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PRADA S.p.A.

*Via A. Fogazzaro n. 28, Milan, Italy
Registry of Companies of Milan, Italy: No. 10115350158
(Incorporated under the laws of Italy as a joint-stock company)
(Stock Code: 1913)*

Financial Transactions Tax - Publication of a Memorandum

INTRODUCTION

Further to the announcement made by PRADA S.p.A. (the “**Company**”) dated February, 21st 2013, the Company would like to provide an update concerning the new financial transactions tax (the “**FTT**”) introduced by Article 1, paragraphs from 491 to 500, of the Budget Law n. 288, dated December, 24th 2012, published on the Italian Official Bulletin n. 302, dated December, 29th 2012 and entered into force on January, 1st 2013 (the “**FTT Law**”). On February, 28th 2013, the Ministry of Economy and Finance has published in the gazette the ministerial decree relating to the implementation of the FTT (the “**Ministerial Decree**”). Moreover, on March, 1st 2013 the Director of the Italian Inland Revenue Office has issued only one of the official provisions according to the FTT Law (“**Official Provisions**”).

MEMORANDUM ON THE FTT

As a result, the Company - through its Italian Tax Advisor - has prepared a Memorandum on the FTT based on the FTT Law and the recently enacted Ministerial Decree and the Official Provisions issued on March, 1st 2013 (the “**Memorandum on the FTT**”), with the warning that the implementation and application of such law may be subject to, including relevant, changes and amendments, due to further Official Provisions.

The Memorandum on the FTT is attached to this Announcement.

The Memorandum of the FTT contains an overview of FTT Law and a general disclosure of the relevance of the FTT for the Company’s shareholders and financial intermediaries dealing with the Company’s shares.

This document and the attached Memorandum on the FTT are provided for information purposes only and are not intended to be, nor should they be construed as,

legal or tax advice.

The Company recommends that all investors should consult their professional advisors in order to understand the taxation consequences of purchasing, holding, disposing of or dealing in the Company's shares and to take all measures necessary in order to comply with applicable Italian law and regulations (including the FTT Law, Ministerial Decree and Official Provisions).

For and on behalf of
PRADA S.p.A.
Mr. Carlo Mazzi
Deputy Chairman

Milan (Italy), March, 4th 2013

As at the date of this announcement, the Company's executive directors are Ms. Miuccia PRADA BIANCHI, Mr. Patrizio BERTELLI, Mr. Carlo MAZZI and Mr. Donatello GALLI; the Company's non-executive directors are Mr. Marco SALOMONI and Mr. Gaetano MICCICHÈ and the Company's independent non-executive directors are Mr. Gian Franco Oliviero MATTEI, Mr. Giancarlo FORESTIERI and Mr. Sing Cheong LIU.

Prada – “FTT”

Memorandum upon new Italian Financial Transactions Tax

4th March 2013

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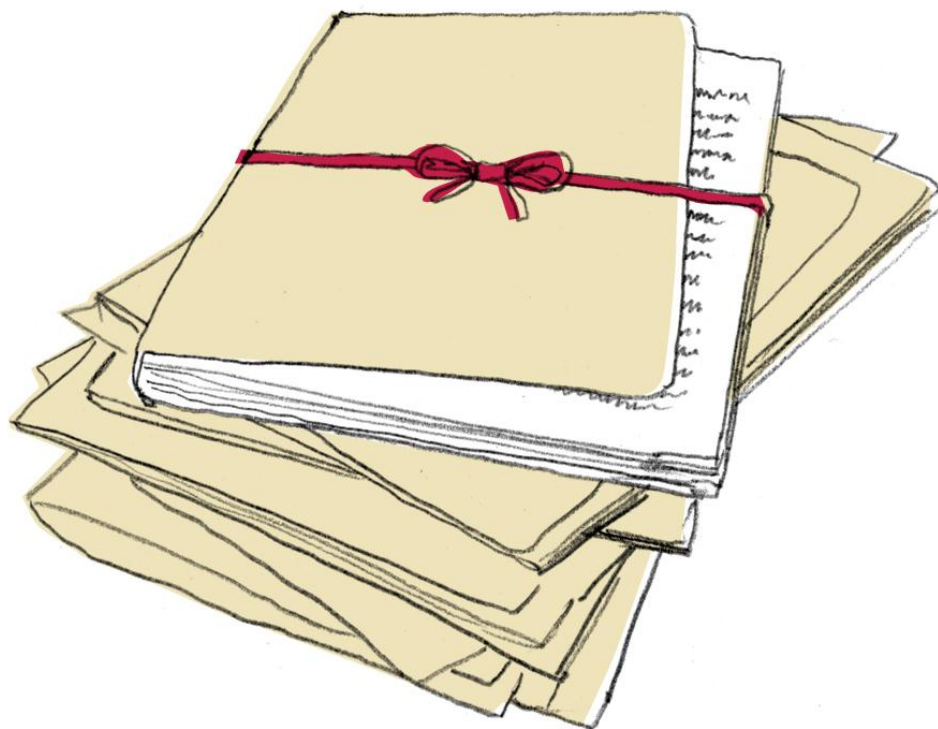
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2. SUMMARY

(A) Preliminary statements

The description of the relevant Italian tax law contained in this Memorandum is based upon Italian law and regulations currently in force as at the date of this Memorandum.

It must be preliminary noted that the Financial Transactions Tax law (hereinafter, also “**FTT Law**”) provides, among others, that operative instructions and compliance fulfillments of such tax must be set forth by a Ministerial Decree issued by the Ministry of Economy and Finance (hereinafter, also “**Ministerial Decree**”) and by one or more official provisions to be issued by the Director of Italian Inland Revenue Office (hereinafter, also “**Official Provisions**”). According to the FTT Law, the Ministerial Decree should have been issued within 30 days from the entry into force of the FTT Law itself (i.e. by January, 31st 2013).

After a period of public consultation of the draft document, the Ministerial Decree has been officially published into the Italian Official Bulletin dated February, 28th 2013. As of today, **only one Official Provision has been issued by the Director of Italian Inland Revenue Office.**

As a consequence, this Memorandum aims to provide some highlights on the FTT based on the FTT Law and the recently enacted Ministerial Decree with the **warning** that the implementation and application of such law may be **subject to - including relevant - changes and amendments due to further Official Provisions.**

(B) General remarks

This Memorandum contains:

- (i) an overview of the new Italian tax law on financial transactions¹;
- (ii) a general disclosure of the relevance of FTT for PRADA’s² shareholders³ and financial intermediaries dealing with the Company’s shares (hereinafter, also “**Shares**”).

This document is provided for information purposes only and is not intended to be, nor should it be construed as, legal or tax advice.

It is recommended that all investors should consult their professional advisors in order to understand the taxation consequences of purchasing, holding, disposing of or dealing in Prada’s shares and to take all measures necessary in order to comply with applicable Italian law and regulations (including FTT Law).

Neither PRADA nor Bernoni Grant Thornton has undertaken to produce an updated version of this Memorandum.

It has to be highlighted that law and regulations and their interpretation may be subject to changes. These amendments may have retroactive effect.

¹ Italian Financial Transactions Tax Law is ruled by Article 1, paragraphs from 491 to 500, of the Budget Law n. 288 (i.e. “Legge di Stabilità”), dated December, 24th 2012, published on the Italian Official Bulletin (i.e. “Gazzetta Ufficiale”) n. 302, dated December, 29th 2012 and entered into force as of January, 1st 2013.

² For “PRADA” (hereinafter, also the “**Company**”) it has to be referred to PRADA S.p.A., a company incorporated in Italy, whose ordinary shares are listed on the Hong Kong Stock Exchange.

³ Unless otherwise specified, references in this Memorandum to the “**Shareholder**” shall be addressed to beneficial owners of Shares even in the case in which the registered shareholder is a trust company or a nominee company like HKSCC Nominees Limited.

(C) Scope of the FTT Law

FTT applies to all trades entailing the transfer of ownership of the following financial instruments:

- (i) shares⁴ and other participating financial instruments⁵ issued by companies resident in Italy⁶ – thus including the Shares – and securities representing equity investment⁷ regardless of the place of residence of the issuer⁸. For this purposes, transfers resulting from the conversion of bonds into shares, as well transfers arising from the exchange or the refund of bonds with shares or other participating financial instruments shall also be considered as transfers of ownership of shares or other participating financial instruments⁹;
- (ii) financial derivatives and transferable securities¹⁰ provided that the underlying or reference value consists for more than 50% of the market value of the instruments referred to point (i) above;
- (iii) transactions executed on the Italian financial market deemed to be “High-frequency Trading”¹¹ referred to financial instruments under points (i) and (ii) above.

⁴ Letter c) of paragraph 2 of article 1 of the Ministerial Decree defines shares as “stocks of companies belonging to one of the following types, even if falling into a special category, and regardless of the assignment of certain administrative or property rights: companies under Italian law known as “società per azioni”, “società in accomandita per azioni” and European companies referred to in Regulation (EC) No 2157/2001, as well as stakes of companies under Italian law known as “società cooperative” and “mutue assicuratrici”, unless the articles of incorporation stipulate that the laws for companies under Italian law known as “società a responsabilità limitata” pursuant to Article 2519, paragraph 2, of the Italian Civil Code, should apply”.

⁵ Letter d) of paragraph 2 of article 1 of the Ministerial Decree defines participating financial instruments as “the financial instruments referred to in Article 2346, sixth paragraph, of Civil Code and issued by companies listed under letter c), which assign certain administrative and property rights against contributions by shareholders or third parties, resulting in any form of participation of the stakeholder to the performance of the company or of some of its branches of business, including the financial instruments for participating to a single transaction referred to in Article 2447-ter, paragraph 1, letter e), of the same Code”.

⁶ The issuer’s residence, for the purpose of the application of FTT, shall be determined on the basis that its registered office is located in Italy.

⁷ Letter e) of paragraph 2 of article 1 of the Ministerial Decree defines securities representing equity investment as “depository receipts in respect of shares and other certificates representing shares or participating instruments, as referred to in above letter d), issued by companies resident in the Italian territory”.

⁸ Under paragraph 1 of article 3 of the Ministerial Decree, “It is considered that transfers of ownership in the case of transactions relating to shares, participating financial instruments and securities representing equity investment admitted to central securities depositories, have taken place on the date of their settlement. Date of settlement shall mean the date of registration of the transfers following the settlement of the relevant transaction. Alternatively, the person liable to the payment of tax, subject to the taxpayer’s consent, can assume the date of liquidation stipulated in the contract as the date of the transaction”. Under paragraph 2 of the same article, “For transactions other than those referred to in paragraph 1, the transfer of ownership corresponds with the moment when its legal effect is produced”.

⁹ For such transactions, under paragraph 3 of article 3 of the Ministerial Decree “the transfer of ownership corresponds with the date the conversion, exchange or refund have effect”.

¹⁰ Financial derivatives and transferable securities consist in those listed in Articles 1, paragraph 1-bis, letters c) and d), and paragraph 2, letters d), e), f), g), h), i) and j), of the Legislative Decree n. 58, dated February, 24th 1998 (i.e. “TUF”).

¹¹ Pursuant to paragraph 1 of article 12 of the Ministerial Decree, “There shall be deemed to be high-frequency trading those transactions which jointly have the following features :

- a) they are 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:

Further on, the FTT Law expressly states that it is applicable to any of the above trades, regardless the place of execution and the residence of the parties involved in the deal.

Basing upon the above, Shareholders and financial intermediaries involved in the transfer of the Shares, regardless their residence, may be affected by this new Italian provision as Prada's registered office is in Italy.

Finally, it is noted that different rules are applicable for financial instruments under points (ii) and (iii) above respect to those under point (i).

This Memorandum is focused on the FTT applicable to financial instruments under point (i) above.

3. THE FINANCIAL TRANSACTIONS TAX ON SHARES, OTHER PARTICIPATING FINANCIAL INSTRUMENTS AND SECURITIES REPRESENTING EQUITY INVESTMENT

(A) Taxable transactions

As introduced in paragraph 2 above, transfers of shares and other participating financial instruments issued by companies resident in Italy and of securities representing equity investment, wherever executed and regardless the residence of the parties involved in the deal, are subject to the new FTT.

FTT is not applicable to transfers of shares as a consequence of inheritance or gift.

(B) Effective date

The FTT applies to transactions regulated¹² as from March, 1st 2013, if traded after February, 28th 2013.

(C) Tax rates

Applicable tax rates are:

- 0.10%, for transfers of shares, other participating financial instruments issued by Italian resident companies and of securities representing equity investment, executed in regulated stock markets or through multilateral trading facilities¹³;

(1) for the performance of the market-making activity referred to in paragraph 494, last sentence, letter a), provided that orders placed by such algorithms come from specific desks devoted to market-making activities as set out in Article 16, paragraph 3, letter a);

(2) 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;

b) 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."

¹² For the definition of "regulated" please refer to previous notes 8 and 9.

¹³ Letter f) of paragraph 2 of article 1 of the Ministerial Decree defines the regulated markets and multilateral trading facilities as the markets and systems recognized pursuant to Directive 2004/39/EC of the European Parliament and of the Council of April, 21th 2004, relevant to the Economic European Area, as included in the list published in the specific section of the European Securities and Markets Authority' website (<http://mifidatabase.esma.europa.eu/>) for the purposes provided for in paragraph 2 of Article 13 of (EC) Regulation No 1287/2006 of the Commission, of August, 10th 2006, provided that they are established in States and territories included in the list referred to in the ministerial decree issued in

- 0.20% for all other taxable transfers.

For 2013 year only, 0.10% rate is increased to 0.12%, while 0.20% rate is increased to 0.22%.

The applicable tax rate to transfers of Shares performed on the Hong Kong Stock Exchange is 0.20% (exceptionally increased to 0.22% for year 2013 only).

(D) Taxable value

According to the Ministerial Decree, the value of the transaction subject to FTT *“is determined on the basis of the net balance of the transactions regulated daily, calculated for each liable person with reference to the number of securities traded on the same day and relating to the same financial instrument”*¹⁴.

Under article 4 of the Ministerial Decree, the FTT base *“is the number of securities resulting from the algebraic positive sum of the final net balances multiplied by the weighted average price of the purchases made on a particular day”*.

The calculation of the net balance shall be made by the person in charge for the payment of the FTT¹⁵ (please see paragraph E, below).

(E) Who is liable to FTT

The FTT is due by the persons to which the ownership of shares (including the beneficial ownership), other participating financial instruments issued by Italian resident companies and

accordance with Article 168-bis of the Italian CIT Code (i.e. the Presidential Decree n. 917, dated 22 December, 22nd 1986, “TUIR”). In the case of the States to which the aforesaid provisions do not apply, regulated markets and multilateral trading facilities are considered those in regular operation and authorized by a National Public Authority with State supervision, including therein those recognized by Italian Supervisory Authority For The Investors’ Protection (i.e. “CONSOB”) pursuant to Article 67, paragraph 2, of TUF, provided that they are established in States and territories included in the list referred to in the above mentioned ministerial decree (Hong Kong is not included in such list).

¹⁴ See paragraph 1 of article 4 of the Ministerial Decree.

¹⁵ *“For this purpose, such person shall in the first place take into account separately purchases and sales, made on regulated markets or in multilateral trading facilities, as well as those made outside such markets.”*

“The term purchase price shall mean:

- a) in the case of spot market purchases, the spot exchange value paid for acquiring the securities;*
- b) in the case of purchases of shares, other participating financial instruments and securities representing equity investment, following settlement of the financial derivatives and transferable securities, the higher between the fixed exercise (strike) value and the fair value determined on an arm-length basis, as provided under paragraph 4 of article 9 of the Italian CIT Code (i.e. “TUIR”);*
- c) in the case of conversions, exchanges or refunds of bonds with shares, other participating financial instruments, securities representing equity investment and financial derivatives and transferable securities, the value established in the issue prospectus;*
- d) in all other cases, the value fixed in the contract, or, failing that, the fair value determined on an arm-length basis, as provided under paragraph 4 of article 9 of “TUIR”.*”

The purchases and sales excluded or exempt from the tax are not included in the calculation of the net balance values.

Finally, in the case of acquisitions of shares, other participating financial instruments and securities representing equity investment denominated in currencies other than the Euro, the FTT base shall be determined with reference to the exchange rate effectively applied to the transaction for the deals regulated in euro; in the other cases, the FTT base is determined with reference to the exchange rate indicated on the website of the European Central Bank (<http://www.ecb.int/stats/exchange/eurofxref/html/index.en.html>) relating to the day of the purchase.

of securities representing equity investment is transferred, regardless of their place of residence and the place where the contract is concluded¹⁶.

Under paragraph 4 of article 3 of the Ministerial Decree, “*Transfers made through intermediaries buying in their name but on behalf of another person shall be deemed to be transfers of property only with regard to the person on behalf of whom the transfer has been made*”.

However, paragraph 4 of article 19 of the Ministerial Decree expressly states that “**Persons based in countries or territories with which Italy has no agreements in force for the purposes of the exchange of information or the assistance in the collection of tax credits, identified in a specific provision of the Director of the Italian Inland Revenue Office, that are involved for any reason in the execution of the transaction, are considered for all effects as purchasers or final counterparties of the order of execution**”.¹⁷

It is noted that on March, 1st 2013 the Director of the Italian Inland Revenue Office has issued the aforesaid specific provision identifying countries or territories with which Italy has agreements in force for the purposes of the exchange of information or the assistance in the collection of tax credits; **Hong Kong is not included in such list.**

It is finally noted that under the second sentence of paragraph 494 of article 1 of the FTT Law, the tax does not apply:

- to entities that interpose themselves in a transaction if certain conditions occur. In particular, according to paragraph 2 of article 15 of the Ministerial Decree entities that interpose themselves in a transaction means¹⁸: “*financial intermediary interposed between two parties acting as a counterparty to both sides, purchasing on one hand, and selling on the other, securities or other financial instruments where for both operations price, total number and date of settlement of buying and selling transactions coincide, except the cases where the person to whom the financial intermediary transfers the title or the financial instrument does not fulfill its obligations*”.
- to purchases of the instruments referred to point (i) in paragraph 2 (C) above and to the transactions referred to point (ii) in same paragraph 2 (C) above “entered into by systems interposing in the purchases or in the transactions for the purposes of clearing and collateral of said purchases or transactions. To that end, reference is made to the authorised or recognised entities under Regulation (EU) No 648/2012 of the European Parliament and of the Council of 4 July 2012 that interpose themselves in a transaction on financial instruments for the purposes of clearing and collateral; for those countries where the above Regulation is not in force, reference is made to equivalent foreign systems which are authorized and supervised by a national public authority, provided that they are established in States and territories included in the list referred to in the Ministerial Decree issued in accordance with Article 168-bis of TUIR”; **Hong Kong is not included in such list.**

¹⁶ See paragraph 494 of article 1 of the FTT Law and article 5 of the Ministerial Decree.

¹⁷ The explanatory memorandum to the Ministerial Decree states that “*Article 19 identifies the persons liable for payment of the tax and stipulates the terms and conditions to comply with tax return and payment obligations; for matters not expressly covered therein, reference should be made to a subsequent measure issued by the Director of the Agenzia delle Entrate*”.

¹⁸ See also next paragraph H).

(F) Payment of the FTT

Banks, trusts and other financial intermediaries, including those non-residents in Italy¹⁹, which are involved in the execution of the transaction, as well as the notaries involved in the drawing up or authentication of deeds concerning the same transactions, shall pay the FTT to the Italian tax Authority acting, as a matter of fact like a withholding agent²⁰.

In the case where there are more than one financial intermediary involved in the execution of the transaction, the obligation to pay the FTT falls on the intermediary that directly receives the transaction(s) order from the ultimate purchaser (i.e. the beneficial owners).

If no financial intermediary is involved in the transfer of the Shares, the ultimate purchaser is not only liable to the FTT, but also required to make its payment.

Where the same person liable to FTT carries out a number of transactions on the same trading day through several intermediaries, a single net balance may be calculated amounting to the algebraic sum of the balances relating to each intermediary, subject to a specific request of the same person indicating a single intermediary in charge for the payment of FTT. The intermediaries shall have the option not to consent to such a request²¹.

(G) Terms of payment

FTT is payable within the 16th day of the month following the transaction date²².

Basing upon the Ministerial Decree, payments referred to transactions carried out from March to May 2013 shall be made by July, 16th 2013.

(H) Exclusions and Exemptions

With reference to transaction excluded or exempted from FTT, article 15 of the Ministerial Decree includes a punctual description of the transactions excluded from the scope of the tax; article 16 of the Ministerial Decree outlines the exemptions from FTT by drawing a distinction between transactions that shall be wholly exempt and transactions that shall be exempt only with respect to a single party to the transaction with the result that the counterparty may be liable to payment of the tax.

“The following transactions are excluded from the scope of the FTT²³:

¹⁹ The Ministerial Decree expressly states that the intermediaries and the other non-residents involved in the transaction, having a permanent establishment in Italy, shall comply with the obligations deriving from the tax application through the permanent establishment. On the other side, intermediaries and other non-residents which don't have a permanent establishment in Italy, can appoint a tax representative which will be in charge to take care of the compliance fulfillments related to the FTT.

Both the permanent establishment and the tax representative shall meet the same terms and responsibilities of the non-resident persons for the obligations deriving from the application of the FTT.

²⁰ Relevant instructions upon FTT payment are expected to be set forth by an Official Provision of the Director of Italian Inland Revenue Office.

²¹ The single net balance may be also calculated and settled by the Centralized Management Company of the stock market upon request of the intermediaries in charge for the payment of the tax. In this case, the Centralized Management Company reports to the intermediary the net balance of the person liable to FTT. The effectiveness of the option for the single net balance calculation is subject to acceptance by all intermediaries involved and to their transmission of the information necessary for the calculation. Said intermediaries, anyway, remain liable for the tax payment.

²² Pursuant to paragraph 5 of article 19 of the Ministerial Decree, such a term is postponed to the 16th day of the second month following the date of the transaction, should the payment be performed by the Centralized Management Company of the stock market.

- a) *transfers of the ownership of financial instruments or changes in the ownership of contracts and transferable securities taking place by inheritance or gift;*
- b) *transactions in bonds or debit instruments;*
- c) *the transactions of issue and cancellation of shares, other participating financial instruments and securities representing equity investment and transferable securities, including the repurchase of securities by the issuer;*
- d) *the purchase of the ownership of newly issued shares also through the conversion of bonds or the exercise of an option by the shareholder, or if it constitutes a mode of settlement of the transactions referred to financial derivatives and transferable securities;*
- e) *transfers of the ownership of shares, other participating financial instruments and securities representing equity investment in connection with securities financing transactions as a result of a lending or borrowing or a repurchase or reverse repurchase transaction, or a 'buy-sell back" or "sell-buy back" transaction. Likewise excluded from the scope of the tax is the transfer of ownership of the above instruments in the framework of financial collateral transactions arising from an arrangement under which a collateral-provider transfers full ownership of financial collateral to a collateral-taker for the purpose of securing or otherwise covering the performance of relevant financial obligations, including the repayment at the end of the collateral. In such case, the tax applies if the transfer of ownership becomes final, or in the case of enforcement of the collateral (whether it takes place by sale or appropriation of securities), set-off of the collateral against the relevant financial obligations or application of the collateral in discharge of the relevant financial obligations or for other reasons involving – in any case – a permanent transfer of the ownership. Collateral consisting of securities or participating financial instruments, or other temporary transfers that do not involve the transfer of ownership shall also be excluded from the application of the tax;*
- f) *transfers of the ownership of shares traded on regulated markets or in multilateral trading facilities issued by the companies whose average market capitalization in the month of November of the year preceding the one in which they are carried out was lower than Euro 500 million, even if it constitutes a mode of settlement of the transactions of financial derivatives and transferable securities. The exclusion also operates for transfers taking place outside markets and multilateral trading facilities;*
- g) *transfers of the ownership of shares, other participating financial instruments and securities representing equity investment and transactions referred to financial derivatives and transferable securities effected by companies among which is existing a relationship of control referred to in Article 2359, first paragraph, n. 1) and n. 2), and second paragraph of the Italian Civil Code, or are controlled by the same company;*
- h) *transfers of the ownership of shares, other participating financial instruments and securities representing equity investment, or the change of the ownership of contracts referred to financial derivatives and transferable securities, arising from restructuring operations under Article 4 of Council Directive 2008/7/EC of February, 12th 2008, as well as mergers and divisions of collective investment undertakings ("OICR" in Italy);*
- i) *the transfer of the ownership of securities representing equity investment or participating financial instruments issued by companies whose average market*

²³ See article 15 of the Ministerial Decree.

capitalization in the month of November of the year preceding the one in which they are carried out was lower than Euro 500 million.

Similarly, the FTT does not apply to:

- a) purchases and transactions entered into by a financial intermediary interposed between two parties acting as a counterparty to both sides, purchasing on one hand, and selling on the other, securities or other financial instruments where for both operations price, total number and date of settlement of buying and selling transactions coincide, except the cases where the person to whom the financial intermediary transfers the title or the financial instrument does not fulfill its obligations;
- b) purchases of shares, other participating financial instruments and securities representing equity investment and transactions referred to financial derivatives and transferable securities entered into by systems interposing in the purchases or in the transactions for the purposes of clearing and collateral of said purchases or transactions. To that end, reference is made to the authorized or recognized entities under Regulation (EU) No 648/2012 of the European Parliament and of the Council of July 4th 2012 that interpose themselves in a transaction on financial instruments for the purposes of clearing and collateral; for those countries where the above Regulation is not in force, reference is made to equivalent foreign systems which are authorized and supervised by a national public authority, provided that they are established in States and territories included in the list referred to in the Ministerial Decree issued in accordance with Article 168-bis of TUIR.”

Moreover, “there shall be exempt from the FTT²⁴:

- a) transactions having as their counterpart:
 - 1) the European Union or the European institutions, the European Atomic Energy Community;
 - 2) the bodies covered by the Protocol on the Privileges and Immunities of the European Union or the European Central Bank and the European Investment Bank;
 - 3) the central banks of the Member States of the European Union and the central banks and organizations managing also the official reserves of other States;
 - 4) bodies or international organizations established in accordance with international agreements enforced in Italy; a specific decision of the Director of the Italian Inland Revenue Office may give notice of the above agreements;
- b) transfers of ownership and transactions in units of collective investment undertakings referred to in Article 1, paragraph 1, letter m) of TUF, classed as “ethical” or “socially responsible” pursuant to Article 117-ter of TUF for which a prospectus has been drafted according to the models in Annex 1B of the regulation adopted by Italian Supervisory Authority For The Investors’ Protection (i.e. “CONSOB”) with Resolution N. 11971 of May, 14th 1999 and later amendments, including the additional information provided for by Article 89, paragraph 1 of the Regulation adopted by CONSOB with Resolution N. 16190 of October, 29th 2007 and later amendments;
- c) the subscription of contracts for the provision of portfolio management services referred to in Article 1, paragraph 5, letter d) of TUF, classed as “ethical” or “socially responsible” pursuant to Article 117-ter of TUF, where the contract concluded with the

²⁴ See article 16 of the Ministerial Decree.

customer includes the additional information provided for by Article 89, paragraph 1 of the regulation adopted by CONSOB with Resolution N. 16190 of October, 29th 2007 and later amendments.

With reference to the transactions referred to the above paragraphs a), b) and c), the FTT is not payable by either party.

There shall also be exempt from the FTT:

- a) transactions effected during market making activities as defined in Article 2, paragraph 1, letter k) of Regulation (EC) No 236/2012 of the European Parliament and of the Council of March, 14th 2012, and in document ESMA/2013/158 “Final Report on Guidelines on the exemption of market-making activities and primary market operations under Regulation (EU) 236/2012 of the European Parliament and of the Council on short selling and certain aspects of Credit Default Swaps”, provided that the person acting in the course of this activity has been granted the exemption under Article 17, paragraph 1 of the Regulation by the authority specified in Article 17, paragraphs 5 and 8 of the Regulation. For those countries to which the above Regulation No 236/2012 is not directly applicable, if there is no such authorization referred to in the preceding sentence, the person acting in the course of market-making activities is entitled to the exemption, provided that such person has submitted a specific request to CONSOB according to the procedures to be issued by this public authority; the applicant shall in any case prove to comply with the same requirements and conditions provided for in the above Regulation and Guidelines;*
- b) the transactions effected in the course of liquidity assistance activities within the framework of accepted market practices, approved by the financial market authority under Directive 2003/6/EC of the European Parliament and of the Council of 20 January 2003 and under Commission Directive 2004/72/EC of April, 29th 2004. The non-application of the tax is limited exclusively to the operations and transactions carried out within the activities described above. There shall be included only the cases in which the person making the transactions and operations referred to in paragraph 491 and 492 has concluded a contract directly with the company issuing the security.*

For the transactions referred to points a) and b) immediately above, the exemption is exclusively granted to those persons carrying on market-making activities and providing liquidity assistance as indicated therein and only to the transactions effected in carrying on such activities; the tax may be applied to the counterparty in favour of which the transfer is performed.”

Finally, the FTT “shall not apply to pension funds subject to supervision under Directive 2003/41/EC and to compulsory social security institutions, established in the Member States of the European Union and in the States which are parties to the Agreement on the European Economic Area listed in the Decree of the Minister of Economy and Finance issued pursuant to Article 168-bis of TUIR, as well as to the other supplementary pension schemes referred to in Legislative Decree dated December, 5th 2005, n. 252. The exemption shall apply also to persons and entities participated solely by the funds referred to in the preceding sentence.”

(I) Tax return

The persons obliged to pay the FTT shall annually comply with the tax return obligations for the transactions, which may include exempt and excluded ones, according to the terms and arrangements set forth in a decision of the Director of Italian Inland Revenue Office, still to be issued.

The same decision shall provide for the arrangements for payment of FTT and for the relevant instrumental requirements.

If no financial intermediary is involved, the ultimate purchaser is bound for filing such tax return.

The persons obliged to pay the FTT are exempt from the obligation to file a tax return if the tax amount is lower than 50 euro.

(L) Tax collection and penalties

Omitted payments, in whole or in part, of the FTT due are subject to a penalty of 30% of the unpaid amounts; the penalty is applied against the persons having to comply with the FTT payment.

The penalty is reduced to:

- 0.2% for each day of delay, if the payment is made within 15 days starting from the deadline for payment of tax;
- 3% (1/10 of 30%) if the payment is made between the 16th and 30th day starting from the deadline for payment of tax;
- 3.75% (1/8 of 30%) if the payment is made by the deadline for submitting the tax return relating to the year of the irregularity.

Italian VAT rules must be referred to also for tax assessment and litigation procedure.

More clarifications are expected to be provided by the Official Provisions of the Director of the Inland Revenue Office.