



Il Ministro dell'Economia e delle Finanze

IN VIEW OF the Decree of the President of the Republic No. 398, 30 December 2003, bearing the “Consolidated Act of the Legislative and Regulatory Provisions on the Subject of Public Debt”, hereinafter “Consolidated Act”, and in particular Article 3, where it is provided, inter alia, that the Minister of the Economy and Finance is authorized, in any financial year, to issue framework decrees which allow the Treasury:

- to effect borrowing transactions on the domestic or foreign market in the forms of short-, medium-, and long-term financial instruments and products, indicating their nominal amount, rate of interest or the criteria for its determination, duration, minimum amount that can be subscribed, placement system, and any other characteristic and means;
- to order, for the purpose of promoting efficiency of the financial markets, the issuance of tranches of loans outstanding in order to allow for recourse to repurchase transactions or other transactions in use in the markets;
- to proceed, for the purposes of the restructuring of domestic and foreign public-debt issues, with the prepayment of securities, the transformation of maturities, exchange transactions, as well as the substitution among different types of securities or other instruments as provided by practices in the international financial markets;

IN VIEW OF, in particular, Paragraph 1-bis, Article 3 of the aforementioned consolidated act with which the Treasury is authorized to enter into bilateral collateral agreements in relation to transactions in derivative instruments;

IN VIEW OF the Ministerial Decree for carrying out collateral No. 103382 of 20 December 2017 (hereinafter “Collateral Decree”);

IN VIEW OF the Ministerial Decree No. 73150 of 4 August 2003, as amended by the Ministerial Decree No. 9487 of 1 February 2005, which governs the exchange transactions in government securities to be effected through screen-based trading systems;

Furthermore, **IN VIEW OF** Article 5 of the aforementioned Consolidated Act of the Legislative and Regulatory Provisions on the Subject of Public Debt, regarding the “Governance of the account maintained by the Treasury with the Bank of Italy for the Treasury service”;

IN VIEW OF the Ministerial Decree No. 25391 of 25 October 2011, which governs the means for the movement of the liquidity on deposit in the Treasury's liquidity account for the Treasury service (hereinafter, "liquidity account") and in other accounts similar thereto, and the selection of the counterparties participating in the related transactions;

CONSIDERING that the Department of the Treasury may place into effect:

- Master agreements with financial institutions (I.S.D.A. Master Agreements), for the purpose of governing the agreements indicated hereunder, in accordance with the provisions established by the International Swap & Derivatives Association, previously known as the International Swap Dealers Association (hereinafter, "I.S.D.A."), an internationally recognized trade association for definition of contractual standards;
- At the time of financial derivative transactions, agreements with the same financial institutions for the purpose of regulating such transactions;
- Other agreements howsoever connected with the management of the loans;

IN VIEW OF the Legislative Decree No. 300, 30 July 1999, bearing the "Reform of the Organization of the Government, pursuant to Article 11 of Law No. 59, 15 March 1997," and in particular, Article 5, Paragraph 3, where it is provided that the head of the department carries out tasks of coordination, direction, and control of the general management offices within the department, for the purpose of insuring the continuity of the administrative functions, and is responsible for the overall results achieved by the offices reporting to him, as part of the implementation of the Minister's plans and strategies;

IN VIEW OF the Legislative Decree No. 165, 30 March 2001, bearing "General Regulations on the Ordering of the Work Carried Out by the Public Administrations" and in particular, Article 4, which, although it vests the governance bodies with the responsibility for the exercise of the functions of policy-administrative planning and the verification of the extent to which the results of administrative and management activity are consistent with the plans and strategies conveyed, has instead vested the senior managers with the responsibility for the adoption of the acts and administrative orders, inclusive of those that commit the administration with respect to external parties, as well as the financial, technical, and administrative management;

IN VIEW OF the regulations for the organization of the Ministry of the Economy and Finance, issued with decree of the President of the Council of Ministers No. 67, 27 February 2013, and in particular Article 5, Paragraph 2, where the functions carried out by Directorate II are defined;

IN VIEW OF the Law No. 20, 14 January 1994, bearing "Provisions on the Subject of the Jurisdiction and Control of the Court of Auditors" and in particular, Article 3, Paragraph 13, which establishes that the provisions referenced in Paragraph 1, in relation to the legitimate preventive control of the Court of Auditors, are not applicable to the acts and orders issued with respect to monetary, credit, securities-related, and foreign-exchange matters;

IN VIEW OF the Legislative Decree No. 50 of 18 April 2016, bearing the “Public Procurement Code,” and in particular, Article 17, Paragraph 1, letter e), which establishes that the provisions of the code are not applicable to contracts concerning financial services in relation to the issuance, purchase, sale, and transfer of securities or other financial instruments;

IN VIEW OF the Law No. 196 of 31 December 2009 and subsequent modifications and additions, bearing the Public Finance and Accounting Law;

CONSIDERING the need to delineate the key objectives for the fulfilment of the administrative activity with respect to financial transactions aimed at the management of the public debt, establishing the limits to be respected and the terms and conditions with which the administration must comply with respect to such activity during the 2019 financial year;

DECREES

Article 1

Issuance of loans

1. Pursuant to Article 3 of the Consolidated Act, the transactions for the issuance of loans during the 2019 financial year are to be ordered through decree by the Director General of the Treasury or, by his delegation, by the Director General of Directorate II of the Department of the Treasury (hereinafter, “Director of Directorate II”). In the event of the latter’s absence or inability to act, the aforementioned transactions may be ordered by the Director General of the Treasury, including in the presence of a continuous delegation. In the event of the absence or inability to act of both persons, the transactions for the issuance of loans will be ordered by another Director General empowered to sign the acts in substitution of the Director General of the Treasury.
2. The Department of the Treasury may proceed with the issuance of all types of government securities in use on the financial markets, whether fixed- or floating-rate. It may further proceed with the issuance of tranches of loans outstanding in order to allow for recourse to repurchase transactions or other transactions in use in the market for the purpose of promoting efficiency of the markets.

Article 2

Borrowing limits

1. The issuance of the loans shall be effected in accordance with the limit established annually by the law approving the State budget forecast, and by complying with the limits set forth in this decree and in accordance with the objectives indicated by the same.
2. The securities may have any duration; the determination of the duration will need to reconcile

the need to procure the approval of the markets with the need to contain the overall borrowing cost from a medium-/long-term perspective, having considered the need for protection from refinancing risk and exposure to changes in interest rates.

3. For such activity, the Department of the Treasury shall effect issuances of loans so that, at the end of the 2019 financial year, with respect to the total nominal amount of the government securities outstanding at such date, short-term securities will account for between 3 percent and 8 percent, “nominal” medium-/long-term fixed-rate securities will be between 65 percent and 78 percent, “nominal” floating-rate securities will be between 5 percent and 10 percent; in addition, the “real” inflation-indexed securities and zero-coupon Treasury certificates shall not exceed 15 percent and 4 percent, respectively, and the loans issued on foreign markets shall not exceed 5 percent.
4. In addition, the Department of the Treasury may effect, with the terms and conditions provided by this decree, transactions for the assignment of securities for particular purposes as provided by laws and regulations.

Article 3

Transactions for the management of the public debt

1. The Department of the Treasury, on the basis of available information and market conditions, will effect transactions for the management of the public debt using also financial derivative instruments. These transactions will have the objectives of the containment of the overall borrowing cost, the protection from market risks and refinancing risks, and the efficient functioning of the secondary market for government securities.
2. The exchange or repurchase transactions of government securities will be ordered by the Director General of the Treasury or, by his delegation, by the Director of Directorate II.
3. For each transaction, the Department of the Treasury may proceed with the repurchase of securities up to a maximum amount equal to 40 percent of the nominal amount outstanding for each issue. Such limit does not apply to the issues of the Republic of Italy in relation to the “Euro Medium Terms Notes” (EMTN) Programme.
4. Participation in the exchange or repurchase transactions will be admitted exclusively to the operators registered in the list of the Specialists in government securities.
5. Pursuant to Article 3, Paragraph 2, of the Consolidated Act, the payments consequent to the transactions referenced in this article may also occur as an exception to the provisions established by Article 24, Paragraph 2 of Law No. 196, 31 December 2009, and subsequent modifications and additions, in consideration of the specificities related to such transactions.

Article 4

Containment of credit risk in financial derivative instrument transactions

1. In order to reduce risks connected with possible breaches by counterparties in financial derivative instrument transactions, the mentioned operations will be conducted exclusively

- with highly reliable financial institutions.
2. In assessing the credit worthiness of these institutions, reference will be made to the evaluations expressed by the main rating agencies that appraise credit worthiness as per EC Regulation no. 1060/2009 of 16 September 2009 and subsequent amendments.
 3. In managing public debt, should the need arise, the Department of the Treasury has the option of drawing up, together with the counter-parties of financial derivative instrument transactions, agreements for both parties to provide collateral, pursuant to the provisions of Paragraph 1-bis of Article 3 of the Consolidated Act.
 4. With regard to the agreements above mentioned, the exposure threshold pursuant to letter b), Paragraph 1, Article 6 of the Collateral Decree is set at € 3 billion for the 2019 financial year. The relevant exposure is calculated as the average of the weekly evaluations, carried out by the Department of the Treasury, of the overall derivatives portfolio of each counterparty in the last quarter of 2018.

Article 5

Agreements connected with the activity in financial derivative instruments

1. The Director General of the Treasury or, by his delegation, the Director of Directorate II may enter into contracts - I.S.D.A. Master Agreements, referenced in the recitals, and any exhibit thereto, as well as any other agreement related to financial derivative instrument transactions.
2. For the drawing up of the collateral agreements the Collateral Decree remains unaffected.

Article 6

Liquidity management transactions

1. The management of the liquidity account is aimed at efficient movement of the liquidity balances, in relation to: the government securities issuance strategy, prevailing market conditions, and the limitations imposed by monetary-policy provisions.
2. The transactions for the management of the liquidity account referenced in the Ministerial Decree of 25 October 2011 are ordered by the Director of Directorate II or, in the event of his absence or inability to act, by another senior manager of Directorate II delegated by the Director, in accordance with the provisions of Article 6 of the Ministerial Decree of 22 December 2011.

Article 7

Decrees for approval and verification

1. The decrees for the approval of the agreements cited in the preceding Article 5, as well as those

for the verification of the outcome of the transactions for the management of the public debt and the management of liquidity referenced in Article 6, are to be signed by the Director General of the Treasury or, by his delegation, by the Director of Directorate II.

2. For the drawing up of the collateral agreements the Collateral Decree remains unaffected.

Article 8

Communications obligation

1. The Department of the Treasury shall give notice to the Minister's Cabinet Office of the financial transactions effected pursuant to this decree, indicating the financial data characteristic of each of them; such notice may also be given with the use of IT instruments.
2. The Department of the Treasury shall give advance notice to the Minister of those transactions that, for their characteristics, fall within the functions of governance bodies' policy-administrative planning; in addition, should specific public-debt management needs render it appropriate to make exceptions to limit set out in this decree, the consequent decisions will be submitted to the Minister.

This decree will be published in the Official Gazette of the Republic of Italy.

Rome, 2 January 2019

GIOVANNI TRIA