



Ministry of Economy and Finance
Treasury Department
Directorate II

THE DIRECTOR GENERAL OF THE TREASURY

HAVING REGARD to the Decree of the President of the Republic no. 398 of 30 December 2003, the Consolidated Act of laws and regulations on public debt, and, in particular, article 3, which stipulates that the Minister of Economy and Finance is authorized, in each financial year, to issue framework decrees that allow the Treasury, among other things, to effect funding operations on the domestic or foreign markets in the form of financial products and instruments in the short, medium and long term, indicating the nominal amount, the interest rate or the criteria for its determination, the duration, the minimum denomination, the placement system and every other characteristic and method;

HAVING REGARD to decree no. 44223 of 5 June 2013 that disciplines, without interruptions, the characteristics and the procedures to issue Government bonds through auction, as per article 3 of the Presidential decree no. 398 of 30 December 2003, cited above, and as per the framework decrees issued ever year enacting the same legislative disposition;

HAVING REGARD to Ministerial Decree no. 105532 of 23 December 2015 (framework decree for the 2016 fiscal year), adopted to implement article 3 of the cited Decree of the President of the Republic no. 398 of 2003 which defines the objectives, limits, and procedures which the Treasury Department must abide in carrying out financial transactions referred to in the same article, providing that the transactions themselves be determined by the Director General of the Treasury or, by delegation, by the Director of Directorate II of the Treasury and that, should the latter be absent or impeded, the mentioned operations may be determined by the same Director General of the Treasury, even via continuous proxy;

HAVING REGARD to determination no. 100215 of 20 December 2012, with which the Director General of the Treasury delegated the Director of Directorate II of the Treasury Department to sign the decrees and acts relating to the above transactions;

HAVING REGARD also, to articles 4 and 11 of the mentioned Decree of the President of the Republic no. 398 of 2003, regarding the dematerialization of Government securities;

HAVING REGARD to Ministerial Decree no. 143 of 17 April 2000, published in the Official Gazette no. 130 of 6 June 2000, which adopted the regulation concerning the discipline of the centralized management of Government securities;

HAVING REGARD to the decree of 23 August 2000, published in the Official Gazette no. 204 of 1 September 2000, which entrusted Monte Titoli SpA with the service of centralized management of Government securities;

HAVING REGARD to Ministerial Decree no. 43044 of 5 May 2004, published in the Official Gazette of the Italian Republic no. 111 of 13 May 2004, on the dispositions in case of a delay in settling transactions involving the issuance, exchange, and repurchase of Government securities;

HAVING REGARD to Ministerial Decree no. 96717 of 7 December 2012, published in the Official Gazette of the Italian Republic no. 294 of 18 December 2012, on the introduction of Collective Action Clauses (CACs) for Government securities;

HAVING REGARD to Ministerial Decree no. 96718 of 7 December 2012, published in the Official Gazette of the Italian Republic no. 293 of 17 December 2012, on dispositions regarding operations of stripping, trading and reconstituting coupon components, inflation linked components and nominal redemption values of Government bonds;

HAVING REGARD to Ministerial Decree no. 216 of 22 December 2009, and in particular article 23 relating to "Specialists in Italian Government bonds";

HAVING REGARD to circular no. 5619 issued by the Ministry of the Economy and Finance on 21 March 2016, on the determination of CCT and CCTeu coupons in the case of negative interest rates, published in the Official Gazette no. 70 of 24 March 2016;

HAVING REGARD to the decrees which determine the ordinary emission of Government securities in the medium and long term through auction, and establish the issuance characteristics and methods, in accordance with article 3 of the cited Decree of the President of the Republic no. 398 of 2003;

HAVING CONSIDERED the opportunity of updating the common dispositions on auction issues of medium/long-term Government bonds, mentioned in decree no. 44223 of 5 June 2013, to take into account some technical changes in the settlement procedures of bond underwritings and in determining CCTeu coupons;

D E C R E E S :

Article 1

The present decree disciplines, without interruption, the characteristics and methods of issuing Government securities by auction, pursuant to article 3 of the Decree of the President of the Republic no. 398 of 30 December 2003, cited in the preamble, and as per the annual “framework decrees” implementing the same statutory provision.

The issuance of Government securities will be determined, with specific decrees, within the maximum limit established for each year by the law approving the forecast State budget.

The provisions of this Decree shall apply when not otherwise provided for in the issuance decrees of the specific issues of Government securities.

The issues of Government securities through placement syndicates will be arranged with specific measures.

Title I – General Section

Article 2

Issues of Treasury bonds (BTPs), of Treasury Bonds linked to European inflation (BTP€is), of Treasury Certificates linked to 6-month Euribor (CCTeus), of zero coupon Treasury Certificates (CTZs), are arranged according to and by effect of article 3 of the Decree of the President of the Republic no. 398 of 30 December 2003, as well as by the “framework decrees” which, in each financial year, allow the Treasury Department to carry out the financial transactions referred to in the same article.

In accordance with the Ministerial Decree of 7 December 2012, cited in the preamble, securities whose first tranche is issued after 1 January 2013, are subject to collective action clauses referred to in the “Common Reference Terms” annexed to the same decree (Annex A).

In case the issue is by auction, the securities are issued without a specific base placement price and are allocated with a marginal price auction; the awarded price will result from the allocation procedure set out in the following articles 5, 6, 7, 8, and 9.

At the end of the “ordinary” tranche’s allocation procedure, the issuance of a “supplementary” tranche of securities is automatically determined, reserved for “specialists in Government securities,” identified as per article 23 of Ministerial Decree no. 216 of 2009, cited in the preamble.

Accepted bids are bound and irrevocable and thus result in the connected operations.

Article 3

The minimum denomination of securities that can be subscribed is one thousand nominal euros; subscriptions will thus be for that amount or multiples thereof; pursuant to article 39 of Decree Law no. 213 of 1998, subscribed securities are represented by accounting entries in favour of the entitled; such accounting entries continue to be subject to the same tax treatment, including concessions and exemptions, that the current legislation reserves for Government securities.

The Bank of Italy will automatically input the entries to be paid for the securities subscribed at auction, in the payment service as financial instruments, with value date equal to the settlement date. The operator participating in the auction, to settle the securities awarded, can use another intermediary whose name must be communicated to the Bank of Italy, according to the law and abiding the procedures set by the same bank.

On the basis of the allocations, the awarded intermediaries credit the relative amounts to the subscribers' accounts.

Article 4

Apart from the existing provisions on fiscal exemptions for public debt, related to the payment of interest and to capital redemption, Government securities referred to in this Decree are subject to the provisions of Legislative Decree no. 239 of 1 April 1996, as amended, as well as those contained in Decree no. 461 of 21 November 1997.

Pursuant to article 11, paragraph 2, of the above mentioned Decree Law no. 239 of 1996, in the case of a reopening of an issue, in order to apply the substitute tax mentioned in article 2 of the same legislative provision to the difference between the nominal capital subscribed to be redeemed and the awarded price, the reference price continues to be the one awarded for the first tranche of the loan.

For securities with coupons, and except as specifically provided for the BTP€is in articles 13, 14, and 15 of this Decree, calculation of the semi-annual interest is performed by applying the coupon rate expressed as a percentage to the minimum denomination of 1,000 euros.

The result obtained is multiplied by the number of times that amount can be included in the nominal value of the payment.

A reopening of the issue of securities may also occur during years subsequent to the issuance of the first tranche; in this case the amount will go to form the maximum borrowing limit set for that subsequent year.

The securities will be officially listed and are included in the activities admitted to guarantee refinancing operations at the European Central Bank.

In accordance with the Ministerial Decree of 7 December 2012, published in Official Gazette no. 293 of 17 December 2012, and any amendments, on rules for operations of stripping, negotiating, and reconstituting coupon components, the inflation-linked component and the securities' nominal redemption value, coupon stripping operations can be performed on BTPs with duration greater than or equal to five years and on BTP€is of any duration, beginning with the tranche that will be defined by its issuance decree; the total maximum amount that can be the object of such operations cannot exceed 75% of the outstanding nominal capital of the single issues of BTPs, and 50% of the outstanding nominal capital of the single issues of BTP€is.

Title II – Performance of ordinary auction operations

Article 5

The subjects listed below can participate as operators in the auction, as long as they are allowed to conduct at least one of the investment services mentioned in article 1, paragraph 5, of Legislative Decree no. 58 of 24 February 1998 (Consolidated act of dispositions on financial intermediation):

a) Italian banks within and outside the EU community mentioned in article 1, paragraph 2, letters a), b), and c) of Legislative Decree no. 385 of 1 September 1993 (Consolidated Act on Banking and Credit), included in the register at the Bank of Italy mentioned in article 13, paragraph 1 of the same decree; in particular,

EU banks may participate in auctions insofar as they conduct activities mentioned in article 16 of cited Decree Law no. 385 of 1993 without establishing branches in the Republic's territory, as long as the obligations in paragraph 3 of the mentioned article 16 are provided for;

non-EU banks may participate in auctions insofar as they conduct financial intermediation activities without establishing branches following the Bank of Italy's authorization granted in agreement with CONSOB as per article 16, paragraph 4 of the mentioned legislative decree no. 385 of 1993;

b) financial intermediaries and non-EU investment firms mentioned in article 1, paragraph 1, letters e) and g) of cited Legislative Decree no. 58 of 1998, included in the register at CONSOB as per article 20, paragraph 1, of the same legislative decree, or EU investment firms referred to in letter f) of the cited article 1, paragraph 1, included in the list annexed to said register.

These operators participate on their own behalf and on behalf of third parties.

The Bank of Italy is authorized to enter into appropriate agreements with operators to regulate auction participation through the National Interbank Network.

Article 6

The performance of the operations associated with the placement of securities is entrusted to the Bank of Italy.

The relations between the Ministry of Economy and Finance and the Bank of Italy following the transactions in question are regulated by the relative provisions contained in the agreement signed on 10 March 2004 and approved by Decree no. 25909 of 23 March 2004, as amended.

As reimbursement of expenses incurred and as compensation for the service rendered operators will be recognized a placement fee calculated on the nominal amount subscribed, and will commit themselves not to apply any brokerage charge on clients' subscriptions.

This fee will be paid, through the Bank of Italy, when the equivalent of the subscribed securities is paid to the Rome Section of the State Provincial Treasury, in the percentage defined in the respective issuance decrees. To determine this amount, reference will be made to the residual life of the securities.

The fee's amount will be recorded by the Treasury Sections among the "payments to settle" and will bear on the appropriate chapters of the Ministry of Economy and Finance's forecast budget.

Article 7

Operators' bids, up to a maximum of five, must contain the value of the securities that they intend to subscribe and the corresponding price offered.

Prices indicated by operators must vary by at least one euro cent for CCTeUs, BTPs, and BTP€is, and one thousandth of a euro for CTZs; other variations will be rounded upwards.

Bids must be for at least 500,000 euros of nominal capital; bids for lesser amounts will not be considered.

Bids must not exceed the maximum amount indicated in article 1 of the respective issuance decrees; bids for greater amounts will be accepted only up to that amount.

Bids that are not multiples of the minimum denomination will be rounded downwards.

Bids indicating securities in exchange to settle the securities being issued will not be considered

Article 8

All operators' bids for the "ordinary" tranche must be received by 11am of the auction day, only via electronic bid sent to the Bank of Italy through the National Interbank Network according to the technical specifications set by the same Bank of Italy.

Bids received after this deadline will not be considered.

In case of a lasting interruption in the connection to the aforementioned "Network", the specific recovery procedures stipulated in the Agreement between the Bank of Italy and operators participating in the auction, mentioned in the above article 5, will apply.

Article 9

After the deadline to submit bids, auction operations are performed on the Bank of Italy's premises, in the presence of a representative of the same Bank, who, for the purposes of the allocation, lists the bids received, with an indication of their amounts in decreasing order of price offered.

The operations referred to in the preceding paragraph are performed, also through electronic communication systems, with the intervention of a representative of the Ministry of Economy and Finance, delegated for the purpose, with power of notary, who will prepare the minute stating, among other things, the awarded price. This price will be announced with a press release which will also give information on the quota awarded in auction to the "specialists".

Bids made at prices considered inconvenient according to market conditions will be excluded by the notary officer, only in relation to the evaluation of prices and amounts, contained in the report resulting from the automatic auction procedure.

Securities will be allocated at the lowest price offered by the remaining awarded bidders.

In case requests at the marginal price cannot be entirely accepted, allocation will be on a pro-quota basis with the necessary rounding.

Title III – Supplementary placement

Article 10

Upon completion of the operations to assign the securities referred to in the preceding articles, the placement of a “supplementary” tranche of the same securities will begin, according to the procedures mentioned in the following articles.

The amount of the additional tranche will be equal to 30 percent of the maximum amount offered in the “ordinary” auction for new securities and 15 percent of the same amount for further tranches.

For securities issued jointly, and thus in case the overall amount is bid for two or more issues, for each security the amount of the supplementary tranche will be equal to 15 percent of the amount actually placed in the “ordinary” auction; this amount will be rounded, if necessary, to the closest 1,000 euros, upwards or downwards depending on whether the last three digits of the amount are more or less than 500 euros.

“Specialists in Government securities,” identified pursuant to article 23 of Ministerial Decree no. 216 of 2009, cited in the preamble, who participated in the auction for the “ordinary” tranche, can participate in the supplementary placement. The supplementary tranche will be divided among the “specialists” as per the procedures in the following article 12.

Article 11

“Specialists” may participate in the supplementary placement forwarding bids until 15:30 of the first business day following the “ordinary” tranche auction.

Bids received after this deadline will not be considered.

The supplementary placement will take place at the awarded price determined in the “ordinary” tranche auction.

For allocation purposes, the provisions mentioned in articles 6 and 9 of this Decree are valid to the extent applicable. Each “specialist’s” bid must be submitted according to the procedures mentioned in the above article 8 and must contain an indication of the amount of securities the operator intends to subscribe.

Each bid must be for at least 500,000 euros; bids for lesser amounts will not be considered.

No bid may be greater than the total amount of the supplementary placement; bids for greater amounts will be accepted only up to that same amount.

Bids indicating securities in exchange to settle the securities being issued will not be considered.

Bids that are not multiples of the minimum denomination will be rounded downwards; if more than one bid is made, the first will be considered.

Bids submitted in the supplementary placement are considered made at the awarded price of the ordinary auction, even if they bear different prices.

Article 12

The amount rightfully due to each “specialist” in the supplementary placement, for securities issued separately, will be determined as follows:

- an amount equal to 25 percent (for new securities) or 10 percent (for subsequent tranches) of the maximum nominal amount offered in the “ordinary” auction; the amount awarded will be equal to the ratio between the value of the securities the specialist was awarded in the last three “ordinary” auctions of securities of the same type and duration, and the overall total awarded in the same auctions, to operators admitted to participate in the supplementary placement; the aforementioned auctions will include the “ordinary” one for the securities themselves, and those relating to exchange transactions as well as those issues made at the same time relating to securities of the same duration, will be excluded;
- an additional amount equal to 5 percent of the maximum nominal amount offered in the ordinary auction, will be awarded based on the assessment, made by the Treasury, of the performance of the same specialists, gathered on a quarterly basis in wholesale trading venues selected in accordance with articles 23 (paragraphs 10, 11, 13, and 14) and 28 (paragraph 2) of Ministerial Decree no. 216 of 22 December 2009, cited in the preamble; this assessment is communicated to the Bank of Italy and to the specialists themselves.

For jointly issued securities, to calculate the amount rightfully due to each “specialist”, with the above mentioned procedures, the above percentages will be calculated on the amount actually placed.

To determine the duration of off-the-run securities, reference will be made to the residual life of the same securities.

Requests will be satisfied by first assigning to each “specialist” the lesser between the amount bid and that rightfully due. Should one or more specialists present fewer bids than those rightfully due, or not make any bids, the difference will be assigned to operators who submit more bids than those rightfully due.

A specific minute will be drafted for operations relating to the supplementary placement.

Article 13

To settle the subscription operations, the Bank of Italy will make entries in the payment service with a value date equal to the settlement date.

In case of a delay in the settlement of the securities referred to in this decree the provisions of Ministerial Decree of 5 May 2004, cited in the preamble, will apply.

Title IV – Specific provisions for BTP€i issues

Article 14

BTP€is are Treasury bonds linked, in capital and in interest, to the euro area Harmonised Index of Consumer Prices (HICP), excluding tobacco based products, for the purposes of this Decree henceforth referred to as “Eurostat Index.”

For BTP€is, the interest payable every six months and the capital to be paid at maturity are determined using the “Indexation Coefficient,” calculated on the basis of the “Eurostat Index,” calculated and published monthly by Eurostat.

To calculate the “Indexation coefficient” the value of the “Reference Inflation” is determined.

The value of the “Reference inflation” for day “d” of month “m”, is determined by linearly interpolating the “Eurostat Index” for the two months preceding by one month that of “m”, taking into account the days of the latter until the day “d”, according to the following formula:

$$RI_{d,m} = EI_{m-3} + [(\text{“dd since 1st m”} - 1) / (\text{“dd in month m”})] * (EI_{m-2} - EI_{m-3})$$

where:

$RI_{d,m}$ is the Reference Inflation of day “d” of month “m”, i.e. the day and the month in which the calculation is performed;

EI_{m-3} (= Eurostat Index_{m-3}) is the price index published for the month three months prior to the month in which the calculation is performed;

EI_{m-2} (= Eurostat Index_{m-2}) is the price index published for the month two months prior to the month in which the calculation is performed;

“dd since 1st m” is the number of days (d) from the beginning of month “m”, i.e. the month in which the calculation is performed;

“dd in month m” is the effective number of days in month “m”, i.e. the month in which the calculation is performed.

The value of the “Reference Inflation” thus obtained is truncated to six decimal places and rounded to the fifth decimal place.

Once the “Reference Inflation” is determined, the “Indexation coefficient” is derived from the ratio between the “Reference Inflation” for the date the calculation is performed and the “Reference Inflation” at the security’s dated date. The value obtained is truncated to six decimal places and rounded to the fifth decimal place.

Should the “Eurostat Index” be revised after its initial publication, for the purposes of the above calculations the index published prior to the revision will continue to be applied.

If the “Eurostat Index” is not published on time, the substitute index will be used to calculate the amounts due according to the following formula:

$$SI_n = EI_{n-1} * (EI_{n-1} / EI_{n-13})^{1/12}$$

where:

n is the month for which no “Eurostat Index” was published;

SI is the “Reference inflation” substitute inflation index.

The index obtained is the “Substitute index” and will be applied to determine payments for interest or redemption of principal made prior to the publication of the definitive index.

The final index will be applied to payments made after its publication. Any payments already made on the basis of the substitute index will not be adjusted.

The Ministry of Economy and Finance will render public the necessary elements to calculate the amounts due, through the media in use in financial markets.

Article 15

The principal amount to redeem at maturity is determined multiplying the nominal value of the bonds by the “Indexation coefficient”, calculated according to the maturity date.

Should the value of the “Indexation coefficient” relating to the maturity date be less than one, the principal amount to redeem will be equal to the nominal value of the bonds.

Article 16

The semi-annual gross interest is determined by multiplying the “coupon rate,” indicated in the specific BTP€i issuance decrees, divided by two, referred to the loan’s minimum denomination (one thousand euros), by the “Indexation coefficient” for the coupon payment date.

The result obtained is multiplied by the number of times said minimum amount is included in the nominal value of the payment.

The value of the last coupon is determined using the same procedure as for the previous coupons, even in the case if, at the security's maturity, the "Indexation coefficient" is less than one.

The Bank of Italy will inform the market of the securities' interests, with reference to the minimum denomination of one thousand euros, determined with the procedures referred to in this article.

The accrued interest of BTP€i coupons, calculated according to the conventions used for Treasury securities, will be determined by referencing a calculation basis of 100 euros, rounded to the fifth decimal place. The amount to be paid is calculated by multiplying the accrued interest thus obtained, by the "indexation coefficient" for the day the calculation refers to, by the amount subscribed divided by 100.

Article 17

The equivalent to be paid is calculated multiplying the nominal awarded amount by the "Indexation coefficient," for the settlement date, by the sum of the award price divided by 100 and the real accrued interest divided by 1000, and subtracting from the result of this operation, the placement fee calculated as described in article 5 of this Decree. The real accrued interest is calculated referring to a calculation base of 1,000 euros and rounded to six decimal places, according to the conventions used in the procedure to place treasury bonds via auction.

Title V – Specific provisions for CCTeu issues

Article 18

The semi-annual interest rate to be paid on CCTeus, will be calculated based on the gross annual rate equal to the 6-month EURIBOR, plus a spread determined at the certificate's issue and announced with a separate press release, and will be calculated by counting the actual days of the reference semester based on the business year, rounded to three decimal places.

If the above described calculation to determine the 6-month interest rate produces a negative result, the corresponding coupon value will be zero.

The 6 month EURIBOR rate will be of the second business day before (according to the TARGET calendar) the related coupon's effective date, on the basis of the last official survey of the day made by the European Money Markets Institute (EMMI); should there be no data available, the last official survey of the 6 month EURIBOR rate of the first business day for which it is available, going backwards in time, will be considered.

The interest rate on the semi-annual coupons following the first will be made known with specific press releases.

The present decree will be published in the Official Gazette of the Italian Republic and will enter into force from the date of its publication, substituting the previous decree no. 44223 of 5 June 2013.

Rome, 6 October 2016

The Director General of the Treasury

Maria Cannata