

## Document title

# OPTIQ - DIRECT DISTRIBUTION OF BOND INSTRUMENTS ON THE OCCASION OF AN INITIAL PUBLIC OFFER

## Document type or subject

HOW THE SERVICE WORKS

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EURONEXT

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## PREFACE

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### PURPOSE

This document provides Euronext customers with functional and technical details regarding the direct distribution of bonds on the occasion of an Initial Bond Offering (hereinafter the "**Direct Distribution Service**") available on the Optiq® trading system, with reference to the Bond segment (Euronext Access Milan, MOT).

The purpose of the Direct Distribution Service is to provide Issuers, Lead Managers, Placement Agents and third parties with an on-demand and complementary service that will support them in improving the access to the retail target market by:

- Leveraging on the client network connected to the Optiq® trading system, in order to maximise the number of intermediaries and their in-target clients for the Public Offer;
- benefiting from the Euronext trading and post-trading infrastructure, already used by member firms for trading activities, to handle the end-to-end retail subscription process;
- automatically managing the allocation in case of oversubscription.

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### TARGET AUDIENCE

This document is relevant for DCM (Debt Capital Markets), trading, back & middle office, technology and IT professionals within Euronext member firms, information vendors and other market participants interested in using the Optiq® trading system to support a Direct Distribution of bonds.

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### WHAT'S NEW?

The following table lists the most recent modifications made to this version:

VERSION NO.	DATE	AUTHOR	CHANGE DESCRIPTION
1.0	12 AUG 2025	EURONEXT	FIRST VERSION
1.1	20 OCT 2025	EURONEXT	AMENDMENT OF GUARANTEED MINIMUM LOGIC
1.2	07 NOV 2025	EURONEXT	AMENDMENT TO THE CALL PHASE OPENING TIME
1.3	02 FEB 2026	EURONEXT	AMENDMENTS TO THE TIMING OF THE QUOTING PERIOD AND UNCROSSING

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### ASSOCIATED DOCUMENTS

- The following lists the associated documents which either should be read in conjunction with this document or which provide other relevant information for the user: Euronext Cash and Derivatives Markets - Optiq OEG SBE Messages - Interface Specification - External
- Euronext Cash and Derivatives Markets - Optiq OEG FIX 5.0 Messages - Interface Specification - External
- Euronext Cash Markets - Optiq OEG MDG - Kinematics Specification - External
- Euronext Cash and Derivatives Markets - Optiq Drop Copy Service - Interface Specification - External

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## 1. OVERVIEW

On the occasion of the pre-filing meeting the Issuer and/or Law Firms and Placement Agents are requested to inform Euronext about the will to activate the Direct Distribution Service. During the admission process and before the start of the Public Offer the Issuer or, on its behalf, the Law Firm must provide all relevant information to Euronext in order to assess the possibility to manage the Initial Bond Offering using the Optiq® trading system.

The details regarding each direct distribution shall be communicated by Borsa Italiana via Notice. To this end the Issuer shall inform Borsa Italiana of:

- The chosen Direct Distribution model among the Auction Mode and the Continuous Mode;
- The distribution period, the price, the day on which the company will decide whether to proceed with the issue and the single date set for the settlement of the contracts concluded, which normally coincides with the issue date of the instruments. In addition, the Issuer shall inform Borsa Italiana regarding the possibility of an early closure, postponement, extension, or withdrawal. The estimated size of the offer that could be the maximum offer amount and/or the minimum offer amount;
- The eventual maximum amount that may be requested by each natural person (applicable to Auction Mode only);
- The allocation criteria to be applied in case of over-subscription (applicable to Auction Mode only);
- The name of the intermediary or intermediaries appointed (the "Assigned Broker" hereafter) to be configured by Euronext as the only authorised intermediary (or intermediaries) to submit sell orders for the Direct Distribution Service;
- The opening of the Direct Distribution Service to all the intermediaries that are market participants for the specific market (MOT, Euronext Access Milan) or restricting it to a limited number of member firms.

The Direct Distribution Service is based on the following assumptions:

In case of **Auction Mode**:

- Investors, through an authorized intermediary, will have the possibility to enter buy orders in the Optiq® trading system during the Call Phase of the distribution;
- Following the Call Phase, a Quoting Period Phase will be reserved exclusively for the Assigned Broker, who will submit the sell order. In this phase, the Assigned Broker, in coordination with the Head of Placement may ask Borsa Italiana to modify the Reference Price to be set equal to the Final "Initial Bond Offering Price" (e.g., lower than the maximum price of the Initial Bond Offering Price);
- Trades will be executed at the end of the Quoting Period, during the Uncrossing Phase. In case of over-subscription there might be partial executions of submitted buy orders with final allocated quantities determined by the allocation algorithm, or even no executions, as described in the Prospectus, in case of withdrawal of the offer requested by the Issuer in agreement with placement agents;
- For each order the related execution report will be disseminated, both at the acceptance of the order and at the end of the uncrossing;
- During the distribution, the order book will be visible through market data;
- In the current market practice the iterative allocation algorithm, with a random starting point, will be used (see Chapter 3);
- If the Issuer requests the Tax ID model, orders will be aggregated by Tax IDs with the allocation algorithm to be performed on the resulting aggregated orders list, accordingly with the terms indicated in the Prospectus. In case of oversubscription, quantity allocated on the aggregated orders will be split

according to the allocation algorithm chosen among the original orders, even if coming from different member firms. For this scenario, the Tax ID field is mandatory when the order is submitted<sup>1</sup>;

- There are five distinct allocation algorithms available, which only one can be applied at a time:

Value	Label
1	Guaranteed Minimum with Random Allocation
2	Pro-rata with Random Allocation
3	Guaranteed Minimum with Pro Rata and Random Allocation
4	Guaranteed Minimum with Pro Rata and Random Allocation and Investor Quantity Aggregation
5	Guaranteed Minimum with Random Allocation and Investor Quantity Aggregation

- The table below provides the meaning of each basic allocation parameter:

Allocation Parameters	Description
<b>Investor Quantity Aggregation</b>	If this parameter is set, OPTIQ sums up the quantity of all orders with the same Tax ID code, even if coming from different member firms, and attributes the total quantity only to one order (new order). That new order must have the same time priority as the one of the last time-priority order for a given Tax ID.
<b>Guaranteed Minimum</b>	If this parameter is set, then the system will allocate one (1) minimum lot to each order (aggregated, if Investor Quantity Aggregation applies), based on the available total quantity.
<b>Random</b>	If this parameter is set, the allocation starts from a random order on the time prioritized hierarchy.
<b>Pro Rata</b>	If this parameter is set, allocations are done in a pro-rated manner as per the pro-rata allocation logic.

#### In case of **Continuous Mode**:

- During the continuous phase Investors, through an authorized market participant, enter buying orders and the Assigned Broker sends sell orders;
- It is possible that the BUY orders reach the book before the SELL orders: in this case the buy orders stay in the book, pending execution;
- Sell orders must be sent with FirmID with Assigned Broker configuration, while BUY orders can be inserted by all the market participants authorized to take part to the distribution. It's also possible to configure a restricted number of participants on buy-side;
- The engine automatically matches buying and selling orders on a time priority basis; once the selling quantity is fully allocated, if a Maximum Amount is provided, the distribution is suspended;
- During the distribution, the order book will be visible through market data.

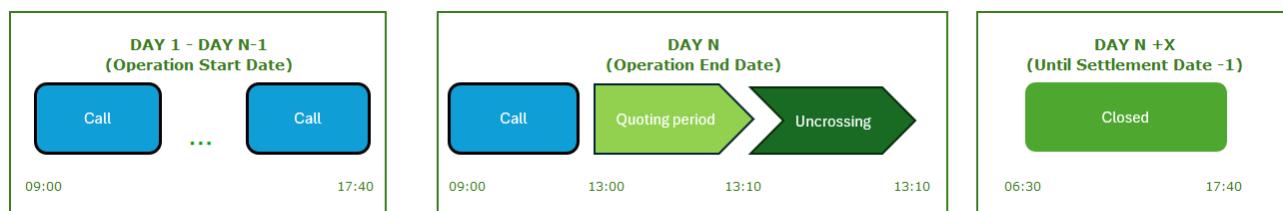
<sup>1</sup> The field designated for providing Tax ID information is the 'Long Client ID', FIX LongClientID (21804). This field becomes mandatory when placing an order in an instrument for which the Tax ID screening feature has been activated. Member firms are required to implement the necessary controls to ensure this field is accurately completed, as Borsa Italiana does not perform any substantive or formal verification of the Tax ID

## 2. PATTERNS AND ORDER TYPES

The Direct Distribution Service is made up of the following phases and relevant order entry logic, when **Auction Mode** is set:

- **Call Phase:** the auction phase accessible by authorized market participants which can submit only **good till cancel (GTC)** buy orders with **no limit price (e.g. market orders)**; please note that the same firm which acts as Assigned Broker can also act as a “standard trading member” and submit buy orders;
- **Quoting Period Phase:** only the Assigned Broker can inject **good till cancel (GTC)** sell orders **with limit price** (equal to the **Final** “Initial Bond Offering Price”) before the end of the quoting period. During this period, the injection of buy orders is forbidden as well as any amendment/cancellation of previously submitted buy orders. In the case that the Issuer needs to modify the Final Price, the Assigned Broker in coordination with the Issuer is required to contact Borsa Italiana Markets Supervision to accommodate the new Reference Price at which the trades will be executed.
- **Uncrossing Phase:** buy orders will be executed against the sell order, based on the allocation algorithm.

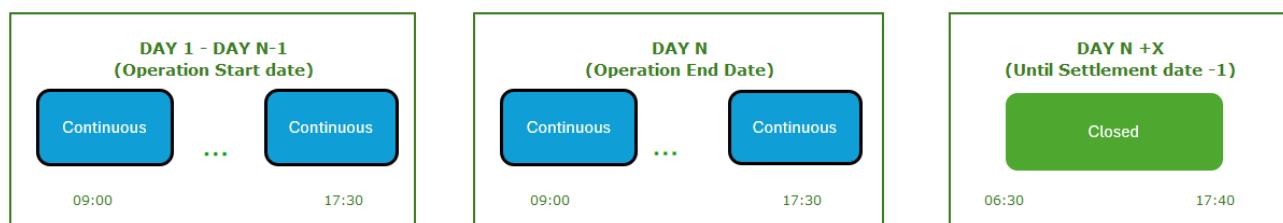
The standard Direct Distribution service workflow can be represented as follows:



The timing of all the above phases may be anticipated or postponed by Borsa Italiana according to Issuer request, in coordination with the Assigned Broker.

The Direct Distribution Service is made up of the following phases and relevant order entry logic, when **Continuous Mode** is set:

- **Continuous Phase:** Assigned Broker submits limit sell orders (with Order price equal to the LACP) and GTC validity. All firms (authorized to participate in the operation) can submit buy market orders with GTC validity. Please note that the same firm which acts as assigned broker can also act as a “standard trading member” and submit buy orders;
- **Matching Algorithm:** orders are matched and executed on a continuous basis against the orders already in the book. The matching algorithm to be applied is FIFO (First in, First Out), where the orders priority is defined based on the Price/Time.



### 3. ALLOCATION ALGORITHM

A range of allocation algorithms is available, exclusively for **Auction Mode**:

- Guaranteed Minimum with Random Allocation;
- Pro-rata with Random Allocation;
- Guaranteed Minimum with Pro Rata and Random Allocation.

Moreover, if the Issuer sets a maximum participation amount for each retail investor, the applicable allocation algorithm will group all orders associated with the same Tax ID before proceeding with the allocation. Therefore, the following allocation algorithm are available:

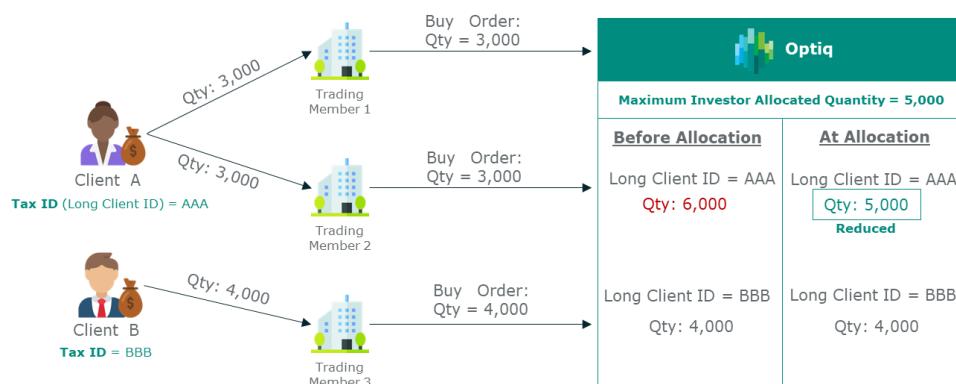
- Guaranteed Minimum with Pro Rata and Random Allocation and Investor Quantity Aggregation;
- Guaranteed Minimum with Random Allocation and Investor Quantity Aggregation.

#### 3.1 TAX ID ALLOCATION ALGORITHM

To ensure that (i) orders from the same individual investor do not exceed the maximum value indicated in the Prospectus, when provided, and (ii) to allow the allocation of a Guaranteed Minimum to each individual investor, even in the case of orders submitted through multiple market participants, it is mandatory to enter the client's Tax ID in the **"Long Client ID"** field of each incoming order, to uniquely identify each investor.

In cases where no Maximum subscribable Quantity is established for individual retail investors, all orders are aggregated based on the investor's Tax ID without the application of any subscription cap, before the algorithms is applied. In order to define the effective quantity allocated to each buy order matched during the distribution, the following process will be applied using an iterative allocation algorithm:

- **Step 1:** the matching engine sums up the quantity of all orders with the same Tax ID code and attributes the total quantity only to one order (new order). That new order must have the same time priority as the one of the last time-priority order for a given Tax ID and it will be capped according to the Maximum Investor Allocated Quantity, when provided for the specific Distribution:



- **Step 2:** an order is randomly selected as the starting point of the allocation;
- **Step 3:**
  - a) if the allocation algorithm **with PRO RATA** is chosen, the iterative algorithm is run against each order (post aggregation) by allocating a quantity equal to the Guaranteed Minimum; the remaining quantity is allocated through a Pro Rata algorithm, and it is rounded down to the nearest Lot Size. Any remaining lots, due to rounding, will be allocated randomly.
  - b) if the allocation algorithm **without PRO RATA** is chosen, the iterative algorithm is run against each order by allocating a quantity equal to the Guaranteed Minimum. Any remaining quantity will be allocated assigning a Lot Size to each investor, until all offered quantity is fully distributed.
- **Step 4:** at the end of the allocation, trades are executed for the quantity allocated to each single order.

**Example "Guaranteed Minimum with Pro Rata and Random Allocation and Investor Quantity Aggregation":**

- Direct Distribution amount = 2.000.000
- Maximum Investor Allocated Quantity = 500.000
- Minimum lot = 10.000
- Lot Size = 1.000
- Guaranteed Minimum (equal to Minimum Lot) = 10.000
- Pro-Rata Ratio = 81,97425%

**Step 1:**

Tax ID	Single Orders	Aggregated Orders by Tax ID	Capped Orders by Tax ID
1	10.000	10.000	10.000
2	*2.000		
3	500.000		
4	450.000	450.000	450.000
5	200.000		
6	200.000	200.000	200.000
7	800.000	800.000	500.000
8	200.000	200.000	200.000
9	10.000	10.000	10.000
10	*1.000		
3	350.000	850.000	500.000
5	200.000	400.000	400.000
11	150.000	150.000	150.000
	3.070.000	3.070.000	2.420.000

\*since value is below MINIMUM LOT, order is rejected

## Step 2, 3a and 4:

Tax ID	Single Orders	Aggregated Orders by Tax ID	Capped Orders by Tax ID	Guaranteed Minimum (Random I)	Residual Capped Qty	Pro-Rated Qty	Pro-Rated Rounded Qty	Rounded qty assignment (Random II)	Tax ID Total Assignment
1	10.000	10.000	10.000	10.000	0	0	0		<b>10.000</b>
2	*2.000				0	0	0		<b>0</b>
3	500.000				0	0	0		<b>0</b>
4	450.000	450.000	450.000	10.000	440.000	360.686,70	360.000	1.000	<b>371.000</b>
5	200.000				0	0	0		<b>0</b>
6	200.000	200.000	200.000	10.000	190.000	155.751,07	155.000		<b>165.000</b>
7	800.000	800.000	500.000	10.000	490.000	401.673,82	401.000		<b>411.000</b>
8	200.000	200.000	200.000	10.000	190.000	155.751,07	155.000	1.000	<b>166.000</b>
9	10.000	10.000	10.000	10.000	0	0	0		<b>10.000</b>
10	*1.000				0	0	0		<b>0</b>
3	350.000	850.000	500.000	10.000	490.000	401.673,82	401.000	1.000	<b>412.000</b>
5	200.000	400.000	400.000	10.000	390.000	319.699,57	319.000	1.000	<b>330.000</b>
11	150.000	150.000	150.000	10.000	140.000	114.763,95	114.000	1.000	<b>125.000</b>
	3.070.000	3.070.000	2.420.000	90.000	2.330.000	1.910.000	1.905.000	5.000	<b>2.000.000</b>

\*since value is below MINIMUM LOT, order is rejected

## Step 4 - split among aggregated orders

Client #3 Orders	Split between orders of TaxID #3	Rounded down	Random assignment of the residual qty	Assigned quantity x each order
500.000	242.353	242.000		242.000
350.000	169.647	169.000	1.000	170.000
				<b>412.000</b>

Client #5 Orders	Split between orders of TaxID #5	Rounded down	Random assignment of the residual qty	Assigned quantity x each order
200.000	165.000	165.000		165.000
200.000	165.000	165.000		165.000
				<b>330.000</b>

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## 4. INFRASTRUCTURE ARCHITECTURE

To manage the injection of sell orders, the Assigned Broker designated by the Issuer must contact Euronext Membership in advance to complete the relevant configuration of the Account Type named "Assigned Broker".

The Assigned Broker will be also allowed to inject buy orders as non-Assigned Broker firm with account type different from Assigned Broker, acting as a normal firm.

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## 5. DEPLOYMENT AND ROLLOUT

Following the Uncrossing phase, the Assigned Broker will receive in real time the execution of all orders with the related intermediaries. If provided, trades are parked and sent to the settlement systems after the confirmation of the offering by the Issuer. For each ISIN, Euronext Securities Milan will process the trades.

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## 6. CANCELLATION OF THE DISTRIBUTION

In case of withdrawal of the Distribution, pending orders will be cancelled and a cancellation message will be sent to the members firms; the parked trades will not be sent to settlement systems and no cancellation messages will be sent.