

ITALIAN ONLINE COMMODITIES EXCHANGE

BORSA MERCI TELEMATICA ITALIANA

BMTI

Market development and transparency

CCP, 28 May 2012



Presentation of BMTI, we will explain what BMTI Borsa Merci Telematica Italiana is and how it works.

What is BMTI?

- It's a regulated online market
- It's a spot market
- Futures are NOT dealt



BMTI is a **MARKET** of agricultural, agro-energetic, agri-food, fish products and logistics services.

Negotiations are carried out on an online platform accessible from any Personal Computer connected to the internet;

It is a regulated virtual marketplace; where all negotiations phases are regulated by a set of rules

It's a spot market, futures are NOT dealt.

It is a **REAL** market, a **SPOT** market! This means that derivative instruments, such as **futures, are not dealt**. As a consequence, after concluding contracts online, sellers deliver goods to buyers.

Why BMTI?

- Support for trade
- Clarity of negotiations
- Market transparency



Why was BMTI instituted?

First of all to **support trade**! BMTI was set up to offer new trade opportunities. In fact both buyers and sellers have (first of all) the possibility to establish contact with a greater number of operators, widening their business potential.

And thanks to the online negotiation system, the operation costs are reduced.

In second place, for the **clarity of negotiations**.

This means that contracts are concluded according to a set of rules established by the Exchange in accordance with the Italian and European law, and common business practices. All these rules are published on the BMTI website.

This leads to more **simple and clearer** relationships between buyers and sellers.

The third objective BMTI was created for, is to enhance the TRANSPARENCY of the market.

A possible way for making a market more transparent is by letting know to all operators and institutions the exact amount of prices and quantities traded on the market itself. And this is what BMTI actually does, enhancing this way the transparency of the market.

How?

- Initiative of the Italian Chambers of Commerce
- Established by the Minister of Agriculture on April 6th 2006



The idea of an online Exchange came up to the Italian Chambers of Commerce, which are public bodies. They wanted to modernize the services provided by the physical commodities exchanges, which exist in Italy since 1913. Therefore, they decided to use IT (Information Technology) to create a new type of Exchange, established by the Minister of Agriculture on April 6th 2006. After a trial period, the Italian Minister of Agriculture instituted the Italian Online Commodities Exchange by a specific act. And today it is the only online regulated exchange authorised to operate in the country in the agricultural sector.

Access

- Through INTERNET
- ALL supply chain operators
- Control of access requirements



Producers, dealers, processors and authorised INTERMEDIARIES of the agriculture, agro-energetic, agri-food, fish and logistics sector may enter the online Exchange to negotiate.

Control of access requirements

To access the online platform some requirements are needed.

They are prescribed by the Exchange Regulation and controlled by us. If the operators fulfil the conditions, they will receive a user-id and a password to access the market.

Regulation is the base of the system



REGULATION

Is the base of the system:

It establishes access requisites;

It indicates standard ways to describe product quality;

It defines contract terms => so the contracts are standard.

The Regulation is the most significant element of the Exchange.

It also states the requirements needed to enter the market, for example as simple as it can be: the operator's company must not be bankrupt.

Each product dealt on the BMTI has its own Special Regulation, which contains the methods to define its quality characteristics.

Moreover, contractual essential terms are the same for all and known beforehand.

So after the bargaining, when the two parties reach an agreement, they sign a standardized contract!!!

Negotiations

- Futures are not dealt

- Online auction

NO derivative instruments ex. futures

Online auction

As said before, on BMTI derivatives instruments such as futures are not dealt.

In fact, after the conclusion of a contract, the goods are always delivered.

There are two types of delivery: operators can choose between **prompt delivery**, that means that the good is delivered all at once and in the short term; or **deferred delivery**, when operators allocate the goods gradually, on fixed dates, for example once a week or once a month.

The conclusion of contracts is done through a continue auction mechanism.

Now, with the support of a brief video, I will show you how the online market works.



How it works



<http://web.bmti.it/howitworks>

Video – functioning of the platform

The access to BMTI's market is through our website homepage www.bmti.it.

There are **two different access levels**, the basic level and the advanced level.

First let's see what a **basic level** operator is able to do. Mr. Antonio (a 56 years old farmer) would like to SELL MAIZE. Clicking on ENTER THE MARKET and inserting his user-id and password he accesses the section of the online platform which allows him, on the top part, to see all the selling and buying maize proposals inserted in the platform and all the details of the different types of maize. Furthermore Antonio will be able to send a message to the operators of the second level, because he wishes to sell 600t. of durum wheat. He is also able to see by clicking on the option, his own contracts, proposals etc.

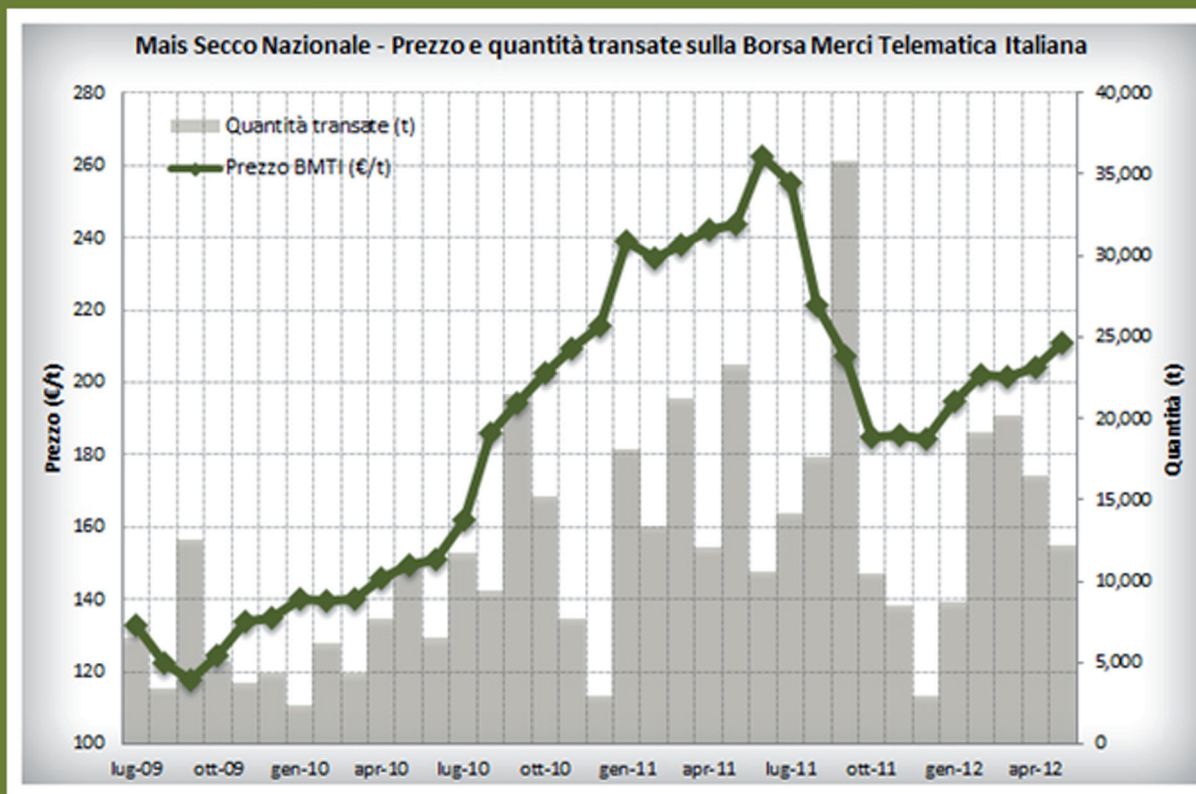
We then have Mario, an operator with access to the **second level** of the platform. Mario is allowed to insert his own buying and selling PROPOSALS and/or on behalf of others. Mario is going to carry out the AUCTION. He wants to sell maize and he is able to see all types of maize and its different prices and offers already published on the website. He decides to insert a selling proposal, he can choose from a prompt delivery proposal or a deferred delivery proposal. Let's say he chooses a PROMPT delivery selling proposal. He will have to insert WHERE (e.g. in Rome), the PRICE, the QUANTITY he has and the MINIMUM QUANTITY he is willing to sell. Also the DATE until when the proposal is valid, the DETAILS of the product, for instance the moisture and impurity and the arbitration chamber or institution that will be in charged of solving any eventual dispute between the parties. After the insertion of all this information, he will confirm and a brief summary of the offer will appear. He will check if everything is correct and then click on ENTER, the proposal will be PUBLISHED in the online market. In case of a deferred selling proposal, Mario will have to insert all the details above and also the starting date of the deferred proposal, the ending date and the timing of the delivery, for example twice a month.

Moreover there is Carlo, a processor who wants to BUY MAIZE to do maize flour. He enters the online market by inserting his user-id and password and is able to see all the different proposals of maize. He is very interested in a particular proposal, Mario's proposal, but he would like to pay a bit less, 191 Euros per ton not 193 Euros so he enters a COUNTERPROPOSAL. His counterproposal though is not accepted by Mario. However Carlo needs the maize so he accepts Mario's conditions and by clicking on CONCLUDE CONTRACT he concludes the contract with Mario. He will see a brief summary of all the contract information and then he will see the final contract.

At this moment the contract is automatically sent to both seller and buyer, so to Mario and Carlo by email.

Transparency

- Prices and quantities of products are disseminated



Prices and quantities of products are disseminated

You've just seen how a contract is concluded. The actual average prices and the quantities of products exchanged on the platform, are published through weekly lists on BMTI's website.

These prices are disseminated also through the Chambers of Commerce and specialised media of the agricultural sector.

In this way, all operators and institutions get to know which are the current product prices on the REAL market.

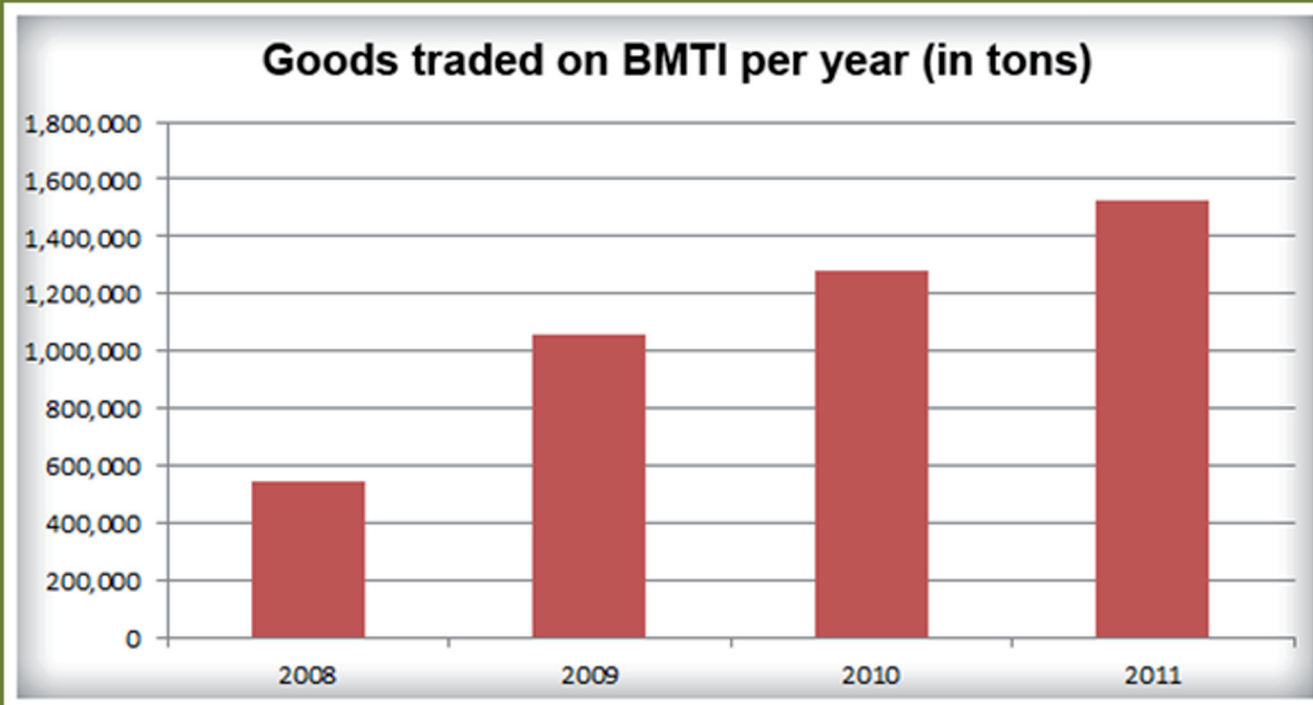
Additional services



Besides the use of the negotiation platform operators accredited on BMTI have the chance to benefit from a series of services, such as: **promotional, insurance and financial services.**

Improving this way the competitiveness of their business.

BMTI's results



What we've done up to now:

Today on BMTI 55 markets are active, they are grouped into different categories, like: cereals, dairy products, poultry and rabbits, fruit and vegetables, oil and so on.

We are also working to launch new markets.

We are constantly promoting BMTI to incentivize its use. In fact the more operators use BMTI, the more representative and transparent the market will be. Negotiations, as you can see from the graph, are in continuous growth.

BMTI features...

- Public company
- Spot market
- Reduction of transaction costs
- Security for operators
- Online marketplace
- Regulation
- Transparent prices

The important points to remember about BMTI are:

Public company

Our company is a public company owned by the Italian Chambers Commerce which are public bodies.

Spot market

First of all we are talking about a SPOT MARKET not a futures market.

Reduction of transaction costs

Second, you access the market through a PC connected to the internet, which allows to reduce transaction costs.

Security for operators

The operators which have the access to the platform have been checked by BMTI staff and we are sure that they respect the requirements established by regulation. This guarantees the security of the transactions.

Online marketplace

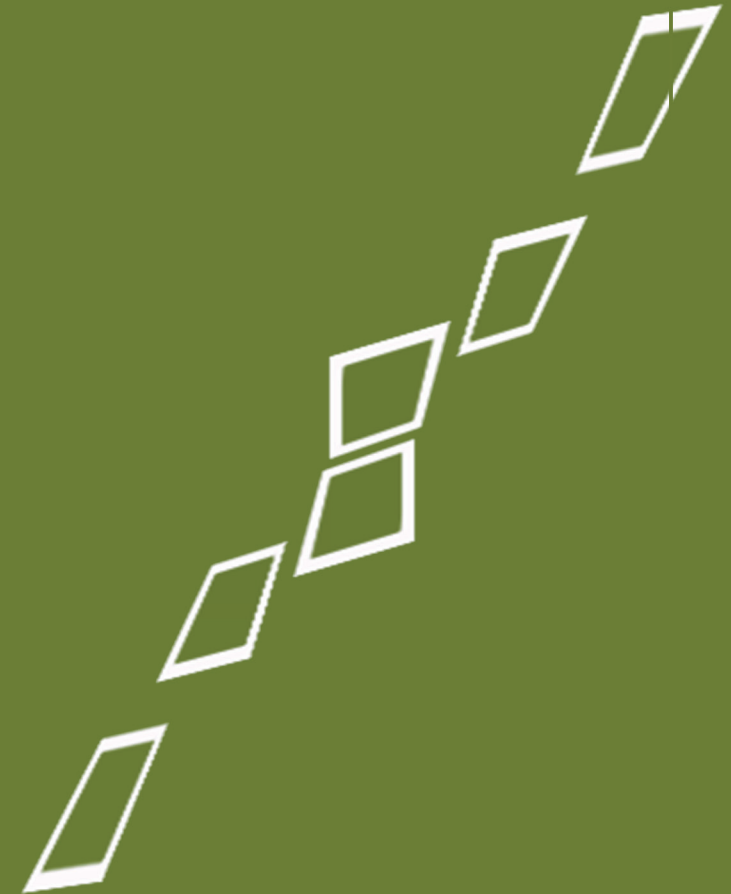
Operating on an online marketplace multiplies the chances for demand and supply to meet, because it virtually brings together many different operators living far away.

Regulation

When the rules of the game are the same for all players, the contracts will be standard, the relationships between operators will be easy and disputes will be less likely.

Transparent prices

Last but not least, the dissemination/disclosure of traded prices and quantities contributes to market transparency and reduces price volatility!



Work in progress...

○ An international online platform

Thanks to the experience gained up to now, we have obtained funding from the European Union, the Italian Government, and the Lombardy Region, to create a prototype of an international online platform for trading agricultural products.

Usually operators from different countries trade applying different rules and procedures. This is a big limit for the creation of efficient business relationships.

Therefore, the market we have planned will work with a set of rules and customary procedures recognised at international level.

Our aim is to create a regulated market which will facilitate and boost trade between operators from different countries.

In the first trial phase, we will create the online trading platform and the regulation for two different products.

We will also try to involve operators from two non-European countries, in addition to Italians.



Why create exchanges? (1)

- Widespread economic growth



On the basis of our experience we BELIEVE that the creation and development of Commodities Exchanges significantly contributes to enhance trade, allowing a widespread economic growth.

The adoption of rules defining the contractual terms according to a standard scheme will make economic relationships more clear, and will balance the bargaining power of the parties.

In addition, the dissemination of product prices allows the operators gain awareness of the real value of their goods.

Why create exchanges? (2)

- A virtual marketplace potentially global!



The use of an online commodity exchange multiplies the possibilities of **participation to the market**, since there is no need to physically meet. Indeed trading takes place in a **virtual marketplace** accessible through the internet.

The prearranged transaction rules, which also include for example the way to describe the products characteristic, will make the exchanges clearer between operators from different areas of the same country, or even from different nations.

Our collaboration



BMTI (Public company)

www.bmti.it

Together with the Italian Chambers of Commerce system we are available to provide further information. Moreover, we are available for any foreign institution, which may be interested in developing online or physical commodities exchanges, to which we can provide technical support. Further more, we can offer advice in order to contribute to the fulfilment of projects funded at national and international level. We remind you that we will be with workstation in the atrium during the three days of CCP Session for any further information!

THANK YOU

Merci

Gracias

Grazie

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