

EXAMPLE OF BTP€i ISSUANCE DECREE

The following decree regarding the issuance of the BTP€i is published solely to serve as an example

* * * * *

MODULARIO
4. DEB. PUBBL.893

Mod. 211/A



Ministero dell'Economia e delle Finanze

Dipartimento del Tesoro - Direzione Seconda

N. 56713

THE DIRECTOR GENERAL OF THE TREASURY

CONSIDERED the President of the Republic's decree no. 398 of December 30, 2003, concerning the consolidated act on the legislative provisions in matters of public debt, and, in particular, article 3, where it is stipulated that the Minister of Economy and Finance is authorized, in each financial year, to issue decrees that allow the Treasury, among other things, to carry out funding on the domestic or foreign markets in the form of short, medium, and long-term financial instruments, indicating therein the nominal amounts, the interest rate or the criteria for determining the same, the maturity, the minimum amount that can be subscribed, the placing procedure and every other characteristic and modality;

CONSIDERED the ministerial decree no. 12130 of December 28, 2007, issued in enactment of art. 3 of the mentioned President's decree no. 398 of 2003, which establishes the objectives, limits, and modalities by which the Department of the Treasury must abide in carrying out the financial transactions mentioned in the same article, and where it is foreseen that the transactions themselves will be determined by the Director General of the Treasury, or, by proxy, by the Head of the Direction II of the same Department;

CONSIDERED the administrative act no. 2670 of January 10, 2007, with which the Director General of the Treasury delegated the head of the Direction II of the Department of the Treasury to sign the decrees and acts relative to the aforementioned transactions;

CONSIDERED, also, art. 4 and 11 of the mentioned President's decree no. 398 of 2003, concerning the dematerialization of Government securities;

CONSIDERED the ministerial decree no. 143 of April 17, 2000, published in the Official Gazette no. 130 of June 6, 2000, through which the rules concerning the assignment of central depository management services for Government bonds were adopted;

CONSIDERED the decree of August 23, 2000, published in the Official Gazette no. 204 of September 1, 2000, which mandates Monte Titoli S.p.A. for the management of central depository services for Government bonds;

CONSIDERED the legislative decree no. 157 of March 17, 1995, concerning “Endorsement of Directive 92/50/EEC on Public Services Contracts” and, in particular, art. 5, paragraph 2, section d), where it is established that financial services related to the issuance, purchase, sale and transfer of bonds and of other financial instruments are exempted from that provision;

CONSIDERED the ministerial decree no. 43044 of May 5, 2004, published in the Official Gazette of the Italian Republic no. 111 of May 13, 2004, concerning the dispositions in the event of delayed payment of issue, exchange, or buyback transactions of Government bonds;

CONSIDERED the law of December 24, 2007, no. 245, concerning the approval of the forecast State budget for the financial year 2008, and in particular the third paragraph of art. 2, which establishes the maximum amount of public loans to be issued for the same year;

CONSIDERED that the amount of all the issuances as of May 20, 2008, net of the amounts already reimbursed, accounts for € 59,984 and taking into account the amount still to be reimbursed;

HAVING decided according to market conditions the issuance of a first tranche of BTPs on March 15, 2008, maturing on September 15, 2019, indexed, for the capital and interest components, to the Harmonized Index of Consumer Prices (ex tobacco) in the Euro-zone, hereafter referred to as the “Eurostat Index”;

HAVING decided that the proper placement procedure for that bond should be a syndication group managed by Barclays, BNP Paribas, Morgan Stanley, UBS and UniCredit (HVB), in order to achieve the widest bond distribution among the investors and to keep issuance costs under control;

D E C R E E S :

Art. 1

In compliance with art. 43 of law no. 526 of August 7, 1982, a BTP first tranches issuance, linked to the “Eurostat Index”, as mentioned in the introduction, is disposed, with the following features:

amount:	4.000 million euros
start date:	15 March 2008
maturity:	15 September 2019
interest:	semi-annual, payable 15 March and 15 September each year until maturity
base coupon rate:	2,35% per year
capital reimbursement and	

interest payment:	indexed to the “Eurostat Index”, according to art. 3, 4, 5 of this decree
accrued interest:	74 days
issue price:	99,86%
placement fees:	0,18% of the issue’s nominal amount

Art. 2

This BTP can be subscribed for a minimum nominal amount of 1,000 euros. It is possible to subscribe either that amount or multiples thereof. In accordance with art. 39 of the legislative decree no. 213 of 1998, subscribed amounts are represented by accounting entries in favor of the entitled; those accounting entries are liable to the same fiscal treatment as that provided by the current legislation for Government securities, including aids and exemptions.

Following the agreement stipulated on December 5, 2000, between the Ministry of Treasury, Balance and Economic Planning and Monte Titoli S.p.A. – in accordance with art. 4 of the ministerial decree no. 143/2000, mentioned in the introduction – the nominal amount allotted will be assigned by crediting the bond accounts held by the operators at Monte Titoli.

Art. 3

The coupons to be paid semiannually and the capital amount to be refunded at maturity are determined using the “Indexation Coefficient”, calculated on the basis of the “Eurostat Index” elaborated and published by Eurostat on a monthly basis.

In order to calculate the “Indexation Coefficient”, the “Inflation Reference” has to be determined.

The value for the “Inflation Reference”, for day “d” of month “m”, is determined interpolating on a linear basis the “Eurostat Index” relative to the two months preceding by one month month “m”, considering the days included in the latter until day “d”, using this formula:

$$IR_{d,m} = IE_{m-3} + \frac{\text{"dd. from 1st m"} - 1}{\text{"dd. in month m"}} * (IE_{m-2} - IE_{m-3})$$

Where:

$IR_{d,m}$ is the Reference Inflation of day “d” of month “m”, which is the day and the month when the calculus is performed;

IE_{m-3} (=Eurostat Index_{m-3}) is the price index published for the month three months prior to that of the date of calculus;

IE_{m-2} (=Eurostat Index_{m-2}) is the price index published for the month two months prior to that of the date of calculus;

“dd. from 1st m” is the number of days (d) from the beginning of month “m”, which is the month when the calculus is performed;

“dd. in month m” is the number of days in month “m”, which is the month when the calculus is performed.

The value of the “Reference Inflation” obtained is cut off at the sixth decimal place and rounded at the fifth one.

Once the “Reference Inflation” has been determined, the “Indexation Coefficient” is obtained by the ratio between the “Reference Inflation” as of the date in which the calculus is performed and the “Reference Inflation” as of the bond starting date.

This value is cut off at the sixth decimal place and rounded at the fifth one.

If the “Eurostat Index” is revised after its initial publication, in order to perform the above described calculi, the index published before the modification has to be considered.

If the “Eurostat Index” is not published on time, in order to calculate the due amounts the index calculated according to this formula has to be used:

$$IS_m = IE_{m-1} * \left(\frac{IE_{m-1}}{IE_{m-13}} \right)^{1/12}$$

Where:

m is the month for which the “Eurostat Index” was not published;

IS is the index which replaces the “Reference Inflation”.

The index obtained is the “Substitute Index” and will be applied in order to calculate interest payments or capital reimbursements performed before the definitive index’s publication.

The definitive index will be applied to the payments performed after its publication. Payments made in accordance with the substitute index will not be modified.

The Ministry of Economy and Finance will divulge, through the current media available on the financial markets, the necessary elements for the calculus of the amounts due.

Art. 4

The amount of capital due at maturity is determined multiplying the bond’s nominal value by the “Indexation Coefficient” relative to the maturity date.

If the value of the “Indexation Coefficient” relative to the maturity date is less than 1 the capital amount to be reimbursed will be the bond’s nominal value.

Art. 5

The semi-annual gross interests are determined by multiplying the base coupon rate, as per art. 1, divided by 2, related to the minimum nominal amount which can be subscribed (€ 1,000) and including no less than six decimal places, by the “Indexation Coefficient” of the coupon payment date.

This result, including no less than 10 decimal places, is multiplied by the ratio between the nominal amount to be paid and the minimum nominal amount which can be subscribed. Finally, in order to perform the payment, the final result is rounded to the second decimal place.

The value of the last coupon is calculated using the same procedure as was used for the preceding coupons, even in the case in which, at maturity, the “Indexation Coefficient” is less than one.

The Bank of Italy will inform the markets of the security’s interests, referred to the minimum nominal amount of 1,000 euros, determined as set out in the present article.

The interest payment during the life of the bonds relative to the coupon rate indicated in art. 1, calculated according to BTP current practice, will be determined referring to a calculation base of 100 euros, rounded to five decimal places. The amount to be paid is obtained by multiplying the interest rate thus obtained by the “Indexation Coefficient” of the day on which the calculus is performed, for the amount subscribed divided by 100.

Art. 6

Given the provisions in force on fiscal exemption regarding public debt, both the legislative decree no. 239 April 1, 1996 with its following amendments and integrations, and the legislative decree no. 461 November 21, 1997 are applied to coupon payment and capital reimbursement of this bond.

According to art. 11, paragraph 2 of the aforementioned legislative decree no. 239 of 1996, should this bond be issued in several tranches, in order to apply the substitute tax, contained in art. 2 of the same decree, on the difference between the subscribed capital amount to be refunded and the allotment price, the reference price will be that of the first tranche of the bond.

The bond can be re-issued during the following years; should this be the case, the relative amount will be taken into account for the maximum borrowing limit established for those years.

The official listing of this bond will be authorized and it will be included in the activities allowed as a guarantee for refinancing transactions at the European Central Bank.

According to the ministerial decree December 28, 2007 published in the Official Gazette no. 6 of January 8, 2008, concerning dispositions for operations of separation, negotiation and reconstitution of coupon components, the bond’s inflation indexed component and its capital amount to be reimbursed, “coupon stripping” operations can be performed on bonds issued with the present decree.

Art. 7

The bond ruled by this decree will be entirely allocated, through a syndicate coordinated by Barclays, BNP Paribas, Morgan Stanley, UBS and UniCredit (HVB).

The Ministry of Economy and Finance will pay that syndicate the fees indicated in art.1 of this decree; the above syndicate can transfer the fee, entirely or partially, to the participants to the consortium.

Art. 8

On May 28, 2008, the coordinators of the consortium will give the Bank of Italy the amount obtained by multiplying the “Indexation Coefficient” of the payment date by the sum of the issue price and the real interest rate matured, by the nominal amount issued, divided by 100, net of the placement fee mentioned in art. 1.

For this purpose, the Bank of Italy will input the relative amounts in the compensation and liquidation service “EXPRESS II”, in return with the regulating operator, with the same value as the payment date.

In case of a delayed payment of this decree’s bonds, the dispositions of the ministerial decree of May 5, 2004, cited in the preamble, will be applied.

On the same day, May 28, 2008, the Bank of Italy will forward the aforementioned amounts, and also the amount corresponding to the placement fees as per art. 1 of this decree, to the Provincial State Treasury, Section of Rome, with same day value.

The amount of the aforementioned fees will be registered by the Provincial State Treasury, Section of Rome in “payments to be settled”.

The aforementioned Section of the Treasury will release, for those payments, separate State budget income receipts, charging Section X, budget item 5100, art. 3 (base forecast unit 4.1.1.1), for the amount of the issue’s net proceeds, and budget item 3240, art. 3 (base forecast unit 2.1.3.1) for the amount of accrued interest, on a gross basis for 74 days.

The payment of the aforementioned placement fee will be registered in budget item 2242 (base forecast unit 26.1.5, management code 109) of the planning scheme of expenses of the Ministry of Economy and Finance for the financial year 2008.

Art. 9

Through subsequent provisions the Ministry will determine the costs deriving from this decree and will attribute the relative amount to the proper budget item.

Art. 10

The Director of Direction II of the Treasury Department of the Ministry of Economy and Finance will sign all the documents necessary to the present issue.

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

Rome, May 11, 2008

THE DIRECTOR GENERAL