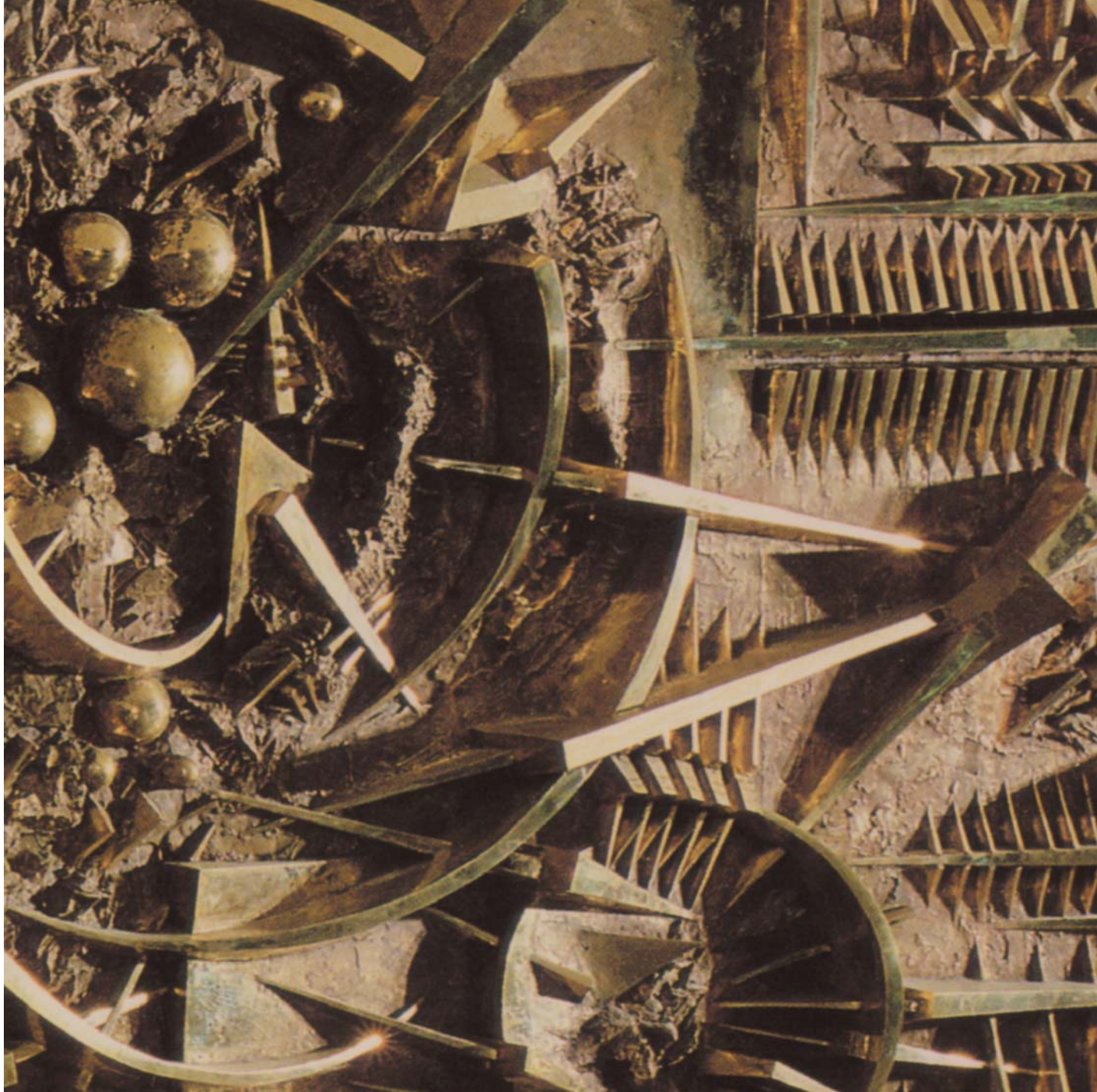
Financial Market Supervision

The tasks assigned to Banca d'Italia by the 1998 Consolidated Law on Financial Intermediation include that of supervising the markets that are relevant for monetary policy purposes, having regard to their overall efficiency and the orderly conduct of trading.

The Bank performs this duty through the drafting of regulations, the surveillance of trading and settlement, and the supervision of market management companies and system providers.

The activity of Banca d'Italia is conducted according to the legal framework provided by the Consolidated Law on Financial Intermediation, which establishes the general principles for market management companies and companies that manage clearing, settlement and guarantee systems:

- separation between operational activities, entrusted to private-sector bodies, and regulatory and supervisory activities, entrusted to the authorities;*
- entrepreneurial management, contestability and international openness of markets and support structures;*
- risk limitation.*



The Securities Clearing and Settlement System



Express II, the new securities settlement system operated by Monte Titoli S.p.A., replaces the Banca d'Italia securities settlement procedure known as Liquidazione dei Titoli (LDT).

The most significant innovation is the introduction of an overnight cycle during which most transactions are settled.

Express II consists of two integrated settlement procedures:

- the net procedure based on two batch cycles, one overnight and one daylight;
- the gross daylight procedure, launched in November 2000.

Transactions not settled overnight (so-called "fails") are set apart and channelled to the daylight net cycle for settlement.

The transactions concluded on regulated financial markets (see table) and on the OTC market are cleared using the overnight net settlement procedure.

Alternatively, those concluded on the OTC market can be settled on a real-time gross basis using the daylight procedure. The gross procedure also used for same day settlement of overnight repos concluded on the MTS market.

Both procedures comply with the delivery-versus-payment (DVP) and straight-through-processing (STP) principles (see charts):

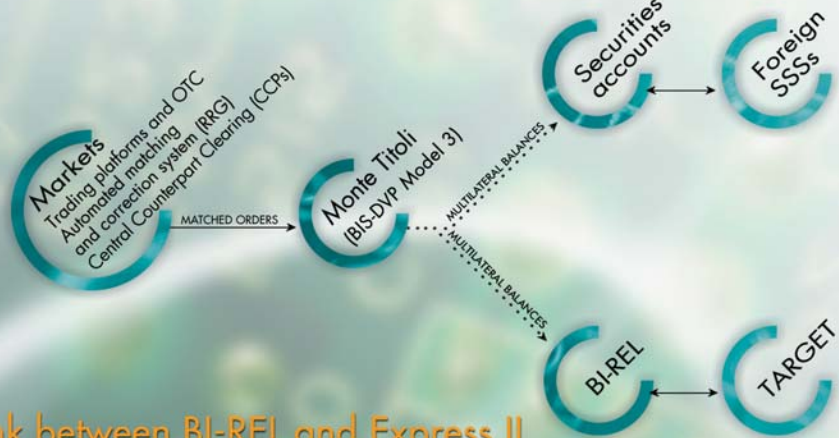
- transactions are transmitted electronically by the automated matching and correction system managed by the Interbank Company for Automation;
- the cash leg is settled through the BI-REL system, while the securities leg is settled by means of book entries on accounts with the central securities depository.

Settlement is on a rolling basis for transactions concluded on regulated markets (T+3 for outright transactions, T+2 for repos, T+1 for TN repos and T+0 for overnight repos), while those concluded on the OTC market are settled as agreed between the parties. As provided for in Legislative Decree 213/1998, the centralised management of Italian listed securities (equities and corporate and government bonds) is entirely dematerialised. Monte Titoli handles foreign securities through an efficient network of links with the leading European central securities depositories and the Deposit Trust Company in the United States.

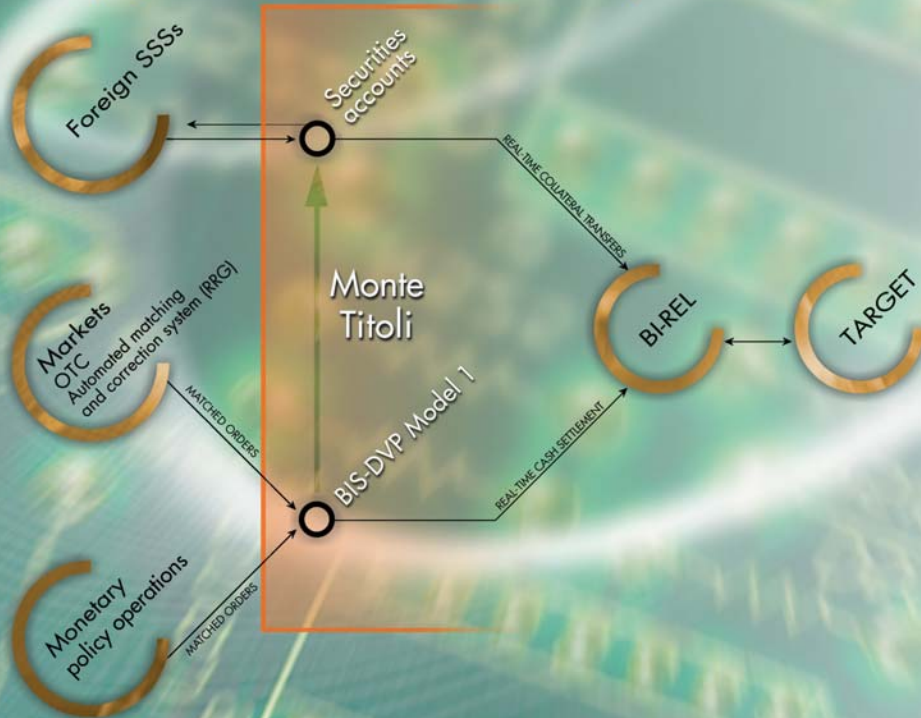
The Express II net settlement procedure handles the following types of transaction on a net-net basis (BIS-DVP Model 3):

- › MTS: outright transactions and repos involving Italian government securities;
- › Borsa Italiana: contracts involving equities, Italian government securities and corporate bonds;
- › Cassa di Compensazione e Garanzia: for the exercise of futures and options contracts;
- › OTC: outright transactions and repos for listed and unlisted securities.

The Overnight link between BI-REL and Express II



The Daylight link between BI-REL and Express II



The Securities Clearing and Settlement System

The overnight link between BI-REL and Express II Net Settlement Procedure



Express II overnight multilateral cash balances are settled through BI-REL during the night, before the start of the business day (7:00), drawing on funds set aside on the participants' settlement accounts (a "liquidity reserve"). Accordingly, the evening before settlement participants can instruct Banca d'Italia on the amount to earmark to this purpose.

During the overnight cycle, the liquidity reserve can be increased by the amounts stemming from coupons falling due and redemptions of government securities and, if necessary, by the granting of additional intraday liquidity, activated with automatic collateralisation.

Express II daylight multilateral cash balances are settled through BI-REL (13:00 a.m.) using the ordinary intra-day liquidity facilities provided by Banca d'Italia.

The daylight link between BI-REL and Express II Gross Settlement Procedure

The Express II daylight gross procedure provides for real-time settlement on a trade by trade basis (BIS-DVP Model 1).

In order to ensure compliance with the DVP principle, the settlement process is divided into the following steps:

1) verification by Monte Titoli of the availability of the securities on the seller's account and their segregation out of the seller's control; 2) verification by BI-REL of the availability of funds on the buyer's account (or on the account of the settlement bank) and their transfer; and 3) transfer of the securities.

Banca d'Italia uses the system to settle monetary policy repo operations.

Volumes and Values

Annual turnover, consisting mostly of Italian government securities, more than tripled between 1997 and 2005 (see chart).

In the year 2005, the average number of transactions settled daily was around 100.000; their average value was € 208.0 billion, distributed as follows: € 197.1 billion of Italian government securities, € 10.9 billion of equities, warrants, and corporate bonds. About two third of the transactions involving Italian government securities were carried out on MTS and EuroMTS and consisted mainly of repos.

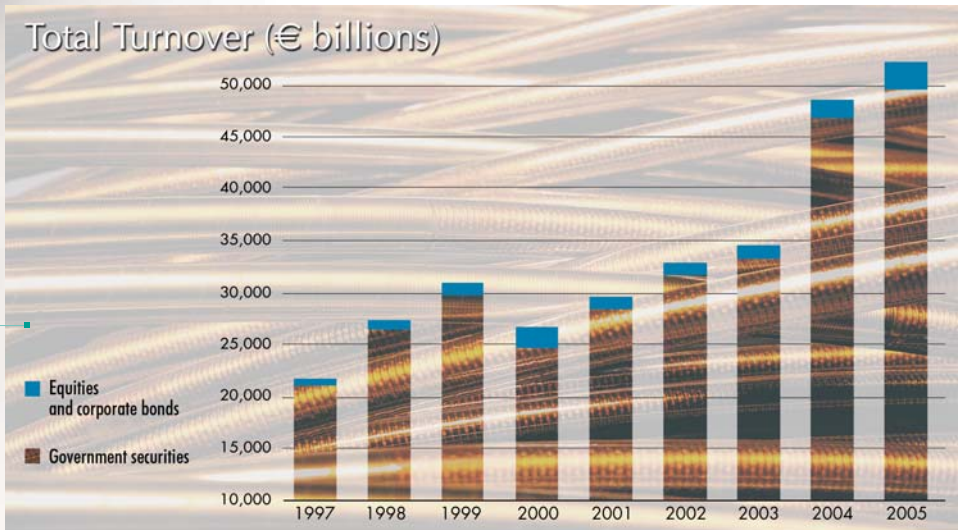
Participants and Access Criteria

Investment firms and banks authorised to provide investment services in Italy can access Express II to clear and settle securities transactions, both for their own account and on behalf of other authorised intermediaries. Participation in Express II is also open to foreign intermediaries on a remote basis. Express II participants can settle their cash positions either directly on their BI-REL accounts or appoint a BI-REL participating bank to settle for them.

The Express II settlement procedure and the structure of the accounts of the central securities depository permit complete segregation between intermediaries' proprietary positions and those of their customers. Another important feature of the system is that it allows settlement banks to manage the securities positions of each of their institutional customers separately, thus avoiding the risk of commingling.

Central Counterpart Clearing Services

Cassa di Compensazione e Garanzia (CCG) ensures the execution of contracts concluded on the electronic equity market (MTA) and the Nuovo Mercato (NM) for high-growth stocks. For those contracts concluded on the MTS market such service is provided both by CCG and Cleamnet S.A. Margins are provided by participants according to their open positions. A default fund is also in place. Cover is provided from the moment contracts are concluded to the time of settlement.



Correspondent Banking Services



The introduction of the euro and the resulting boost to the integration of European financial markets led Banca d'Italia to revise the range of financial services it traditionally provides to its foreign correspondents.

These high-quality correspondent banking services are mainly provided to financial institutions of high standing outside the euro area, including supranational financial institutions, central banks and commercial banks doing a large volume of business with Italy and the euro area.

They are intended to foster economic cooperation with Italy and the European Union.

As from the first January 2005 Banca d'Italia will offer a set of standardised custodian and cash investment services as Eurosystem Service Provider (ESP) in the framework of the Eurosystem Reserve Management Services.

Services Provided Banca d'Italia offers a wide range of services designed to meet its correspondents' diverse needs and allow them to operate on a substantially equal footing to EU intermediaries. For instance, Banca d'Italia provides a gateway for correspondents to access TARGET for the settlement of foreign exchange transactions, money market operations, securities transactions and retail

Investment of Reserves • Banca d'Italia offers accounts with preferential rates for the investment of euro-denominated reserves, primarily to central banks but also to other institutions. These accounts can be connected to cash accounts for the automatic investment of end-of-day balances.

Securities Custody • The custody accounts provided by Banca d'Italia are connected to cash accounts and can be used to make FOP (free-of-payment) and DVP securities transfers. They allow correspondents to exploit the links established by Monte Titoli with other central securities depositories (Euroclear, Clearstream, the Deposit Trust Company, etc.). It is thus possible to transact securities business efficiently with a wide range of counterparties without having to participate in different systems.



Portfolio Management • Banca d'Italia carries out correspondents' instructions for investments in Italian government securities and other financial instruments which have to be entered in accounts with the Italian central securities depository.


Remote Euro-RTGS Service • Banca d'Italia is getting ready to put central banks of countries with a large volume of financial and commercial transactions with the European Union and of those that have applied for EU membership in a position to manage their own remote euro-RTGS systems, thereby making it possible for their commercial banks to access TARGET. This service -- which would represent the national gateway to the euro area -- is based on the same technological infrastructure as the Italian RTGS system but provides for separate settlement accounts. It thus allows interested central banks to avoid the cost of implementing a double RTGS system, one for local currency and one for the euro, while leaving them free to establish the operating rules of such satellite systems (access criteria, liquidity, fees and reports, etc.) in conformity with national foreign exchange regulations. Furthermore, the integration with the Italian RTGS system ensures continuous and cost-free adjustment to changes in TARGET.

Fees

Banca d'Italia's pricing structure is simple and competitive. For instance, for its payment services the Bank charges a fee only for debiting accounts, while credits and intra-account transfers are free of charge. The fees charged for TARGET payments and for custody and cash investment services are those agreed at the Eurosystem level. No account-maintenance fees are charged and there are no minimum-balance requirements.

Customer Care

Banca d'Italia attaches considerable importance to providing its institutional customers with all the assistance they need. The existence of a single contact point for inquiries concerning every aspect of operations (the Correspondent Banking Unit) ensures simple and efficient customer care. In addition, Banca d'Italia is ready to organise visits and training seminars on a bilateral basis.





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