Guidelines for Public Debt Management

2007

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Introduction

The total Italian General Government debt of the at the end of 2005 was equal to 106.6 percent of GDP[1]. This total represents an aggregate composed both of Central Government liabilities, which as of 30 September 2006 were equal to about 94% of the total, and of liabilities issued by Local Governments within the realm of their autonomy. About 85% of Central Government debt is made of Government securities, that are negotiable financial instruments the issuance policy and management of which is under the responsibility of the Department of the Treasury within the Ministry of Economy and Finance.

The present document illustrates the guidelines that will provide the basis for the Treasury's issuance policy and market placement of Government securities in 2007.

Issuance and placement choices in 2007 will be both part of a more general medium-long-term strategy for the management of debt, aimed at containing financing costs and limiting exposure to financial risks. Specifically, during 2007 Government bond issues will be calibrated so as to meet the financing needs of the Central Government, with a medium-term view to further reducing the exposure to interest risks (nominal and real) and refinancing risk, while at the same time containing the dynamic of interest burden as a percentage of GDP.

1. Debt management policy in 2006

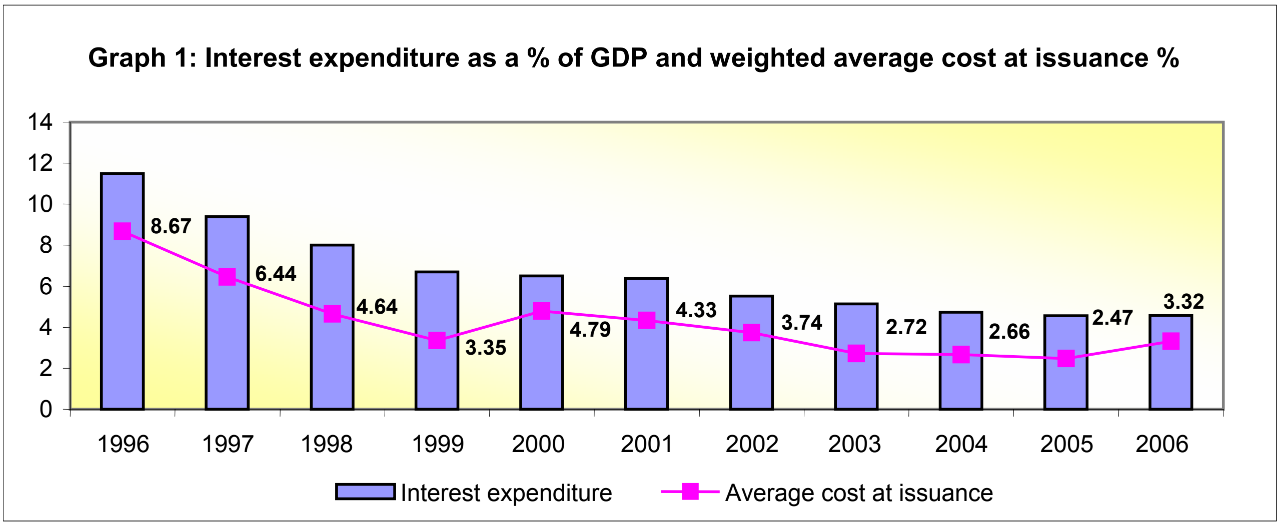
Results achieved

Debt management decisions in 2006, in line with the objectives set forth at the beginning of the year, allowed the Treasury to achieve a substantial stabilization of the cost of debt, in a context of progressive consolidation of results obtained in terms of exposure to financial risks.

Despite the fact that 2006 saw an interruption in the past few years downward trend of market interest rates the issuance policy brought about the stabilization of total General Government sector interest expenditure with respect to GDP, leaving it at about 4.6%, essentially unchanged from 2005. The increase in interest rates did however have an effect on the cost of Government securities

[1] As defined in the Excessive Deficit Procedure (EDP) on the basis of which the Italian authorities notify the European Commission of data concerning the debt and net borrowing of the General Government.

at issuance, which grew in relation to that of 2005, reaching 3.32% versus 2.47% in the previous year (see Graph 1).

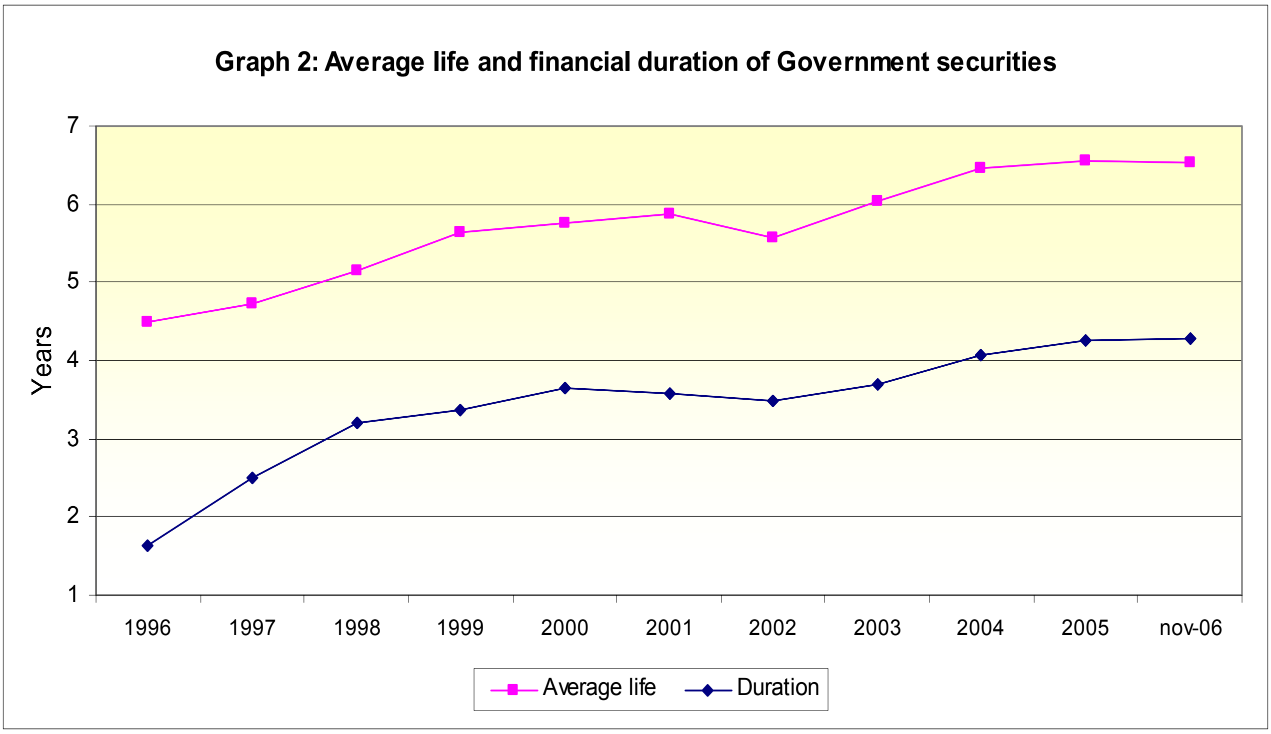


Nevertheless, in 2006 the issuance policy was decidedly conditioned by improvement in the Central Government borrowing requirement, which from June onward were exceptionally lower than expected, thanks mostly to the favorable trend in tax revenues. The lesser financial requirements led to a significant reduction in debt issuance activity in the second half of the year, not only for all the instruments normally utilized to meet temporary cash needs, but also for those issued with a greater flexibility by the Treasury, such as linkers (inflation-linked bonds) and nominal BTPs with a maturity greater than 10 years.

This phenomenon influenced the variables that make it possible to conduct a preliminary estimate of debt exposure to interest rate and refinancing risks. In fact, the financial duration of Government securities as of 30 November 2006, equal to about 4.29 years, shows a substantial stabilization on the level registered in 2005 (4.25 years) (Graph 2). Similarly, the performance of the Average Refixing Period[2] as of 30 November 2006, relative to Government securities issued under the domestic program, was in line with the level reached at end-2005, namely 5.51 years. The average life of the debt (Graph 2) also remained unchanged, reaching 6.52 years at end-November 2006, a level slightly below that of end-2005 (6.56 years), but expected to slightly increase again by year-end.

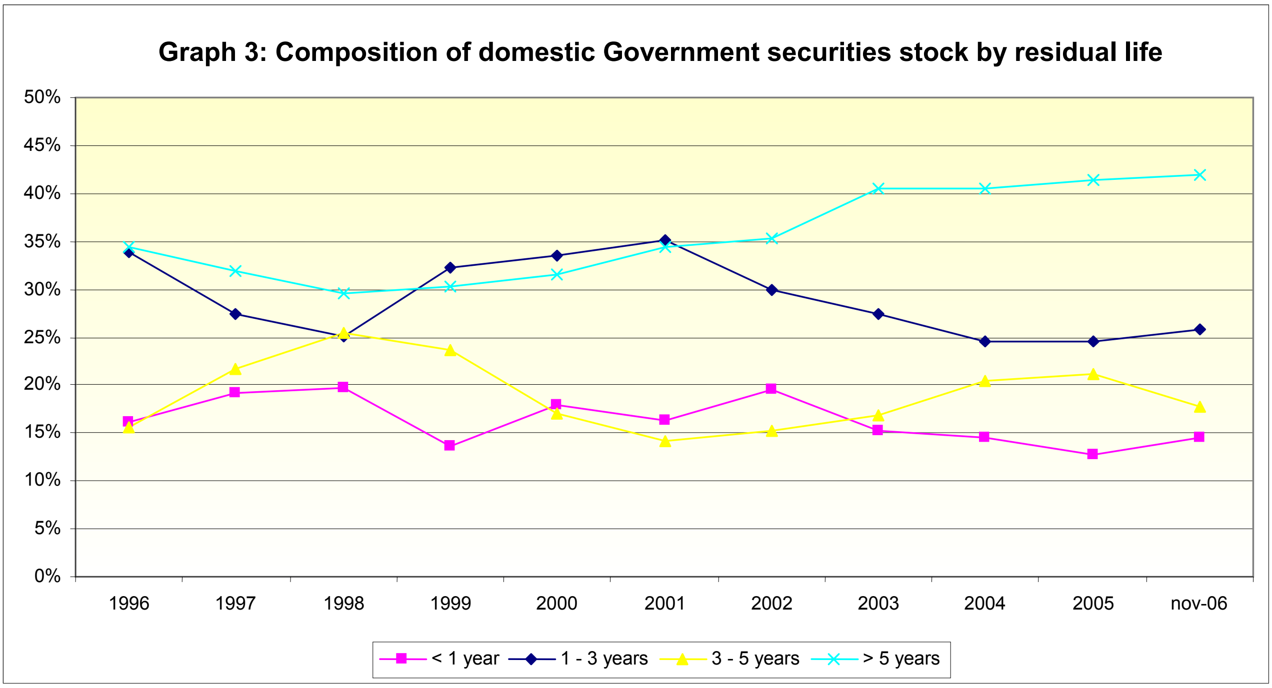
[2] The Average Refixing Period (ARP) measures the average time in which debt coupons are refixed. For zero-coupon bonds or bonds with fixed coupons, the ARP is the residual life of the bonds. For floating rate bonds, the ARP is the time left until the fixing of the next coupon.

An analysis of the interest-rate risk conducted by quantifying the impact on interest expenditure stemming from an unexpected increase in market interest rates[3] allows us, however, to see how the actual exposure of the debt to interest-rate risk continues to decline: as indicated in the "Stability Programme – Update December 2006", the increase in interest expenditure as a percentage of GDP associated with an unexpected increase of one percentage point of the entire yield curve would be equal to 0.19% in the first year, 0.35% in the second year, 0.44% in the third year, and 0.51% in the fourth year. A comparison with data published last year shows an appreciable reduction in the sensitivity of interest expenditure to rates' movements, especially in the medium-long term run.



A more in-depth analysis of refinancing risk shows how the evolution of the debt composition in terms of residual life as of 30 November 2006 (Graph 3), compared to the end of last year, experienced a further increase in the share of debt with a residual maturity greater than 5 years.

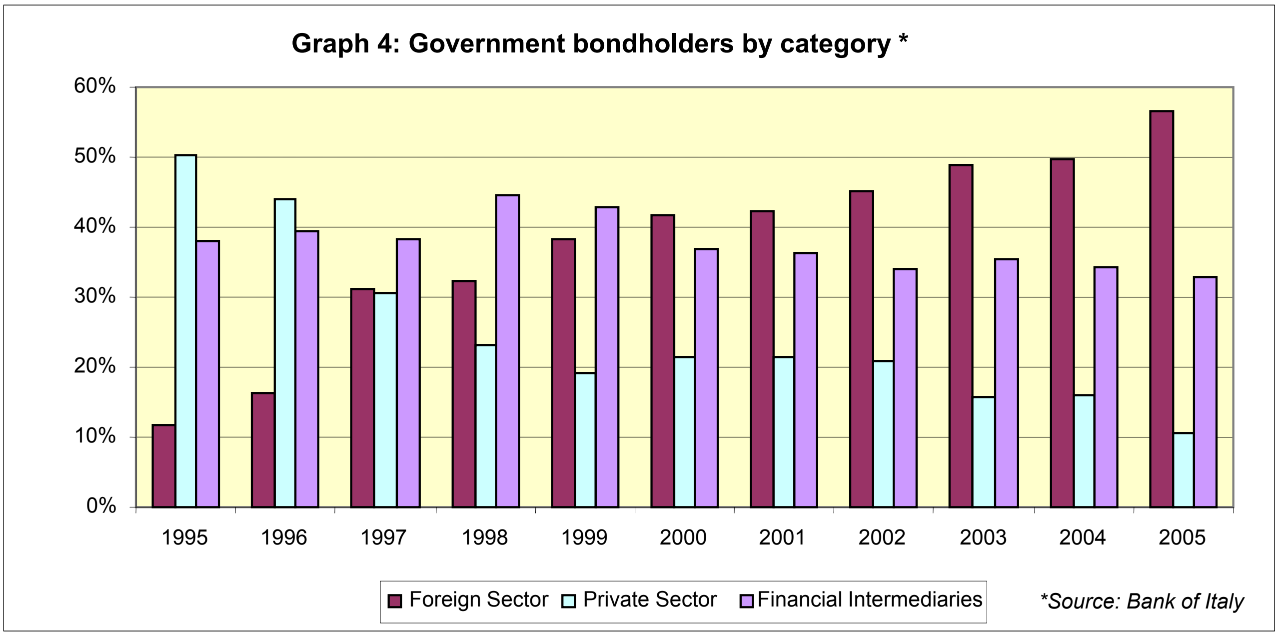
[3] Please note that the forecasts for interest expenditure contained in official documents are based on forward rates for a given issuance strategy These estimates, therefore, already include a growing interest-rate trend.



In keeping with the strategy followed constantly in the past few years, in 2006 the selection of debt instruments offered each time to the market and the relative placement procedures were determined with a view to guaranteeing an even broader distribution among portfolios of international investors, spanning an ever greater number of investors and ever more diversified set of types of them.

In this sense, the debt-management policies have been consistent with those of the previous year, which had already allowed for a remarkable increase in the number of non-resident investors, from an average of 50% at end-2004 to 56% in 2005, and for a growing role of intermediated savings, with the share held directly by households and non-financial firms declining from 16% at end-2004 to 11% at end-2005. From early data gathered from Specialists in Government bonds[4], it is clear that, among non-resident investors, the share held outside Europe, particularly in Asia, has continued to grow. Under these conditions, the Italian debt seems less and less vulnerable to local financial shocks or shocks related to a single type of investor.

[4] *Specialists in Government bonds* are Primary Dealers active on the Regulated Wholesale Government-bond Markets, selected by the Department of the Treasury – Directorate II, in accordance with Ministerial Decree no. 219 of 13 May 1999, in order to guarantee a greater level of efficiency and transparency in the wholesale Government-bond market. Currently 23 banks belong to the List of Specialists in Government bonds: ABN Amro Bank N.V, Banca Caboto S.p.A., Banca d'Intermediazione Mobiliare - Imi S.p.A, BNP Paribas, Barclays Bank PLC, Calyon, Capitalia S.p.A., Citigroup Global Markets, Credit Suisse Securities Europe Limited, Deutsche Bank A.G., Dresdner Bank A.G., Goldman Sachs International, HSBC CCF, ING Bank N.V., JP Morgan Securities Ltd, Lehman Brothers International, Merrill Lynch International, Morgan Stanley & Co. International Limited MPS Finance, Nomura International PLC, Société Générale, UBS Limited, and Unicredit Banca Mobiliare S.p.A.



The issuance policy for nominal bonds

The results obtained in stabilizing the interest expenditure as a percentage of GDP is attributable first and foremost to the issuance policy for nominal instruments, which has taken into account not only the evolution of the absolute level of interest rates, but also the shape of the yield curve.

a) BOTs

The issues of BOTs in 2006 were slightly less than in 2005 and redemptions were not fully refinanced. As a percentage of total issues, the BOT share nevertheless slightly increased, due also to the regularity with which 6- and 12-month BOTs are issued, regularity that, because of improved financial requirements, was relaxed for some longer-dated issues and for linkers. Placements of 3-month and flexible BOTs were mainly carried out to meet temporary cash needs. In the second half of the year, in fact, there was only one issue of the 3-month BOT, compared to five issues in the first half of the year. Similarly, flexible BOTs were issued three times in the first half of the year and not at all in the second.

b) CCTs

While BOT issues remained substantially in line with those of last year, CCT issues on the other hand were reduced, as announced in last year's Guidelines for Public Debt Management. The total amount issued was both less than that of 2005 and less than the redemptions in 2006: the share of CCTs as a proportion of total issues decreased by about one percentage point (see Graph 5), while maturing CCTs not renewed amounted to about 16%. This policy, carried out by reducing the average amount offered at each end-month auction, aimed not only at further reducing the exposure of the debt to interest rate risk, but also to foster efficiency and liquidity in the secondary market, while keeping into account the evolution of the demand for this product by institutional investors, particularly monetary funds. So far the results appear satisfactory: auctions of limited size, but continuous, in a market context characterized by a cycle of restrictive monetary policy and by renewed interest from non-resident investors, have ensured the good performance of the CCT segment, both in absolute terms and in relative terms when compared to fixed bonds of the same maturity.

b) CTZs

To support the conditions of strong demand witnessed during the year, issues of CTZs, conducted through regular monthly auctions, were greater than redemptions. Graph 5 illustrates that the share of CTZs as a proportion of total 2006 issuance activity increased slightly and reached 2004 levels, although the relevance of this segment in the total debt declined. The amounts placed guaranteed liquidity levels in line with the expectations of operators whose portfolios contain this particular instrument.

c) BTPs

For the medium-term BTPs (3-, 5-, and 10-year), the Treasury kept itself in line with the volumes issued last year, both in absolute terms and relative to the total 2006 issuance activity (Graph 5). The regularity of auctions, combined with the calibration of volumes issued so as to meet market demand, has greatly contributed to the achievement of these results.

Regarding the long-term BTPs (15- and 30-year), the increase in their share by 0.92% with respect to the previous year (see Graph 5) is significant, particularly considering that after July the Treasury held no further auctions for those instruments, thanks to the improved borrowing requirement. In fact, if we compare the first half of 2006 with the same period in 2005, we see that the issues in this segment more than doubled: market conditions, characterized by an especially flat yield curve, were thus significantly exploited in order to obtain a reduction of financial risks at a particularly low relative cost. The 15-year BTP represented the sole syndicated issuance of a nominal bond in the course of 2006.

Thanks to this policy, the Treasury achieved an increase in the share of debt maturing in more than 5 years (Graph 3), with notable benefits in terms of refinancing-risk management.

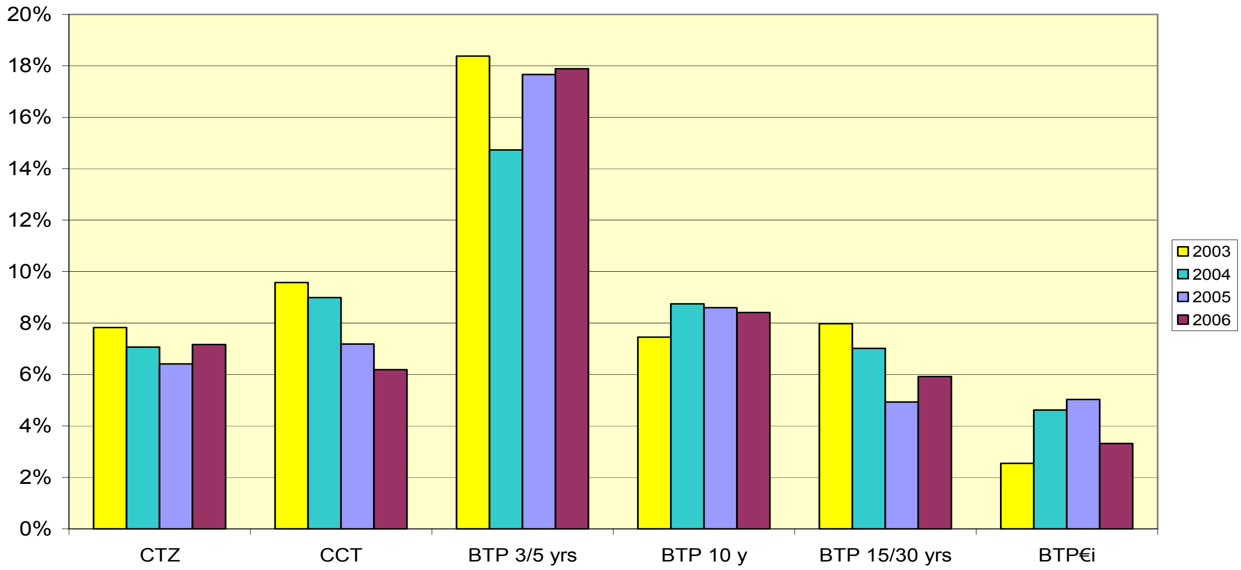
d) BTP€is

As for other segments, the decrease of 1.57% from 2005 in the issuance of BTPs linked to Euro-zone inflation (HICP ex-tobacco) is mainly due to the relevant liquidity accumulated in the Treasury cash account in the second half of the year. The syndicated issuance of the new 10-year BTP was of particular importance: in June a BTP€i maturing on 15 September 2017 was launched and it was received very favorably in the market, prompting an immediate re-opening by the Treasury through an auction in the month following the launch.

The Treasury has nevertheless upheld its pledge to guarantee liquidity for these instruments, which since September 2004 have been issued both through auction and through syndications, on the basis of market conditions and demand. In addition to the aforementioned syndicated issuance, the Treasury has in fact offered at seven monthly auctions one or more of the three maturities (5-, 10-, and 30-year) belonging to the program, in consideration of both the market request and the convenience for the issuer.

With the 2006 issuance activity, Italy acquired in this market a leadership position within the European space: the volume of BTP€i in circulation is now greater than that of any other sovereign issuing instruments linked to the same parameter.

Graph 5: Evolution of medium-long term gross issuance activity
(as % of total domestic issuance activity)



Issuance methods for Government securities under the domestic law

In 2006, auctions were the most used means of issuing domestic law bonds, while recourse to syndicated issuances took place in the two instances pointed out above. For their characteristics of transparency and efficiency, auctions remain therefore a fundamental mechanism for the pursuit of the objectives of debt management.

In the past year, as already mentioned, the role of the auction procedure has been further strengthened to encompass bonds linked to inflation. The significant development of the secondary market for these products in the European area, and its consequences in terms of information on quotes and trades, has made it possible an evermore efficient use of the auction procedure.

In 2006 the format of the auctions calendar remained the same as in 2005. This current format appears to adequately address the needs of both the investors and the issuer.

Foreign currency issuance program

In addition to its financing activity in the market for Euro-denominated securities, the Italian Treasury has traditionally operated in the principal international currencies (USD, JPY, GBP, CHF) and occasionally in minor currencies. Currently the Treasury is one of the most active sovereign issuers in international capital markets and is the only one, among the G7 countries, that has a stable financing program in foreign currency.

The *Global* program is the main channel of access to international markets and it centers primarily on transactions in US dollars. The *Global Issuance Program in Dollars* was formally instituted in 2001 by means of an agreement with 10 primary international banks[5] – extended to 12 banks since 2007 [6] – consisting in a pledge to quote the bonds issued in the program at the trading desks dedicated to U.S. agencies, so as to guarantee maximum liquidity.

[5] Currently BNP Paribas, Citigroup, CSFB, Deutsche Bank, Goldman Sachs, JP Morgan Chase, Lehman Brothers, Merrill Lynch, Morgan Stanley and UBS Investment Bank.

[6] As of 2007, Barclays and HSBC will be added.

Table 1: Outstanding bonds in US Dollars and spread at issuance

Maturity	Coupon %	Nominal amount (US$ bln)	Spread at issue vs UST (bps)	Spread at issue vs US$ L (bps)	Spread vs UST end Nov-2006 (bps)	Spread vs US$ L end Nov-2006 (bps)
14-Sep-07	3.625	3.0	+45	-	-12	-14.6
14-Dec-07	3.750	2.0	+60	-8.5	-12	-15.7
06-May-08	3.250	1.3	+30	-	30	-10.7
29-May-08	6.000	2.5	+33	-	28	-11.5
16-Jun-08	4.000	3.0	+34	-13.0	29	-10.5
15-Jul-08	2.500	2.0	+23	-	27.5	-9.8
15-May-09	3.250	2.0	+37	-8.0	25	-14.2
22-Feb-11	6.000	2.0	+92	-	39	-5.0
15-Jun-12	5.625	4.0	+60	-	40	-6.0
15-Jun-13	4.375	2.0	+51	-	35	-11.6
21-Jan-15	4.500	4.0	+37	-3.0	33	-15.3
25-Jan-16	4.750	2.0	+52	2.0	43	-7.2
20-Sep-16	5.250	3.0	+49.5	-2.0	48	-3.7
27-Sep-23	6.875	3.5	+80	-	67	16.0
15-Jun-33	5.375	2.0	+63	-	66	11.1

More specifically, with the borrowing program in US dollars, the Treasury aims at achieving two primary goals:

- to diversify the investor base in Italian Government securities;
- to contribute, through a more articulated issuance policy, to the containment of the Republic's refinancing costs and risks.

So far the program has brought in, on average, between 5 and 10 billion dollars each year. The amounts issued have helped to alleviate the pressure on domestic law securities auctions and have guaranteed a financing cost that is more contained, or in line with levels of debt issued under the domestic law. The credit curve of the Republic has been completely developed from 3 to 30 years, ensuring maximum international visibility and the Republic's good image.

In the course of 2006, 2 benchmark bonds in dollars were issued, for a total nominal amount of 5 billions. In particular, a bond in the amount of 2 billions was issued on 18 January 2006, maturing on 25 January 2016 and with a coupon of 4.75%; and on 13 September 2006 another bond was issued, for an amount of 3 billions, maturing on 20 September 2016 and with a coupon of 5.25%.

The reduction in average amounts issued with respect to previous years is essentially due to two factors: the negative basis swap trend and the favorable cash position, which led to a significant reduction in total issuance activity in the second half of the year.

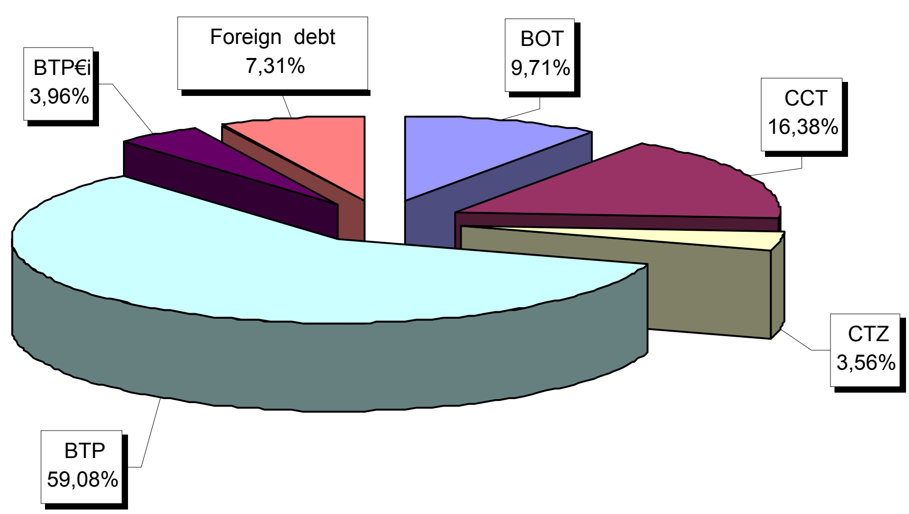
The success of the transactions was also confirmed by the positive performance of the bonds in the secondary market.

To complete the Treasury's traditional issuance activity, over the course of 2006 there were some interesting opportunities for private placements, conducted on an arbitrage base woth respect to the corresponding maturity on the BTP curve and in response to specific portfolios needs of some investors. The total amount of private placements conducted in 2006 was equal to about 2.8 billion euros.

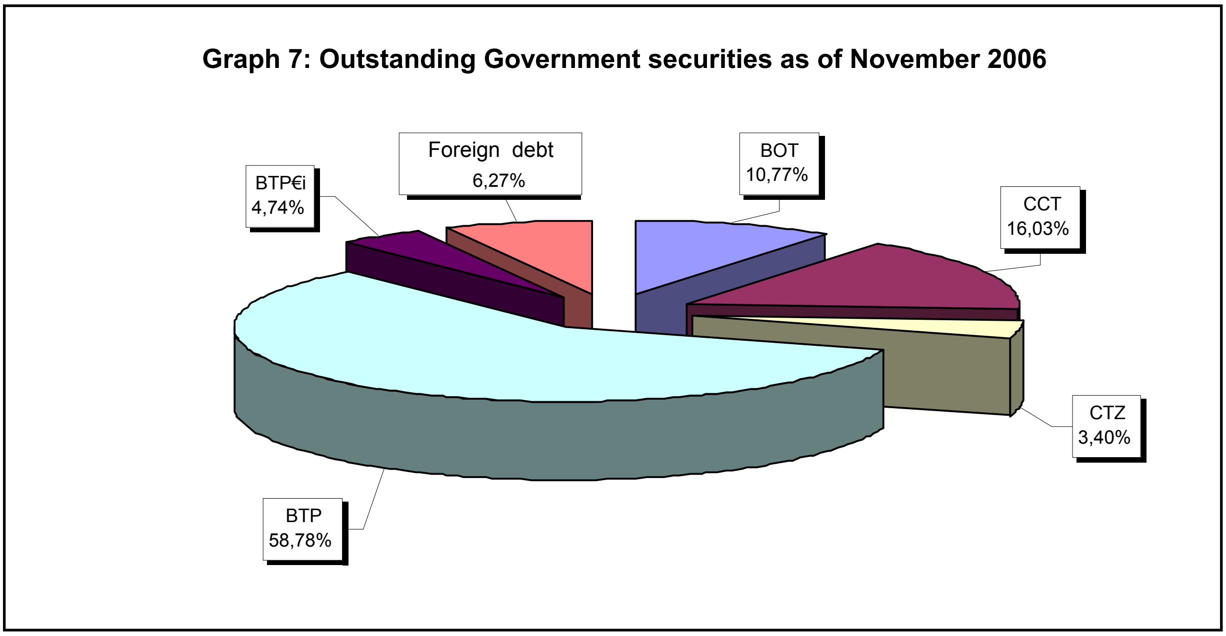
Effects on debt composition by instrument

The 2006 issuance policy did not affect substantially the debt composition by instrument. From the following graphs (Graphs 6 and 7) it is clear that the composition remained mostly unchanged, with the exception – as in previous years – of the increasing role of inflation-linked bonds, the share of which went from 3.96% in December 2005 to 4.74% in November of the current year. There was a slight decrease in the share of CCTs and in foreign currency liabilities[7].

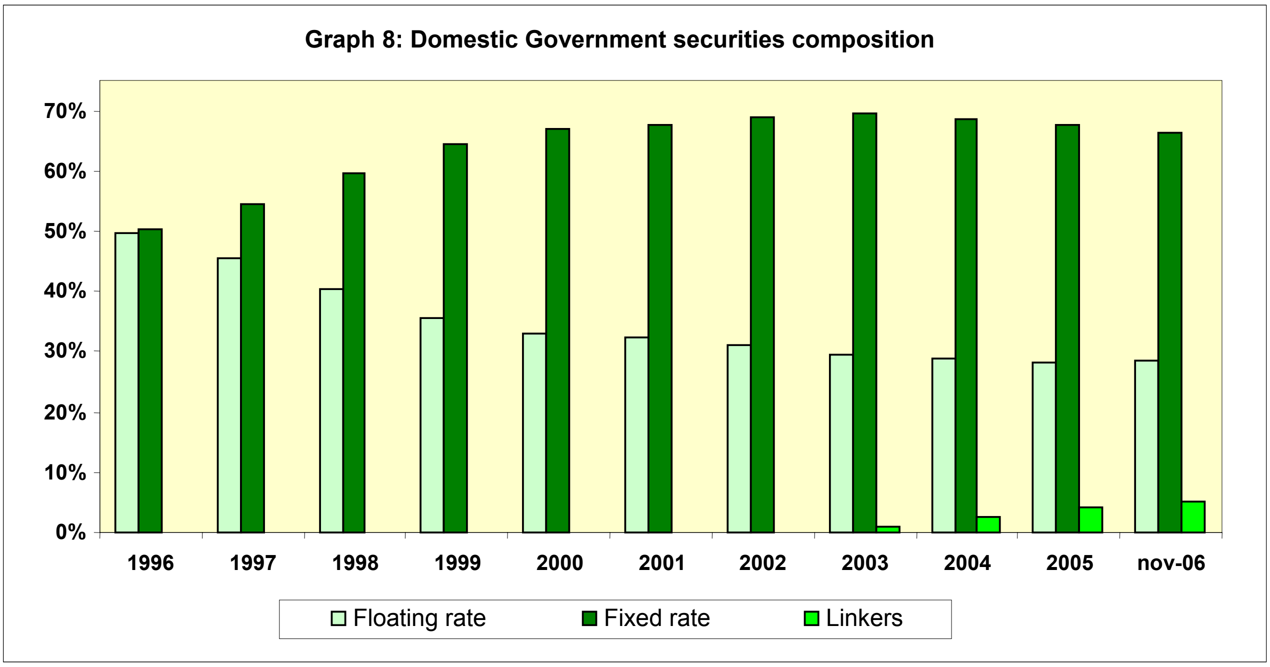
Graph 6: Outstanding Government securities as of December 2005



[7] Please note that, in December, CCTs in the amount of about 13.4 billion euros fall due, as do 4.2 billion in currency liabilities. It is therefore reasonable to assume that at year-end the shares of these two instruments in the total debt will be even less than depicted in Graph 7.



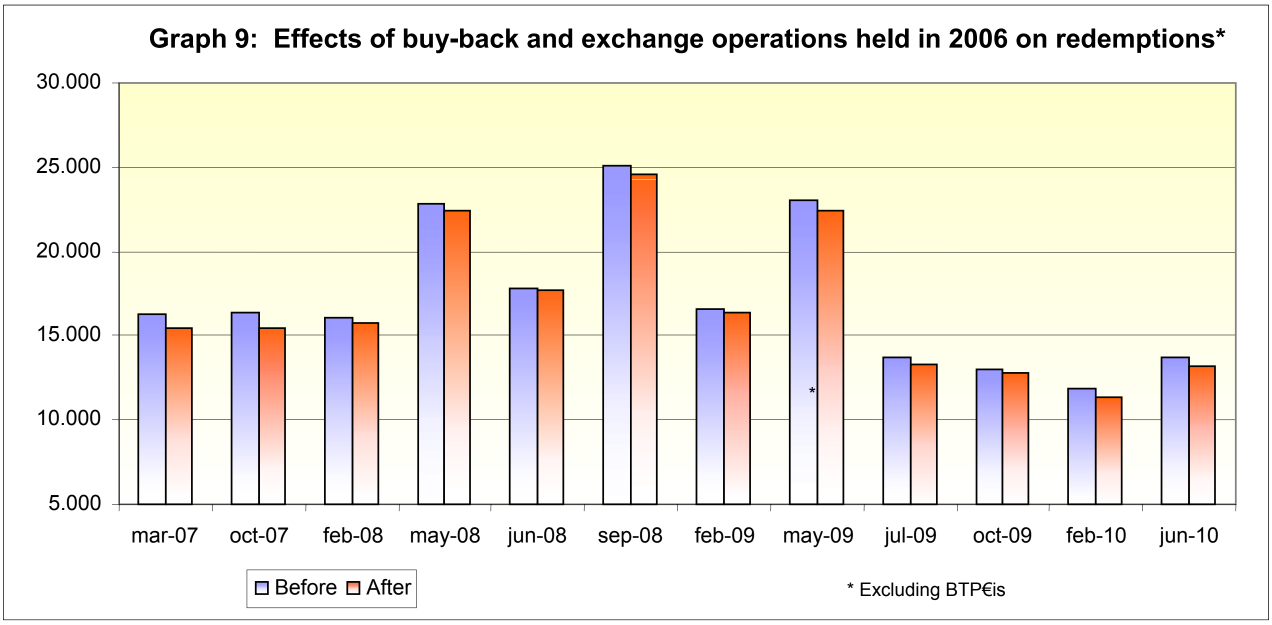
Finally, a medium-term perspective shows (Graph 8) how debt management has contributed, for some years now, to the stabilization of the share of short-term or variable bonds at about 30% of the total of Treasury securities issued under the Italian law. Since 2003 the total share of fixed nominal bonds has however gradually decreased in favor of linkers, the debt-share of which has continued to grow, as mentioned above. It is nevertheless noteworthy that this phenomenon not only has not had any significant impact on the reduction of the average life of the debt, but has on the contrary contributed to reinforcing it: the average life of the inflation-linked bonds' sector has in fact almost always been greater than that of the aggregate comprising BTPs and CTZs.



The role of buy-back and exchange transactions, reserved to Specialists in Government Bonds

As in past years, in 2006 the Treasury carried out buy-back and exchange transactions to reduce refinancing risk, modify the redemptions profile, and efficiently manage cash flows.

In the course of 2006, the Treasury held a *reverse auction* in order to withdraw from the market BTPs maturing between 2007 and 2009 and CCTs maturing between 2008 and 2010, for an amount equal to 3 billion euros of nominal capital. Additionally, two exchange transactions were conducted in the amount of about 2.65 billion euros, with which Government bonds naturally maturing between 2007 and 2010 were bought back and BTPs maturing in 2017 and 2021 were offered.



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2. The 2007 Issuance Program

The general guidelines of the 2007 issuance program will not veer from those followed in past years. Taking into account the financing needs of the Central Government, the composition of the issuance portfolio and the timing according to which the various instruments will be offered to the market will be determined by evaluations of the effects on the cost/risk profile of the debt, by the need to guarantee high efficiency levels for the issuance and distribution of debt, and by the pledge to preserve and foster high liquidity for all outstanding instruments.

The decisions as to the quantities to place at auction and other issues will be very carefully weighed on the basis of market conditions: in the case of instruments regularly offered at auction (6- and 12-month BOTs; CCTs; 3-, 5- and 10-year BTPs; and CTZs), the most important criteria will be transparency, predictability and liquidity of the outstanding instruments; in the case of instruments offered at auction less regularly (BTP€is and BTPs with a maturity longer than 10 years), the issuance decisions will be determined by demand conditions and by the efficiency needs of secondary-market negotiations.

For those instruments not usually placed by way of auction (issues in foreign currency and private placements) the Treasury will particularly consider cost conditions.

The instruments for liquidity management (3-month BOTs, flexible BOTs, Commercial Paper, and non-collateralized Deposits) will be mainly adopted to cover temporary cash shortages.

Issuance program for bonds placed at public auction

Nominal bonds

The placement of nominal bonds issued via auction (BOT, CCT, CTZ, and BTP) will take place according to the annual issuance calendar published on the website of the Directorate for Public Debt of the Department of the Treasury *(www.publicdebt.it)*. As usual, the calendar includes the dates of announcement, auction, and settlement of the various types of securities throughout 2007. In addition, at the end of each quarter, a Quarterly Issuance Program for the following three months will be published that will include the new bonds to be issued as well as the relative settlement dates.

The detailed issuance policy of the Treasury for 2007, by instrument, follows.

BOTs and Liquidity-management instruments: The 12-month BOT will continue to be offered regularly at mid-month auctions, with amounts offered based on demand and market conditions. The 3-month BOT will be offered principally in accordance with liquidity-management needs. With the same objective and with maximum flexibility, the Treasury will issue BOTs of non-standard maturity (the so-called flexible BOTs) for quantities determined each time by cash needs.

The 6-month BOT issuances will be established based on flows of maturing bonds and in order to ensure efficiency in the CCT market. In this way, the regularity of issuances and the adequacy of volumes offered will be guaranteed, both at ordinary auctions and at reopenings reserved for Specialists. The amount of the latter will be decided each time according to results observed at auction and market conditions.

Furthermore, during 2007 the Treasury will continue to make use of the Commercial Paper instrument, even in currencies other than the Euro, in order to achieve maximum flexibility in terms

of quantities and maturities, essential requirements for a precise management of liquidity. Recourse to Commercial Papers will aim to increase investors diversification.
To complement the toolkit of liquidity management instruments, in 2007 the Treasury will also be present in the money market at very short-term maturities with non-collateralized deposit or lending operations conducted by auction or bilateral negotiation. The operations will be primarily for cash management purposes and may have an overnight maturity or longer, depending on the needs of the Treasury and on market conditions. The maximum daily limit will be equal to 5 billion euros with a net annual balance of the same amount.

24-month CTZs: Based on market researches, this instrument continues to be of rather significant interest to investors, even abroad. The Treasury will continue therefore to issue the CTZ regularly at end-month auctions, calibrating amounts offered so as to guarantee adequate liquidity levels for the various lines. Considering that in 2007 the volumes maturing will be greater than those of last year (27.7 versus 24.9 billion euros in 2005), the volumes to be issued the next year will nonetheless be driven by the objective to gradually diminish the share of this product in the overall debt.

CCTs*:* Given the good market trend of CCTs in 2006 and considering the developments witnessed in terms of demand, namely an increasing interest from international investors, the issuance policy for this segment will remain substantially in line with that of last year. In 2007 redemptions of CCTs will be in the amount of about 15.4 billion euros, a volume distinctly less than that of 2006 (about 27.7 billion euros). The volumes to be issued in 2007, however, through monthly auctions in amounts consistent with market expectations, will certainly be greater than necessary to guarantee the refinancing of the redemptions, but not so great as to cause an increase in the share of this instrument in the total debt. If in fact, on one hand, the CCT continues to represent an important means for financement for the Treasury and a strategic instrument for managing the portfolios of institutional investors in the money market – considering the absence of analogous products issued through a program of the same size by other euro-area governments – on the other hand, in light of the management needs of the cost/risk profile of the debt and of the evolution of the European macroeconomic picture in 2007, the Treasury will pursue the objective not to modify substantially the outstanding stock by the end of the year,

Nominal medium-term BTPs*:* The 3-, 5-, and 10-year bonds will continue to be issued regularly, through mid-month and end-month auctions, in amounts to be calibrated according to Treasury needs and the necessity to guarantee high liquidity levels for all outstanding instruments.

Nominal long-term BTPs*:* In 2007 the issuance activity in this segment will continue to be characterized by greater supply flexibility in order to take into account the market conditions emerging during the year. Supply in this segment will take into account both the importance of these instruments for the management of financial risks by the Treasury and the shape of the yield curve for the euro area, which is at present particularly flat. Again in 2007 the new bonds will be introduced through syndications in order to foster a broader presence in the portfolios of domestic and international investors and satisfactory liquidity conditions in the secondary market, from the very first issuance. The re-openings through auction will make it possible to reach an adequate level of outstanding for each bond.

Inflation-linked bonds

In 2007 issues of bonds linked to euro-area inflation (ex-tobacco) will continue to play a strategic role within the whole debt management strategy. The considerable development of the European market for these instruments, the stable presence of new categories of investors, and the relevant opportunities for diversification that these securities guarantee for the issuer are the main factors supporting the validity of this instrument choice. In selecting the maturities to offer the market each time, the Treasury intends to maintain a high level of flexibility in order to take advantage of the opportunities that will arise in the course of the year. To this end, all the possibilities for consolidating the presence of the Treasury on the European real yield curve will be evaluated, including the exploration of new maturities in addition to those already normally offered to the market. The Treasury will normally carry out auctions on a monthly basis, except when it is decided to proceed through syndications.

As during 2006, in the months during which these bonds will be offered at auction, the issuance will take place in the second half of the month, one business day prior to the medium-long-term auctions. The Treasury will announce the bonds to be issued and the maximum quantities to be offered four days prior to the auction, that is, with the first announcement of the end-month auctions of medium-long-term bonds. When the monthly auction will not take place, this will be explicitly communicated by the Treasury.

Exchange and buyback transactions

In 2007 this type of transaction will take place according to the same criteria as in 2006, consistently with the issuance policy and using the methods deemed optimal each time.

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The following schedule illustrates the timing according to which the instruments considered will be offered to the market each month by auction:

Auction schedule
(with reference to issuance date)

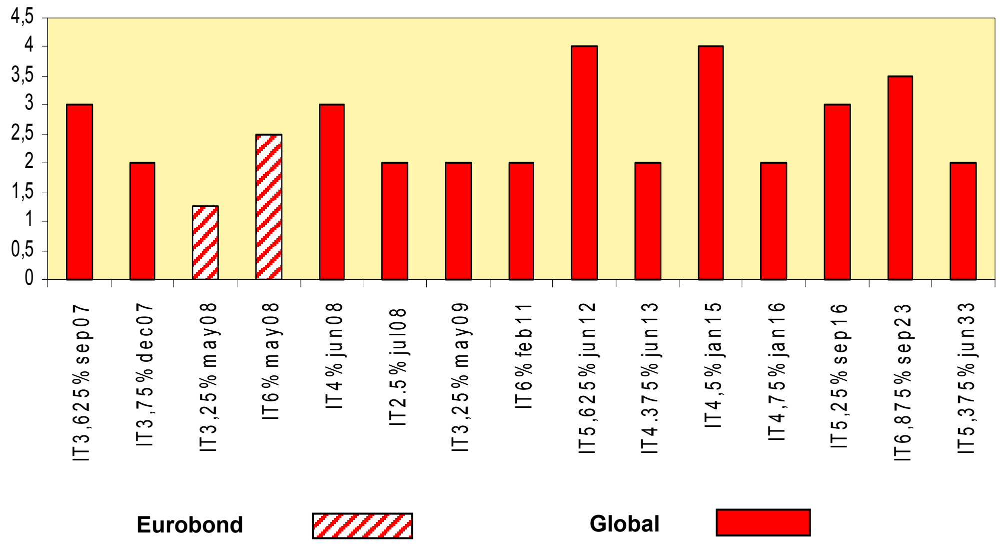
	Mid-month Auctions	***End-month Auctions***
Flexible BOT	***Issuance tailored to meet cash needs***	
3-month BOT	***Issuance tailored to meet cash needs***	
6-month BOT		*X*
12-month BOT	***X***	
24-month CTZ		***X***
3-year BTP		***X***
5-year BTP	***X***	
10-year BTP		***X***
15- and 30-year BTP	***These two bonds will be offered according to market conditions***	
7-year CCT		***X***
BTP€I		*The offering will be based on market conditions*

Foreign currency issuance program

Global benchmark program in US Dollar

Given the benefits experienced so far, in the upcoming year the Treasury intends to maintain a significant presence in the dollar market, though without a predetermined issuance calendar. The limited amount of securities denominated in foreign currency maturing in 2007 makes this approach the most favorable one.

Graph 10: Redemptions of *benchmark* US Dollar Program (US$ bn)



This kind of flexibility makes it possible to act when conditions for issuance are optimal, as was done in 2006. Investors demonstrated their preference for transactions concluded with the best possible timing, as opposed to transactions with greater advance notice.

Issuance activity in other markets

Because of their nature, issues in euro or other currencies, through the E-MTN program, will be determined on the basis of requests received by the Treasury.

For private placements in particular, the evaluation of proposals will be on the basis of the following criteria:

- issuance in favor of a single institutional investor that, in order to meet its own portfolio needs, plans to hold the bond until maturity;
- minimum negotiable amount: at least 500,000 euro;
- medium-long-term maturities;

- economic advantage with respect to the BTP curve;
- no overlap with other Treasury issuances.

3. Innovations under consideration

From official data issued in 2006 on the composition of holders of Government securities, it is clear that the share held by the private sector has progressively decreased, reaching quite low levels. The private sector includes retail investors, who more and more in the past years have leaned toward products other than Government bonds for financial investment. In analyzing and evaluating this trend and its implications for debt management, the Treasury has begun to develop a study to confirm the strategic relevance of this source of financial coverage and the necessity to implement management policies aimed specifically at preserving and, as the case may be, consolidating the presence of the retail component among the holders of public debt.

Additionally, in 2007 the Treasury should conclude the procedures necessary for the introduction of the regulation allowing for the coupon stripping on BTP€is, taking into account the specific characteristics of this instrument and the needs of those institutional investors most actively operating in this market segment.