



Italian Financial Transaction Tax

Status Quo

11 October 2013

Preliminary remark

Working in progress

- This document is for informational purposes only. It is provided to Eurex Clearing's clients informally, does not constitute legal or tax advice, is governed by our Terms and Conditions Of Use, and we are not acting as attorney. We make no claims, promises or guarantees about the accuracy, completeness, or adequacy of the information contained.
- Legal advice regarding the Italian Financial Transaction Tax must be tailored to the specific circumstances of each case and the information provided to all Eurex Clearing clients may not be an appropriate fit in an individual case. Nothing contained here should be used as a substitute for the advice of competent legal or tax counsel.
- Gruppe Deutsche Börse will not be liable or responsible to you for any breach of law, claim, loss, injury, liability, or damages related to use of this information.
- In the event that individual parts of or formulations contained in this Disclaimer are not, or are no longer, legally valid (either in whole or in part), the content and validity of the remaining parts of it are not affected.
- This presentation is based on based on carefully selected sources believed to be reliable.
- Although there are still unresolved questions of application. Despite of this, we have tried to summarize the key points based on the current state of play.

Agenda

- Overview
- Financial transaction tax on equities
- Financial transaction tax on derivatives
- Financial transaction tax on high-frequency trading
- Tax process

Agenda

- Overview
- Financial transaction tax on equities
- Financial transaction tax on derivatives
- Financial transaction tax on high-frequency trading
- Tax process

Overview

Italian FTT differs from French FTT

- The Italian financial transaction tax consists of three main parts:
 - The FTT on transactions in Italian equities and equity related securities;
 - The FTT on transactions in derivatives;
 - The FTT on high-frequency trading.
- The tax rate depends on the type of transaction and the location where the transaction is executed:
 - FTT on equities and similar products:
 - 0.1 % (rsp. 0.12 % from 1 March 2013 until 31 December 2013) when the transaction is executed on a regulated market or a multilateral trading facility),
 - 0.2 % (rsp. 0.22 %) for other types of eligible transactions (such as OTC transactions);
 - FTT on derivatives:
 - Depends on the type of derivative product and the notional value,
 - The tax rate is reduced to 20 % when the transaction is executed on a regulated market or a multilateral trading facility);
 - FTT on high-frequency trading: 0.2 %.
- Several exemptions are given.
- The FTT comes into effect on two different dates:
 - 1 March 2013 for equities and similar securities and high-frequency trading on these instruments;
 - 1 September 2013 for derivatives and high-frequency trading on derivatives.

Overview

Exemptions and taxable persons are similar to French FTT

- Some of the exemptions are similar to French FTT:
 - Market making activities;
 - Liquidity providing activities;
 - Temporarily transactions such as repo or securities lending transactions;
 - The issue of shares.
- Tax is due to purchases of shares:
 - Responsible for the reporting and payment of the tax is the entity that directly received the transaction order from the purchaser;
 - The tax is due regardless of the location of the purchaser.
- Reporting and payment of the tax:
 - The tax is payable within the 16th of the month following the month in which the transaction happens;
 - There is a special rule for transactions carried out in the first three month of after the month in which the Ministerial Decree is issued (amendments are likely because of the postponement of the first reporting date);
 - First payment date is 16 October 2013 (extended deadline for taxpayers using Monte Titoli as an Italian tax representative: 31 October 2013).

Timetable

Only a short period for implementation

- Legislative:
 - On 20 December 2012, the law was approved by the Italian Senate;
 - The new decree law entered into force on 01 January 2013;
 - The draft application rules (by Ministerial Decree) were published on 31 January 2013;
 - The final Implementation Decree was signed and published by the Italian Ministry of Finance on 22 February 2013;
 - The application date for transactions related to equities and equivalent securities and high-frequency trading in equities and similar products is 1 March 2013;
 - Since the announced Implementation Decree regarding the reporting and payment of the tax is still outstanding, the effective date for the first reporting and the taxation of derivatives and HFT on derivatives were postponed.
 - The application date for the financial transaction tax on derivatives and high-frequency trading in derivatives is 1 September 2013;
- Operative:
 - Tax is payable on 16th of the month after the month in which the transaction is executed;
 - For transactions carried out in the first month after the month in which the Ministerial Decree was issued, the tax is payable on 16 October 2013 for the first time (regardless the extension for Monte Titoli).

Agenda

- Overview
- Financial transaction tax on equities
- Financial transaction tax on derivatives
- Financial transaction tax on high-frequency trading
- Tax process

Affected securities

FTT covers all kinds of Italian equities and similar products

- The FTT applies to transactions in:
 - Equities and equivalent securities (as defined in article 2346 of the civil code), issued by Italian resident companies, such as
 - “società per azioni”,
 - “società in accomandita per azioni”,
 - European Companies referred to in Regulation (EC) No 2157/2001,
 - “società cooperative”,
 - “mutue assicuratrici”, and
 - “società a responsabilità limitata”;
 - Securities representing Italian equities and equivalent securities regardless of the origin country of the issuer (e.g. ADRs).
- The shares shall be listed in a regulated market or a multilateral trading facility, and
- The listed companies shall have a net market value from 500 mn € on.
- Based on the ISIN list issued by Borsa Italiana, currently 63 out of 92 equities are in the focus of Deutsche Börse Group.

Affected transactions

Transfer of ownership is prerequisite for taxation

- The FTT would be applicable on the transfer of ownership (purchase) of Italian equities, equivalent securities and securities representing Italian equities and equivalent securities regardless of the origin country of the issuer.
- A transfer of ownership is also met
 - In the case of the conversion of bonds representing shares (the purchase of convertible bonds is not subject to tax),
 - As well as transfers arising from the exchange or the refund of bonds with shares or other participating financial instruments;
- The exercise of an option representing shares is also a transfer of ownership (derived from article 15, paragraph 1, letter d of the Ministerial Decree)
- The FTT is applicable on all transactions executed inside Italy and abroad, the transaction place and the residence of the counterparties involved in such transfers or transactions are not relevant to the taxability.
- The transfer of ownership occurs (by default) on:
 - the effective settlement date for transactions of securities held at Monte Titoli;
 - the effective date on which the conversion takes legal effect.
- If the final investor and the tax collector agree, the contractual settlement date can be opted as the transfer of ownership date.

Exclusions*

Certain transactions are not subject to tax

- The FTT does not apply to:
 - The transfer of ownership in a donation or inheritance;
 - Share issuance, cancellation or launch on a stock exchange;
 - Transactions in bonds and debt securities, or in UCITS and SICAV shares;
 - The Conversion of bonds into new shares or receipt of new shares by the exercise of rights or derivatives;
 - Intra-group transactions and transactions related to a corporate reorganization;
 - Transactions where intermediary buys from a party and sells to another based on a predefined contract with same price, quantity and settlement date for both transactions (but the final investor will still pay the tax);
 - The daily business of a CCP (purchases for purposes of clearing and collateral by authorized entities under EU regulation 648/2012 (or by the national authority for non EU white listed countries));
 - Securities financing transactions and temporary transfers of ownership (e.g. securities lending or repurchase transactions);
 - Transaction of securities of companies with a capitalisation lower then 500 mn Euros.

* Certification will be required from the tax payer by the tax collector to benefit from the above exclusions

Exemptions*

Certain counterparties are not subject to tax

- The FTT does not apply to:
 - Both parties of transactions involving:
 - The EU or the European institutions,
 - The European Central Bank and the European Investment Bank,
 - The central banks of EU member States,
 - The central banks or sovereign funds of other States, or
 - international organisations recognised by Italy;
 - Both parties of operations related to ethical and socially responsible products;
 - Exempt parties
 - Parties involved in market-making activity (Consob issued exemption procedure),
 - Parties involved in providing liquidity on behalf of the issuer,
 - Pension funds subject to supervision according to EU directive 2003/41/EC,
 - Mandatory social security institutions, established in an EU country or in a EEA white-listed country.

* Certification will be required from the tax payer by the tax collector to benefit from the above exemptions.

Tax basis

Transaction amount is basis for tax calculation

- The basis for tax is the value of the transaction, which means
 - The resulting net balance of settlement instructions executed on the same day for the same subject in the same financial instrument:
 - Purchases and sales, made on regulated markets or in multilateral trading facilities, as well as those made outside such markets have to be taken into account,
 - The purchases and sales excluded or exempt from the tax are not included in the calculation of the net balance values,
 - The tax basis is the number of securities resulting from the positive sum of the final net balances multiplied by the weighted average price of the purchases made on a particular day (option of calculating a single net balance where transactions are executed by different intermediaries for the interest of one person);
 - Or, in case of single transactions, the transaction amount paid;
 - Transactions closed intraday should not be relevant for FTT purposes.

Purchase price

Transaction amount is basis for tax calculation

- The term “purchase price” means
 - In the case of market purchases, the exchange value paid for acquiring the securities;
 - In the case of purchases of shares, participating financial instruments and the securities representing equity investment following settlement of the financial instruments referred to a derivatives transaction, the higher of fixed exercise value and normal value;
 - In the case of conversion, exchange or refund of bonds with shares or similar securities, the value established in the issue prospectus;
 - If the purchase price is denominated in currencies other than the Euro, the tax basis shall be determined with reference to the exchange rates indicated on the website of the ECB relating to the day of the purchase.

Tax rate

Tax rate depends on the type of transaction

- The tax rate is
 - 0.1% (0.12% for 2013 only) for eligible transactions executed on a regulated market or on MTFs, as defined by art. 4, par. 1, sub. 14 and 15 of EU directive 2004/39/EC of 21 April 2004 (MiFiD), located in a country of the European Union (EU) or the European Economic Area (EEA) recorded in the white list (which is currently only Norway);
 - 0.2 % (0.22% for 2013) for other types of eligible transactions (including the exercise of a derivative).
- Transactions pursuant to Article 19 of (EC) Commission Regulation No 1287/2006 of 10 August 2006:
 - Operations attributable to negotiated transactions where they are provided by the market, shall be also treated as transactions effected on regulated markets or in MTFs.
 - However, transactions carried out bilaterally by intermediaries, including those executed in internalisation systems and so-called crossing networks, irrespective of the procedures to comply with post-trade transparency obligations, shall be treated as OTC transactions.
- The reduced tax rate is valid as from the first day of the month following the inclusion of the market or facility in the list published on the website of the ESMA, or, in all other cases, the first day of the month following the authorization and the start of supervision by the National Public Authority.
- If the tax basis is determined as the net balance between purchases and sales executed on both regulated markets or MTFs, and other purchases and sales, the tax rate shall be equal to the average of the weighted rates by the number of securities purchased.

Regulated market and MTF

Definition

- Regulated markets and MTFs are defined as:
 - those recognised under the Markets in Financial Instruments Directive (MiFID) (EU directive 2004/39/EC) and
 - appearing in the European Securities and Markets Authority (ESMA) list
- They must be established in a white-list country
- For countries outside the European Union (EU) and the European Economic Area (EEA), regulated markets and MTFs are defined as entities:
 - authorised to operate as such by a national public authority
 - subject to public supervision, including those recognised by Consob (the Italian Securities and Exchange Commission), as long as they are established in a white-list country.

Taxpayer

Purchaser is liable to tax

- The person to which the ownership of shares, participating financial instruments and securities representing equity investment is transferred (the purchaser) is liable to tax;
 - It doesn't matter if the purchaser is an Italian resident or not;
 - It doesn't matter if the transaction was executed in Italy or abroad.
- Even if they are involved in the transaction, intermediaries are not considered as the accountable party for the tax.
- Nevertheless, the party that directly receives the transaction order from the ultimate purchaser (the bank or broker) is responsible for the payment of the tax.
- If no financial intermediary is involved, the purchaser shall directly pay the tax.

Calculation of the tax*

Steps to calculate the daily tax amount

- To get the net balance of the day, adding together the two balances of:
 - The selected transactions executed on the same day based on:
 - The effective settlement date, as per default rules,
 - The contractual settlement date, if intermediaries and final investor agree to do so, or
 - The legal effective date for conversions; and
 - The sum of the over-the-counter (OTC) and the on-exchange transactions of the day;
 - Exempt sales and purchases will not be included in the calculation.
- If the balance is positive:
 - Multiplying the average weighted price of the purchases used in each considered transactions,
 - Multiplying the resulting amount by the weighted average of the two applicable tax rates based on the quantity of securities purchased (If the final net balance is composed of OTC and on-exchange transactions).
- If the balance is negative, no IFTT is due for that day.

* Upon agreement, a unique tax collector can be appointed for IFTT calculation across all intermediaries, under certain conditions. This can be Monte Titoli.

Calculation of the tax

Examples

	Shares	Price	Amount	Remarks	Market
Purchase	200	24,00 €	4.800,00 €	taxable	Regulated
Sale	160			taxable	Regulated
Purchase	40	30,00 €	1.200,00 €	taxable	Regulated
Net balance	80	25,00 €	6.000,00 €		
					Tax amount
Taxation			2.000,00 €	0,12%	2,40 €

- When determining the average price, the two gross long positions are considered

	Shares	Price	Amount	Remarks	Market
Purchase	200	24,00 €	4.800,00 €	exempt	Regulated
Sale	160			taxable	Regulated
Purchase	40	30,00 €	1.200,00 €	taxable	Regulated
Sale	50			taxable	OTC
Net balance	-170	no tax is due			

- No tax is due because the tax-relevant quantity is negative.

	Shares	Price	Amount	Remarks	Market
Purchase	200	24,00 €	4.800,00 €	taxable	Regulated
Sale	160			taxable	Regulated
Purchase	40	30,00 €	1.200,00 €	taxable	Regulated
Purchase	60	20,00 €	1.200,00 €	taxable	OTC
Net balance	140	24,00 €	7.200,00 €		
Taxation				Tax rate	Tax amount
Tax rate reg.	240			0,12%	
Tax rate OTC	60			0,22%	
Ø Tax rate	140	24,00 €	3.360,00 €	0,14%	4,70 €

- The tax is calculated on the basis of the different rates, but using the same average price

Agenda

- Overview
- Financial transaction tax on equities
- Financial transaction tax on derivatives
- Financial transaction tax on high-frequency trading
- Tax process

Affected products

FTT covers all kinds of derivatives representing Italian shares

- The FTT would be applicable on transactions in derivatives
 - Financial derivatives as defined by art. 1, par. 3 of the Finance Act (Legislative Decree n. 58 of 24 February 1998) both traded on regulated markets (including MTFs) or outside these markets
 - with mainly one or more equities and equivalent securities as underlying, or
 - which value mainly depends on such instruments;
 - Securities granting a right to purchase or sell at least 50 % of equities and equivalent securities;
 - Derivatives involving a cash settlement defined based on the value of at least 50 % of equities and equivalent securities;
- In any case, the tax applies only if the underlying equities and equivalent securities are subject to the Italian FTT, and
 - With at least 50 % of these equities or similar securities as underlying, or
 - Which value depends on at least 50 % of such instruments.

Affected transactions

The entry into the contract triggers the tax liability

- Eligible transactions are
 - Subscription, early cancellation or amendment, and
 - Transfer of ownership.
- Transactions in derivative financial instruments and transferable securities are subject to tax at the time of entry into the contract to be understood,
 - respectively, as the time of signature, early cancellation (except when made by signing a new contract) or modification of the contract
 - and as the time of transfer of ownership of such transferable securities.
 - Modification of the contract shall mean a variation of its notional value, parties or maturity.
- In case of financial derivatives settling with transfer of shares, such transfer of ownership of such shares would also be subject to the FTT (e.g. warrants, covered warrants, certificates).
- The FTT is applicable on all transactions executed inside Italy and abroad, and regardless the residence of the counterparties involved in such transactions.

Exclusions*

Certain transactions are not subject to tax

- The FTT does not apply to:
 - The transfer of ownership in a donation or inheritance;
 - Share issuance, cancellation or launch on a stock exchange;
 - Transactions in bonds and debt securities;
 - Transactions in UCITS and SICAV shares;
 - The Conversion of bonds into new shares or receipt of new shares by the exercise of rights or derivatives;
 - Intra-group transactions and transactions related to a corporate reorganization;
 - Transactions where intermediary buys from a party and sells to another based on a predefined contract with same price, quantity and settlement date for both transactions (but the final investor will still pay the tax);
 - The daily business of a CCP (purchases for purposes of clearing and collateral by authorized entities under EU regulation 648/2012 (or by the national authority for non EU white-list countries)).

* Certification will be required from the tax payer by the tax collector to benefit from the above exclusions

Exemptions*

Certain counterparties are not subject to tax

- The FTT does not apply to:
 - Both parties of transactions involving:
 - The EU or the European institutions,
 - The European Central Bank and the European Investment Bank,
 - The central banks of EU member States,
 - The central banks or sovereign funds of other States, or
 - international organisations recognised by Italy;
 - Both parties of operations related to ethical and socially responsible products;
 - Exempt parties
 - Parties involved in market-making activity (Consob issued exemption procedure),
 - Parties involved in providing liquidity on behalf of the issuer,
 - Pension funds subject to supervision according to EU directive 2003/41/EC,
 - Mandatory social security institutions, established in an EU country or in a EEA white-list country.

* Certification will be required from the tax payer by the tax collector to benefit from the above exemptions.

Tax basis

Transaction amount is similar to the notional value of the contract

- Basis for the tax calculation is the notional value of the contract that depends on the derivative product (see page below).
- If the notional value is amplified due to the structure of the transaction, the actual notional value, equal to the reference notional value of the contract multiplied by the leverage effect, shall be determined. For contracts with a variable reference notional value, the reference value at the date in which the transaction has been concluded.
- If the notional value of the instruments is represented also by instruments other than shares, participating financial instruments and securities representing equity investment, for the purpose of this paragraph, only the notional value of these shares, instruments and securities shall be taken into consideration.
- If the financial instruments have – even indirectly – underlyings of different types, for the purpose of calculating the notional value, the average of the notional values relating to shares, participating financial instruments and securities representing equity investment shall be considered. The average shall be weighted according to the quantities of each underlying.
- In the case of acquisitions of the instruments denominated in currencies other than the Euro, the tax base shall be determined with reference to the exchange rates indicated on the website of the ECB* relating to the day the transaction has been concluded.
- If the notional value is not determined according to the rules of the Decree, for the purposes of determining the amount of tax, it is assumed to be equal to 2 mn Euro.

* <http://www.ecb.int/stats/exchange/eurofxref/html/index.en.html>

Notional value

Notional value depends on the type of the derivative product^{1) 2)}

	Derivative product	Notional value
1	Stock index futures traded on regulated markets or in MTFs:	The number of standard contracts multiplied by the number of index points under which the contract is traded by the value assigned to the index point.
2	Single stock futures traded on regulated markets or in MTFs:	The number of standard contracts multiplied by the price of the futures by the standard contract size.
3	Stock index options traded on regulated markets or in MTFs:	The number of standard contracts multiplied by the contract price (premium) expressed in index points multiplied by the value assigned to the index point.
4	Stock options traded on regulated markets or in MTFs:	The number of standard contracts multiplied by the strike price multiplied by the standard contract size.
5	Other options:	The price (premium) paid or received for entering into the contract.
6	Forward contracts:	Where the underlying is - even indirectly - an index, the product of the forward unit value of the index and the number of units of the index under the contract. Where the underlying are - even indirectly - shares, the number of shares multiplied by the forward price.
7	Swap contracts:	The amount according to which the swap flows are determined – even indirectly - recognised upon conclusion of the transaction.
8	Financial contracts for difference:	The value of the index or shares on which the contract's profits or losses - even indirectly – depend.
9	Warrants:	The number of warrants purchased, subscribed or sold multiplied by the purchase or selling price.
10	Covered warrants:	The number of covered warrants purchased or sold multiplied by the purchase or selling price.
11	Certificates:	The number of certificates purchased or sold multiplied by the purchase or selling price.
12	Securities giving rise to a cash settlement determined by reference to shares and related yields, indices or measures:	The amount according to which cash flows or maturity profile or economic result of the transaction are determined, calculated at the time of purchase and sale of securities.
13	Combinations of the above contracts or securities:	The sum of the notional amounts of contracts and securities within the contract or security in question.

- ¹⁾ If the notional value of the instruments, other than those under 3), 4), 5), 9), 10) and 11), is amplified due to the structure of the transaction, the actual notional value, equal to the reference notional value of the contract multiplied by the leverage effect, shall be determined. For contracts with a variable reference notional value, the reference value at the date in which the transaction has been concluded;
- ²⁾ If the notional value of the instruments, other than those under 3), 4), 5), 9), 10) and 11), is represented also by instruments other than shares, participating financial instruments and securities representing equity investment, for the purposes of this paragraph, only the notional value of these shares, instruments and securities shall be taken into consideration..

Tax rate

Transaction amount is basis for tax calculation

- Basis for the calculation of tax is fixed amount (in € per contract) that will be applied on eligible transactions. This amount will vary depending on the type of instrument and the contract value:

Derivative contract	Notional Value of the contract (in €1,000)							
	0-2.5	2.5-5	5-10	10-50	50-100	100-500	500-1000	>1000
Futures, certificates, covered warrants & options on yields, measures or indexes related to shares	0.01875	0.0375	0.075	0.375	0.75	3.75	7.5	15
Futures, warrants, certificates, covered warrants and options on shares	0.125	0.25	0.5	2.5	5	25	50	100
1. Swaps on shares & related yields, measures or indexes 2. Forwards linked to shares & related yields, measures or indexes CFDs linked to shares & related yields, measures or indexes 3. Any other security involving a cash settlement determined according to shares and related yields, measures or indexes 4. Combinations of the above contracts or securities	0.25	0.5	1	5	10	50	100	200

- The fixed tax amount is both:
 - reduced to 1/5 for eligible transactions executed in regulated markets or MTFs of a EU or white listed EEA country;
 - defined based on the value of a standard contract to be mentioned in the implementation decree.
- For transactions pursuant to Article 19 of (EC) Commission Regulation No 1287/2006 of 10 August 2006, the same rules are relevant as for transactions in equities and similar instruments.
- The reduced tax rate is valid as from the first day of the month following the inclusion of the market or facility in the list published on the website of the ESMA, or, in all other cases, the first day of the month following the authorization and the start of supervision by the National Public Authority.

Taxpayer

Both counterparties of the transaction are liable to tax

- The tax is due by each party involved in the transaction;
 - It doesn't matter if the counterparties are Italian residents or not;
 - It doesn't matter if the transaction was concluded in Italy or abroad.
- Intermediaries are not considered as the tax eligible.
- Banks and other financial intermediaries (even non-resident ones) taking part in the transaction are responsible for the payment of the tax.
- In the event several financial intermediaries are involved, the payment duty falls on those directly receiving the transaction order from the (ultimate) parties.
- In the absence of a financial intermediary taking part in the transaction, the parties involved directly pay the tax.

Agenda

- Overview
- Financial transaction tax on equities
- Financial transaction tax on derivatives
- Financial transaction tax on high-frequency trading
- Tax process

Affected transactions and products

HFT FTT is focussed on transactions in Italian equities and derivatives

- High-Frequency Trading (HFT) transactions struck on the Italian market for the taxable instruments:
 - Italian equities and similar securities that are subject to Italian FTT, and
 - Derivatives on Italian equities and similar securities that are subject to Italian FTT.
- Transactions executed on the Italian financial market* are deemed to be HFT when they fulfill the following criteria:
 - Generated by a computer algorithm that automatically determines the decisions relating to the sending, modification and cancellation of orders and of the relevant parameters with the exclusion of those used:
 - for the performance of the market-making activity, provided that orders placed by such algorithms come from specific desks devoted to market-making activities as set in article 16, paragraph 3, letter a) of the Decree;
 - solely for the fulfillment of clients' orders to comply with best execution requirements provided by Article 21 of Directive 2004/39/EC of the European Parliament and of the Council of 21 April 2004, or for the purpose of complying with equivalent best execution requirements for the client provided for by foreign regulations;
 - They occur at intervals not exceeding half a second. This interval is calculated as the time between the placing of an order for purchase or sale and the subsequent modification or cancellation of the same order by the same algorithm.

* Regulated markets and multilateral trading facilities authorized by CONSOB pursuant to Articles 63 and 77-bis of TUF

Exclusions*

Certain transactions are not subject to tax

- The FTT does not apply to:
 - Transactions for market making activity performance, (if orders are generated by desks dedicated to this);
 - Transactions aiming to comply with best execution requirements from directive 2004/39EC (MiFiD).

* Certification will be required from the tax payer by the tax collector to benefit from the above exclusions

Tax basis

Value of cancelled or modified orders is basis for tax calculation

- The tax is calculated on a daily basis and is payable where – in a single trading day – the ratio between cancelled and modified orders, and the sum of entered and modified orders exceeds 60 per cent, with reference to the single financial instruments.
- For this purpose, only the orders cancelled or modified within half a second are taken into consideration.
- The tax is applied, for each trading day, on the value of the cancelled and modified orders exceeding the 60 per cent threshold.
- Equities and similar products:
 - The ratio is calculated according to the number of securities included in the single orders that have been entered, modified or cancelled;
 - The tax shall be applied to the product of the number of securities exceeding the 60 per cent threshold multiplied by the weighted average price of the purchase and sale orders or related modifications thereof for the specific financial instrument in the trading day.
- Derivatives:
 - The ratio shall be calculated based on the number of standard contracts included in the single orders entered, modified or cancelled;
 - The tax shall be applied to the product of the number of standard contracts exceeding the 60 per cent threshold multiplied by the weighted average equivalent value of purchase and sale orders or related modifications thereof for the specific financial instrument in the trading day;
 - Equivalent value means,
 - in the case of options, the premium specified in the contract multiplied by the number of shares making up the standard contract,
 - in the other cases, the notional value of the standard contract.

Tax rate and taxpayer

Initial transaction is when the order is generated

- The tax rate is 0.02% of the counter-value of orders revoked or amended by high-frequency trading systems, to the extent such orders relate to taxable share transactions and derivatives.
- The tax is due by persons that generating purchase and sale orders and the related modifications and cancellations.

Agenda

- Overview
- Financial transaction tax on equities
- Financial transaction tax on derivatives
- Financial transaction tax on high-frequency trading
- Tax process

Tax process

Tax to be paid directly to Italian financial authorities

- The Italian FTT can be collected and paid to authorities by intermediaries involved in the execution of the transaction, such can be:
 - Resident and non-resident Banks and Investment firms;
 - Asset Management Companies;
 - Trust Management companies ;
 - Notaries and other subjects involved in the set up or authentication of the deeds related to such transactions.
- The tax will be collected and paid by the entity that received the execution order directly from the final counterparty if more than one of the above entities are involved.
- If no intermediaries are involved, the IFFT will be paid directly by the Taxpayer.
- If the intermediary is a non-resident, an Italian fiscal agent can be appointed.
- The FTT is to be paid by the 16th of the month following the month in which the transaction took place.
- Nevertheless, the first tax payment has to be made on 16 October 2013.

Tax collection

Intermediary definition (1/2)

- The tax will be collected and paid by the entity that received the execution order directly from the final counterparty if more than one of the above entities are involved.
- If no intermediaries are involved, IFFT will be collected and paid by the final counterparty.
- If the intermediary is a non-resident, the tax treatment depends on the origin country of the intermediary:
 - If the purchaser or the final beneficiary is established in a white-list country, then it will directly take care of the tax payment:
 - If there is an Italian permanent establishment, then all the intermediary's FTT payment and registration duties (irrespective of where the transactions were executed) are complied with via the permanent establishment;
 - If the intermediary has no Italian permanent establishment, it can either:
 - appoint an Italian Tax Representative or
 - comply directly, by undergoing the proper identification and payment procedures;
 - Intermediaries established in a black-list country should be considered as final clients;
 - The intraday netting must be calculated for each client of the black-list country resident intermediary and not at intermediary level.

Tax collection

Intermediary definition (2/2)

- Black-list country resident intermediaries have also the following options:
 - If they have an Italian permanent establishment, they must comply with tax payment and registration duties via the permanent establishment (for both domestic and abroad transactions);
 - If they have a permanent establishment in a non-Italian white-list country, they may comply with tax payment and registration duties via the permanent establishment (for both domestic and abroad transactions);
 - Even if the black-list country resident intermediaries have neither an Italian nor a white-list country permanent establishment, they may still escape final client treatment, by either
 - Appointing a Fiscal Representative in Italy or
 - Disclosing their data to the Italian Revenue Agency, obtaining the fiscal code and appointing Monte Titoli to fulfil their relevant tax obligations;
 - The final client treatment is reserved to black-list country resident intermediaries with neither an Italian nor a white list permanent establishment, which also decide to neither appoint an Italian intermediary as a Fiscal Representative nor to comply directly.

Tax collection

Four different types of foreign intermediaries

Intermediary type	Opportunities
Intermediary is based in a white-list country and has a permanent establishment in Italy	The intermediary must assign its permanent establishment to collect, pay and report the tax in accordance with the procedures in the Circular published by the Italian Tax Authorities.
Intermediary is based in a black-list country and has a permanent establishment in Italy	The intermediary must assign its permanent establishment to collect, pay and report the tax. For IFTT purposes, the intermediary is considered as a white-list intermediary.
Intermediary is based in a white-list country and does not have a permanent establishment in Italy	The intermediary has three options: <ul style="list-style-type: none"> – appointing an Italian fiscal representative, – appointing Monte Titoli, or – paying the tax directly to the tax authorities (to comply with these obligations an Italian tax ID is needed).
Intermediary is based in a black-list country and does not have a permanent establishment in Italy	The intermediary has four possible options: <ul style="list-style-type: none"> – assigning an Italian fiscal representative, – appointing Monte Titoli, – paying the tax directly to the tax authorities (an Italian tax ID is needed), or – if possible, appointing its permanent establishment that is based in a white-list country other than Italy

Tax remittance

Schedule for payment

- The tax is to be paid before the 16th calendar day of the month following the transfer of ownership:
 - The month in which the transfer of ownership occurred (for shares and similar instruments);
 - The month in which the contract is concluded (for derivatives);
 - The month in which the cancelled or modified order has been delivered (HFT transactions).
- The tax collector can delegate the calculation and the payment of the tax, as well as the reporting duties, to Monte Titoli, but
 - The intermediary still remains liable for paying the IFTT;
 - Monte Titoli will pay the tax before the 16th calendar day of the second month following the transaction date.
- The following transactions will be taxed:
 - Transfers of ownership on shares and equivalent securities settling as from 1 March 2013, provided they have been traded after 28 February 2013;
 - HFT on shares and equivalent securities with orders delivered since 1 March 2013;
 - Derivative contracts subscribed, modified or cancelled as from 1 September 2013;
 - HFT on derivatives and equivalent with orders delivered as from 1 September 2013.
- The first payment deadline is 16 October 2013.
- Form F24 is the approved form to be used for the payment of the tax, with reference to each final beneficiary.
- Foreign intermediaries without an Italian bank account cannot pay via the F24 form, so they can pay via bank transfer to three different accounts (one for cash equities, one for derivatives and one for HFT).

Reporting

Requirements

- The tax declaration will be yearly:
 - Exempt and excluded transactions must also be reported,
 - Further details will be included in a provision to be issued by the Italian tax administration.
- Declarations for tax amounts lower than EUR 50 must not be sent.
- Sanctions for late or non-payments are applied to those entities who collected and paid the IFTT.
- Such entities have the right to hold the transaction execution until IFTT is received from the counterparties involved.
- In case of incomplete or omitted payment, the tax authorities may recover the tax and the relevant interests also against the tax payer.
- Reporting shall take place by way of an ad hoc FTT return, to be filed within 31 March of the year after the year in which the taxable transactions were executed.
- FTT return details shall be established by a future Tax Authority provision.

Sources

- Italian Stability Law 2013 (unofficial English translation)
- Implementation Decree (unofficial English translation)
- Explanatory Memorandum to the Implementation Decree (unofficial English translation)
- Italian FTT payment and reporting provision No. 2013/87896 (unofficial English translation)
- Clearstream Banking, various information sheets
- Euroclear Bank, various information sheets
- PWC Tax Newsflashes December 2012 and July 2013
- Cleary Gottlieb Steen & Hamilton LLP, “Italy Introduces a Financial Transaction Tax as of 2013”

© Eurex 2013

Deutsche Börse AG (DBAG), Clearstream Banking AG (Clearstream), Eurex Frankfurt AG, Eurex Clearing AG (Eurex Clearing) as well as Eurex Bonds GmbH (Eurex Bonds) and Eurex Repo GmbH (Eurex Repo) are corporate entities and are registered under German law. Eurex Zürich AG is a corporate entity and is registered under Swiss law. Clearstream Banking S.A. is a corporate entity and is registered under Luxembourg law. U.S. Exchange Holdings, Inc. and International Securities Exchange Holdings, Inc. (ISE) are corporate entities and are registered under U.S. American law. Eurex Frankfurt AG (Eurex) is the administrating and operating institution of Eurex Deutschland. Eurex Deutschland and Eurex Zürich AG are in the following referred to as the "Eurex Exchanges".

All intellectual property, proprietary and other rights and interests in this publication and the subject matter hereof (other than certain trademarks and service marks listed below) are owned by DBAG and its affiliates and subsidiaries including, without limitation, all patent, registered design, copyright, trademark and service mark rights. While reasonable care has been taken in the preparation of this publication to provide details that are accurate and not misleading at the time of publication DBAG, Clearstream, Eurex, Eurex Clearing, Eurex Bonds, Eurex Repo as well as the Eurex Exchanges and their respective servants and agents (a) do not make any representations or warranties regarding the information contained herein, whether express or implied, including without limitation any implied warranty of merchantability or fitness for a particular purpose or any warranty with respect to the accuracy, correctness, quality, completeness or timeliness of such information, and (b) shall not be responsible or liable for any third party's use of any information contained herein under any circumstances, including, without limitation, in connection with actual trading or otherwise or for any errors or omissions contained in this publication.

This publication is published for information purposes only and shall not constitute investment advice respectively does not constitute an offer, solicitation or recommendation to acquire or dispose of any investment or to engage in any other transaction. This publication is not intended for solicitation purposes but only for use as general information. All descriptions, examples and calculations contained in this publication are for illustrative purposes only.

Eurex and Eurex Clearing offer services directly to members of the Eurex exchanges respectively to clearing members of Eurex Clearing. Those who desire to trade any products available on the Eurex market or who desire to offer and sell any such products to others or who desire to possess a clearing license of Eurex Clearing in order to participate in the clearing process provided by Eurex Clearing, should consider legal and regulatory requirements of those jurisdictions relevant to them, as well as the risks associated with such products, before doing so.

Eurex derivatives (other than EURO STOXX 50® Index Futures contracts, EURO STOXX® Select Dividend 30 Index Futures contracts, STOXX® Europe 50 Index Futures contracts, STOXX® Europe 600 Banks/Industrial Goods & Services/Insurance/Media/Travel & Leisure/Utilities Futures contracts, Dow Jones Global Titans 50 IndexSM Futures contracts, DAX® Futures contracts, MDAX® Futures contracts, TecDAX® Futures contracts, SMIM® Futures contracts, SLI Swiss Leader Index® Futures contracts, Eurex inflation/commodity/weather/property and interest rate derivatives) are currently not available for offer, sale or trading in the United States or by United States persons.

Trademarks and Service Marks

Buxl®, DAX®, DivDAX®, eb.rexx®, Eurex®, Eurex Bonds®, Eurex Repo®, Eurex Strategy WizardSM, Euro GC Pooling®, FDAX®, FWB®, GC Pooling®, GCPI®, MDAX®, ODAX®, SDAX®, TecDAX®, USD GC Pooling®, VDAX®, VDAX-NEW® and Xetra® are registered trademarks of DBAG.

Phelix Base® and Phelix Peak® are registered trademarks of European Energy Exchange AG (EEX).

The service marks MSCI Russia and MSCI Japan are the exclusive property of MSCI Barra.

iTraxx® is a registered trademark of International Index Company Limited (IIC) and has been licensed for the use by Eurex. IIC does not approve, endorse or recommend Eurex or iTraxx® Europe 5-year Index Futures, iTraxx® Europe HiVol 5-year Index Futures and iTraxx® Europe Crossover 5-year Index Futures.

Eurex is solely responsible for the creation of the Eurex iTraxx® Credit Futures contracts, their trading and market surveillance. ISDA® neither sponsors nor endorses the product's use. ISDA® is a registered trademark of the International Swaps and Derivatives Association, Inc.

IPD UK Annual All Property Index is a registered trademark of Investment Property Databank Ltd. IPD and has been licensed for the use by Eurex for derivatives.

SLI®, SMI® and SMIM® are registered trademarks of SIX Swiss Exchange AG.

The STOXX® indexes, the data included therein and the trademarks used in the index names are the intellectual property of STOXX Limited and/or its licensors Eurex derivatives based on the STOXX® indexes are in no way sponsored, endorsed, sold or promoted by STOXX and its licensors and neither STOXX nor its licensors shall have any liability with respect thereto.

Dow Jones, Dow Jones Global Titans 50 IndexSM and Dow Jones Sector Titans IndexesSM are service marks of Dow Jones & Company, Inc. Dow Jones-UBS Commodity IndexSM and any related sub-indexes are service marks of Dow Jones & Company, Inc. and UBS AG. All derivatives based on these indexes are not sponsored, endorsed, sold or promoted by Dow Jones & Company, Inc. or UBS AG, and neither party makes any representation regarding the advisability of trading or of investing in such products.

All references to London Gold and Silver Fixing prices are used with the permission of The London Gold Market Fixing Limited as well as The London Silver Market Fixing Limited, which for the avoidance of doubt has no involvement with and accepts no responsibility whatsoever for the underlying product to which the Fixing prices may be referenced.

PCS® and Property Claim Services® are registered trademarks of ISO Services, Inc.

Korea Exchange, KRX, KOSPI and KOSPI 200 are registered trademarks of Korea Exchange Inc.

BSE and SENSEX are trademarks/service marks of Bombay Stock Exchange (BSE) and all rights accruing from the same, statutory or otherwise, wholly vest with BSE. Any violation of the above would constitute an offence under the laws of India and international treaties governing the same.

The names of other companies and third party products may be trademarks or service marks of their respective owners.