

BTP ITALIA – FAQs

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CHARACTERISTICS OF BTPs ITALIA

What are BTPs Italia?

BTPs Italia are the first Italian government securities indexed to the Italian inflation rate, with semi-annual coupons and a maturity of 4, 6 and 8 years, conceived principally to meet the needs of retail investors.

They are indeed the first Italian government securities issued by using the MOT platform of the Borsa Italiana - London Stock Exchange Group (www.borsaitaliana.it), instead of the traditional auction mechanism.

Accordingly, they can be purchased at issuance not only at a bank, but also through any home-banking system equipped with the on-line trading feature.

For whom is this type of investment recommended?

BTPs Italia are the first Italian government securities mainly designed for retail investors. They are a medium-term investment that will provide a return indexed to the cost of living.

The innovative direct purchase at issuance methodology (through the MOT platform www.borsaitaliana.it) makes them an ideal product for whoever is used to managing investments autonomously through on-line trading systems.

What is the minimum annual real rate of interest guaranteed by the BTPs Italia?

On the day prior to the start of the placement period, the Treasury will announce the guaranteed minimum annual real interest rate (coupon rate) based on market conditions of the same period.

The communication of the coupon rates applied to each issue can be found on the MEF website www.tesoro.it.

How and when can the BTPs Italia be purchased?

BTPs Italia can be purchased at issuance directly on-line, through any home-banking system having an on-line trading feature, during the placement period.

As for all the other Italian government securities, BTPs Italia can be also purchased at issuance at the investor's bank's desk or at the post office.

The placement dates will be announced on the Internet site of the Ministry of Economy and Finance www.tesoro.it.

Is it possible to purchase at issuance the BTPs Italia through the Banco Posta service?

Yes, as in the case of all other government securities.

What are the main characteristics of the BTPs Italia?

BTPs Italia are the only Italian government securities indexed to the Italian rate of inflation. They pay a coupon every six months calculated by multiplying a fixed real semi-annual coupon rate by the principal revalued for inflation during the six-month period. The rate of inflation is based on the ISTAT index "Prezzi al consumo per le famiglie di operai e impiegati", with the exclusion of tobacco products (FOI ex-tobacco). In addition, with the BTPs Italia, the revaluation of the principal is paid every six months, with an immediate recovery of inflation.

And if there is no inflation, what happens?

In the event of deflation, coupons are still computed on the nominal principal invested (therefore not deflated), thus with protection extended not only to principal, but also to interest.

What is the minimum lot that can be purchased at issuance?

The BTP Italia have a minimum lot of Euro 1,000. In the First Phase of the placement period dedicated to individual investors and other persons similarly classified (which will be explained below) the minimum lot purchasable of each order is Euro 1,000 and it is possible to purchase at issuance lots in multiples of Euro 1,000. The minimum lot for the purchase proposals during the Second Phase of the placement period is Euro 100,000 with multiples of Euro 1,000.

Considering the BTPs Italia are not sold through the traditional auction system, but placed by the Treasury through the MOT platform www.borsaitaliana.it, whoever purchases the security during the First Phase of the placement period can be assured of always being allotted the quantity requested.

How do the BTPs Italian differ from other Italian government securities?

BTPs Italia are a new product, with respect to both financial characteristics and the methodology of issuance.

At present, there are no other Italian government securities issued with a 4, 6 and 8 year maturity, nor are there any indexed to the rate of Italian inflation.

The BTP€I, which are the only other government securities issued by the Italian Treasury and indexed to inflation, are indexed to the rate of Euro-area inflation, not the Italian one; in addition, the revaluation of principal occurs through a lump-sum payment at maturity.

Another difference with respect to the other Italian government securities is the methodology of issuance: the placement occurs through the screen-based MOT

platform of Borsa Italiana and whoever books the security during the First Phase of the placement period dedicated to individual investors and other persons similarly classified can always be sure of getting the quantity requested.

Finally, a bonus payment of 0,004€ per euro (pre-tax) is to be paid on the nominal value (non-revalued) of the principal exclusively for investors who purchase the bond during the First Phase of the placement period and hold them until maturity.

Are there any fees or particular taxes to be paid for purchasing the BTPs Italia at issuance?

There are no bank fees to be borne by investors for purchasing the BTPs Italia at issuance, as is the case with other medium-/long-term government securities.

The fees for sale or purchase subsequent to the issuance are those agreed with the investor's bank.

As in the case of all other government securities, the taxation of interest income and other incomes is at a special rate of 12.5%.

What is the taxation treatment of these securities?

As in the case of all other government securities, the taxation of interest income and other incomes is at a special rate of 12.5%.

PURCHASE AT ISSUANCE BY US INVESTORS AND FOREIGN INVESTORS

Is the offer made also to persons located in the United States of America?

Absolutely not, the offer is made only to persons located outside of the United States of America. Nobody, regardless of its nationality or legal residence, can be offered or purchase the BTP Italia at issuance from the United States of America.

Instead, can American citizens that don't reside in America but that reside in Italy purchase the BTP Italia?

American citizens residing in Italy can purchase the BTP Italia.

Can investors with a citizenship/nationality other than Italian and American that are a) in Italy or b) abroad in a country other than the United States of America participate in the BTP Italia offer?

Usually yes, but depending upon the law of the country of which they are citizens.

In the asset (portfolio) management context, can investors resident abroad, institutional investors, trust companies and legal persons purchase at issuance during the placement period the BTP Italia?

Yes, but taking into account the restrictions mentioned above.

PLACEMENT PROCEDURE: PHASES AND INVESTORS ADMITTED

What is the MOT?

The MOT (Mercato Obbligazionario Telematico, www.borsaitaliana.it) is the electronic secondary market managed by Borsa Italiana, where trading of domestic and foreign bonds and government securities takes place (from 9 a.m. to 5.30 p.m., of every trading day for the entire life of each bond). It is a retail market, therefore particularly specialized in transactions even of very small sizes, being the minimum trading lot of Euro 1,000.

How is the BTP Italia placed?

The BTP Italia is placed through the MOT. It is a transaction typical of the primary market (namely, where securities are issued for the first time), even though the placement procedure is to be executed on a technological platform (the MOT) that is normally used as a secondary market. Unlike the auction procedure, where the price is determined at the end of the auction, with this new procedure the coupon rate is to be determined at the end of the placement based on market conditions, whereas the issue price is fixed at par. The placement period is divided into a First Phase and a Second Phase. During the First Phase of the placement period, the banks that are members of the MOT will submit orders entering into the sale-purchase contracts on the MOT at a fixed price equal to 100. During the Second Phase, the banks collect purchase proposals, at a fixed price equal to 100, which will be satisfied entirely or by applying a mechanism of proportional allocation, in the event that their total amount will be in excess of that the Ministry of the Economy and Finance (MEF) plans to offer and that will be announced later. At the end of the placement period and of the possible mechanism of allocation for the Second Phase, the MEF sets the total final nominal issuance size of the BTP Italia and the definitive annual real coupon rate in the Special Decree. The settlement date (value date) of the issuance, that is the issue date, for all contracts concluded during the placement (both in the First Phase and in the Second Phase), will be specified in the term sheet of the bond (available on the website www.tesoro.it). It is possible to purchase the bond during the placement period either through the Internet (through the investor's home-banking service) or by going to his/her bank or at the post office in the traditional way. The bond can be

traded on the secondary market (www.borsaitaliana.it) from the day of settlement of the issuance and its price will be determined by market conditions, just as in the case of any other security quoted and traded on such trading platform.

What are the First Phase and the Second Phase of the placement period?

The BTP Italia is placed during a placement period divided into two phases: the First Phase of three days (which may be reduced to two in the case of early closing) will be reserved to individual investors and other persons similarly classified, while the Second Phase, that is the last day of the placement period from 9 a.m. to 11 a.m. will be reserved to institutional investors.

How is the BTP Italia identified during the First and Second Phase of the placement period?

As for the last issuance, the "special" ISIN code will be assigned to BTP Italia for the First Phase of the placement period while the regular ISIN code, which will be that used for market trading purposes, will be assigned for the Second Phase of the placement period. The "special" ISIN code will be replaced by the regular ISIN code at the time of any sale of the bond in the secondary market starting from settlement date. Only investors of the bond identified by the "special" ISIN code will be entitled to the bonus payment at maturity, because it means that they never sold the bond before the maturity itself.

Who are the persons who may participate in the First Phase of the placement period?

Individual investors and other persons similarly classified are admitted to the First Phase of the placement period. In particular, the persons who can participate to the First Phase of the placement period are:

- a) natural persons, anyhow classified;
- b) retail clients, with the exclusion of qualified counterparties and investors qualified as professional clients by law (referred to in Annex 3 of Regulation CONSOB n. 16190/2007, as amended). Retail clients treated as professional customers on request (referred to num. II in Annex 3 of Regulation CONSOB n. 16190/2007, as amended) are included herein, but they should be identified as retail clients in connection with the distribution of BTP Italia by the intermediary sending or submitting the purchase order or in any case prove their status as retail clients to the intermediary;
- c) asset management companies authorised to provide individual portfolio management services on behalf of investors under points a) and b) above;

- d) intermediaries authorised to provide individual portfolio management services on behalf of investors under points a) and b) above;
- e) trust companies that provide portfolio management services, also through fiduciary registration, exclusively on behalf of investors under points a) and b) above.

The intermediary who receives the order directly from the final buyer (so-called proximity intermediary) has the responsibility to determine the nature of the investor, and then to convey the purchase order in the First or in the Second Phase of the placement, depending on the case. The order can be carried out at investor's bank's desk or through any home-banking system having an on-line trading feature. With reference to the categories under (c), (d) and (e) above, the entities mentioned thereunder will have the right to participate in the First Phase of the placement period provided that they will be able, on request, to give formal evidence of the fact that they are acting on behalf of clients included in the categories under (a) and (b) of the list above.

Who are the persons who may participate in the Second Phase of the placement period?

All the persons excluded from the First Phase of the placement period are admitted to participate to the Second Phase of the placement period, except as provided by "selling restrictions" imposed by the respective countries (including the United States of America).

The documentation of the BTP Italia refers to the authorities and bodies included in the Public Administrations, as those who may participate exclusively in the Second Phase of the placement period. Who are these authorities and bodies?

They are all the Public Administrations referred to in the [List of Public Administrations published by ISTAT](#), prepared on the basis of the ESA 2010 criterion of the national and community statistical system.

Foreign investors can participate in the placement? If yes, in which phase?

Individual foreign investors can participate to the placement, except as provided by "selling restrictions" imposed by the respective countries (including the United States of America). The identification and certification of their nature, even in this case, is responsibility of the intermediary that receives the order from the final purchaser. In the case of a chain of foreign intermediary the validity will be attested by the certificate made by the first foreign intermediary of the chain to the last Italian

intermediary, who is required to follow normal professional diligence with regards to the truthfulness of information received. In this case, the individual foreign investor can participate in the first phase of the placement period.

In the absence of any objective finding, the investor can participate only in the Second Phase, as for all foreign institutional investors.

Individual investors resident in Italy but not Italian - and then having the Italian tax code - as well as those Italians living abroad can participate to the First Phase of the placement period.

Are there persons who may participate both in the First Phase and in the Second Phase of placement?

No. The persons admitted to the First Phase cannot participate in the Second Phase and vice versa. There may be cases of persons admitted to the First Phase, such as professional clients upon request not being natural persons, i.e. those who would be classified as retail clients who have requested to be treated as professional clients. It is important for this purpose, that the customer takes action in order to verify with the intermediary the possibility to participate in the First Phase of the Placement Period of BTP Italia.

Are there persons who are excluded both in the First Phase and in the Second Phase of placement?

No, except in the case of selling restrictions imposed by the countries of the investors, or countries in which investors are located.

Is it possible for the MEF to exercise the faculty of early closing in the First Phase of the placement period? How is it communicated to investors?

The MEF has the faculty of early closing the First Phase of the placement period, by giving adequate communication to the market. The early closing during the First Phase may take place not earlier than 5.30 p.m. of the second day of placement.

In the event of early closing in the second day of placement the communication will be given at the end of the first trading day or by 1.00 p.m. of the same second day.

In the event of early closing during the third day of placement, that will take place not before 2.00 p.m., the relative communication will be given at the end of the previous trading day.

The early closing press release, which will be given the broadest diffusion, will be issued simultaneously by both MEF and Borsa Italiana and it will be published in accordance with standard practices. Moreover, it will be available on the website of the MEF (www.tesoro.it), of the Public Debt Directorate of the Department of the Treasury (www.debitopubblico.it), and of the Borsa Italiana (www.borsaitaliana.it).

Please note that all the BTP Italia's purchase orders will be successful if and only if they will be concluded when the placement period is open, regardless of how investor purchases the bond (at the bank's desk, through the home banking system, or at the post office).

What happened at the closing of the Second Phase of the placement period?

At the closing of the Second Phase of the placement period, the purchase proposals placed on MOT will become purchase orders. The total amount that the MEF intends to offer for the Second Phase of the placement period coincides with the sale proposal placed on the MOT by the Dealer that is in charge for the Second Phase of the placement period. If the total amount of purchase orders exceeds the total supply that the MEF intends to offer for the Second Phase of the placement period, such orders will be satisfied by applying a mechanism of proportional allocation. This mechanism, for each purchase proposals, allocates an amount according to the following formula:

Executed amount for each single proposal = rounding down to the minimum lot [total amount on offer by MEF × (single purchase proposal amount / total amount of purchase proposals)]

The full application of this formula for all participants is guaranteed by the automatic system of the Borsa Italiana, at the end of the Second Phase of the placement Period.

Any residual amount to reach the total amount on offer by MEF will be allocated by satisfying a random order of an amount equal to the minimum lot of bonds (Euro 1,000), and then the orders placed subsequently to the latter.

Any further residual amount will be allocated satisfying the order with the greatest time priority of an amount equal the minimum lot of bonds (Euro 1,000), and then the orders placed subsequently to the latter until the total amount on offer is exhausted.

The proximity intermediary will communicate to its customers the quantities allocated resulting from the allocation procedure.

Who are Dealers and Co-Dealers in the placement of BTP Italia?

Dealers are operators selected by the MEF among the Specialists in government bonds with the mandate to receive bids from the other banks on the MOT during the First Phase and purchase proposals during the Second Phase of the placement period.

Co-Dealers are operators selected by the MEF among the most active participants in the MOT on the segment of Italian government bonds.

From the settlement day, the Co-Dealers and the Dealers will provide liquidity to the bonds on the secondary market.

Is the placement of the BTP Italia referred to trading service/collection of orders or to the placement service?

The collection of clients' purchase orders and their related input to the MOT carried out by intermediaries can be consolidated as the investment service "execution of orders for clients" and "reception and transmission of orders" mentioned in article 1, paragraph 5, letter b) and e) of the TUF¹. The method with which the service of execution or reception and transmission of orders of such securities is carried out implies that the intermediary collects the BTP Italia purchase bids made by clients and forward them, directly or indirectly, to the stock exchange.

Do the provisions of the Transparency Decree apply in the case of BTPs Italia?

Yes, the provisions contained in the "Decree for Transparency in the Placement of Government Securities"² are applicable. In particular, there are no fees charged to the investor who buys the security during the placement period³.

Is the investor allowed to withdraw its on-line buy orders of BTP Italia?

No. The withdrawal right granted by the Codice del Consumo⁴ in connection with the distance marketing of consumer financial services is not applicable to the on-line buy orders of BTP Italia executed on the MOT during the placement period.

Is the investor allowed to withdraw from BTP Italia's purchase orders placed through door to door selling?

No, because the contracts relating to BTP Italia are entered into during the First Phase of the placement period by combining offers to sell, entered by the Dealers, and irrevocable offers to purchase entered by MOT participants, both on their own account and on behalf of third parties.

The specific mechanics relating to the issuance and distribution of BTP Italia constitute a case that does not fall under the investment services for which the provision of Article 30, paragraph 6 of the TUF is applicable. Article 30, paragraph 6 of the TUF provides for the suspension, for a period of seven days starting from the

¹ Consolidated Law on Finance (Legislative Decree 24 February 1998, n. 58).

² Ministerial Decree of 15 January 2015 ([Decree for Transparency in the Placement of Government Securities](#)).

³ There are no fees charged to the investors who participate in the placement.

⁴ Article 67-duodecies of D. Lgs. n. 206 of 6 September 2005.

subscription date, of the enforceability of contracts for the placement of financial instruments or individual portfolio management entered into through door to door selling techniques, and grants to the investor the right to withdraw from the contract within the seven days period mentioned above.

In the Second Phase of the placement period the purchase proposals become irrevocable at the closing of the collection time (11 a.m.), before the possible mechanism of allocation.

Who are the subjects which the MEF recognizes the fee for the collection of purchase orders from investors during the First Phase of the placement period?

As a consideration for the services provided by intermediaries during the First Phase of the placement period of BTP Italia, the MEF will pay a fee proportional to the bonds' aggregated nominal amount bought during such phase. The fee will be paid exclusively to intermediaries who provide investment services to the final purchaser of the bond.

As stated by the Issuance Decree and by the information memorandum, the Issuer recognizes a fee amounting to 0.30% of the Total Nominal Amount to subjects who, as part of their activity of collection of purchase orders of bonds from customers and transmission of such orders directly, or indirectly, from their customers or the transmission of orders for their own purposes during the placement period on the MOT, will deliver investment services and activities of the execution of orders for clients or the reception and transmission of orders, as defined in the TUF, in accordance with the provisions of the Ministerial Decree 15 January 2015 (the Transparency Decree). This fee is therefore paid only to intermediaries that will deliver investment service to the final purchaser of the bond.

It should be noted that intermediaries who provide portfolio management services and trust companies that participate in the First Phase of the placement period on behalf of clients who may participate in this phase will not receive such fee as they are considered as final purchaser; in each case in such circumstances, the fee will be paid to the intermediary that receives the order, as indicated above.

For the Second Phase of the placement period, given the nature of the investors involved, there are no fees paid to intermediaries receiving such orders.

BONUS PAYMENT

What is the bonus payment?

The bonus payment has a value 0,004€ per euro of the nominal value of the investment and is paid exclusively to whoever purchases the BTPs Italia during the First Phase of the placement period and holds them until maturity.

Who is entitled of the bonus payment?

The issuance decree specifies that it will be paid only to investors who participate during the first phase of the placement period.

What are the consequences for the bonus payment in the case of a transfer of the BTP Italia between Securities Accounts in the name of partially different natural persons (for example when purchased at issuance they are registered to the Securities Account in the name of A-B and subsequently transferred to the Securities Account in the name of A-B-C)? Is there a proportional reduction of the bonus payment?

The guiding principle that rules the bestowal of the bonus payment is continuative possession for the entire life of the security, that is from purchase at issuance during the First Phase of the placement period to maturity. Therefore, in the case of transfer of the security between accounts that are also differently co-owned, it is important that at the security's maturity at least one of the co-owners at the time of purchase at issuance is a holder of the securities account. Otherwise, the intermediary, since the requisites to grant the "bonus payment" no longer exist, requests Monte Titoli (the Italian Central Security Depository) to substitute the "special" ISIN code (that allows for the bonus payment) with a regular code (that does not allow for).

What are the consequences for the bonus payment in the case of a transfer of the BTP Italia by inheritance following the death of the investors that originally purchased at issuance the security? Do the inheritors benefit?

In the case of inheritance due to death, the inheritors that enter into possession of the security purchased at issuance during the First Phase of the placement period by the deceased can benefit from the bonus payment, providing that they hold them till maturity.

What are the consequences for the bonus payment in the case of the transfer of the BTP Italia following a donation by the investors that originally made the purchase at issuance during the First Phase of placement to a third party ? Does the donee benefit?

The donation of the security is likened, as regards the bonus payment, to a sale against payment. Thus the donee is not entitled to the bonus payment.

In the case of a securities lending operation of BTP Italia securities does the lender maintain the right to the bonus payment?

In the case of a securities lending operation (or similar cases) involving BTP Italia securities (in which the client takes on the role of lender) since the security goes to form part of the assets of the lending intermediary, the person that purchased the bond at issuance during the First Phase loses the right to the bonus payment.