



Dipartimento  
Department of the Treasury

Edited by Directorate II

# 2024 Public Debt Management Guidelines



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## FOREWORD

In line with a well-consolidated practice, the Italian Department of the Treasury publishes these Public Debt Management Guidelines for 2023. The aim of this document is to provide participants in the Italian public debt market with both quantitative and qualitative information on the strategy for issuing and managing government securities over the next twelve months. In particular, details are provided on the issuance plan for the various segments and various maturities, as well as the approach that will be adopted in order to satisfy both the strategic needs of the Treasury in terms of managing the main risks and any changes in market conditions over the course of the year. Please refer to the 2023 Public Debt Management Report, which will be published during 2024, for details about all the 2023 debt management activities, with a focus on the performance of financial markets and public finance during said period.

## I. 2024 DEBT ISSUANCE AND MANAGEMENT POLICY

### I.1 INTRODUCTORY CONSIDERATIONS

The year 2023 was characterised by the continuous and quick increase in monetary policy rates carried out by the ECB and other central banks operating globally to tackle high inflation resulting from the 2020-2022 economic shock: the COVID-19 pandemic and the Russian invasion of Ukraine. This changed monetary policy context has inevitably affected the issuance activity of the Treasury and other (sovereign and non-sovereign) issuers, the interest rates and the investors' preferences. To this, added the need to resort to the market to finance the deficit defined by the Budget Law and the need for liquidity resulting from the use of tax credits related to the significant development of subsidies in the real estate sector started in 2020 as a fiscal policy answer to the pandemic.

In this context, the Treasury's issuance activity continued all over the year, with prevailing issuances via ordinary auctions in the second half of the year and issuances dedicated to retail investors characterised by a broad response, with syndicated transactions for the launch of new benchmark securities marking time.

Except for the crisis witnessed by US Regional banks, volatility in the second half of the year was particularly present, primarily in connection with monetary policy meetings held by central banks or in relation to declarations and speeches of central bankers. Italian Government Bonds' yield curve showed a marked increase up to half of October, accompanied by a stable spread towards other core and peripheral issuers. The curve's slope was also affected by the monetary policy expectations and the development of the 10-year maturity, the one with the highest liquidity and the highest market attention, with a flattening trend for the 2-10 years in the first part of the year, followed by significant increase of the 10-30 years in the second part of the year.

The increase in market rates and price indexation component resulted in a rise in the average cost per issue, equal to 3.76% in 2023, while the average debt cost, intended as the ratio between interests and the stock of general Government debt, was around 2.8%.

In 2023, slightly less than EUR 360 billion was issued in medium-long-term securities, of which 16.5 billion was in exchange transactions. Consequently, issuances net of exchange transactions equalled EUR 343 billion. BOT issuances were equal to about EUR 156 billion.

Notwithstanding complex market conditions, management decisions allowed maintaining a high average debt life, namely 6.97 years for stock of Government Bonds at the end of 2023 (7.25 years if we include loans under the SURE and NGEU programmes), showing a slight decrease compared to the figure recorded at the end of 2022 (7.04 years). This was partly thanks to the various issuances on the long end of the yield curve, conducted both via auctions and the launch - via syndicated placements in the first half of the year - of two new nominal benchmark securities with 20- and 30-year maturities, to which a BTP Green with maturity in 2031, an inflation-adjusted BTP (BTP€i) with 15-year maturity, and a CCTeu with 8-year maturity were added.

In 2024, the financing needs will be determined by the maturities of outstanding securities, which, net of BOTs, will amount to approximately EUR 265 billion, and by the new requirements of the state sector for the year, which, based on preliminary public finance estimates in line with September's NADEF and last October's Draft Budgetary Plan 2024, are expected to be around EUR 130 billion.

Taking into account the loans of the NGEU package and the cash management activity, which will also benefit from the disbursements of the fourth NGEU instalment due at the very end of 2023, the currently available information allows forecasting total gross issuances of medium-long term securities in a range between EUR 340 and 360 billion, thus in line with those of 2023.

Against this backdrop, the debt issuance and management policy in 2024 will primarily be geared towards achieving the following objectives:

- a) ensuring coverage of requirements at costs as much as possible in line with market trends;
- b) consolidating the results already achieved in terms of exposure to the main risks, in particular, the interest rate and refinancing risk, including by gradually reducing issuances on the short end of the yield curve;
- c) contributing to progressively improving liquidity conditions in the secondary market;
- d) pursuing efficient management of the Treasury's liquid assets.

To this end, the Treasury's market strategy will develop in the coming months through:

- a) the commitment to guarantee predictability and regularity of issuances on all the main segments of domestic securities;
- b) the calibration of the volumes offered to the market to provide further weight to sectors with better liquidity on the secondary market and greater depth of demand;
- c) the continuation of the offer dedicated to retail investors, aimed at broadening their direct participation in public debt, including through new instruments;
- d) the further development of the BTP Green segment through a complex volume of issuances valid to foster the liquidity of individual securities and the needs of specialised ESG investors;
- e) the use of liability management instruments (such as exchange transactions and repos), in line with the approach followed in recent years, with a frequency and intensity functional to market trends, aimed at reducing dislocations on specific securities, improving the liquidity of the secondary

market, managing the profile of redemptions in future years, and contributing, where possible, to reduce the average cost of circulating debt;

- f) monitoring foreign currency market developments to be exploited in both Global and EMTN formats, focusing on US dollar placements, in favourable economic conditions.

It should also be noted that a detailed description of all the various components of debt management activities in the year that is about to end will be provided in the 2023 Public Debt Report, highlighting the objectives pursued and the results achieved.



## **II. ISSUANCE PROGRAMME FOR GOVERNMENT SECURITIES PLACED VIA PUBLIC AUCTION**

### **II.1 TREASURY COMMUNICATIONS: ANNUAL CALENDAR, QUARTERLY PROGRAMMES AND ISSUANCE ANNOUNCEMENTS**

The communication policy that the Public Debt Management will adopt in 2024 will again seek the utmost transparency in defining the strategy and the specific issuance choices. This transparency objective will, however, be balanced with the opportunity to reserve some flexibility elements necessary to guarantee the most appropriate management choices, especially in market contexts whose evolution is difficult to predict.

As usual, information on debt management will be provided in these Guidelines and additional periodic publications, such as the Annual Calendar, Quarterly Programmes and Issuance Announcements. Moreover, should the particular macroeconomic and market context make it appropriate to introduce significant changes to its issuance policy, the Treasury will promptly communicate such changes by updating this document.

As for the Annual Calendar, this is published on the home page of the Public Debt website ([www.debitopubblico.it](http://www.debitopubblico.it)), which contains information on the auction dates for Government securities scheduled in 2024 (including BOTs), as well as the announcement and settlement dates for the different categories of securities offered at auction.

In addition, at the end of each quarter, the Quarterly Issuance Programmes will be published, which will contain updates on the overall expected volume of medium/long-term debt issuance and information on the macroeconomic and public finance framework. The section on Government bond issues will, as usual, announce to the market the new bonds to be placed via auction in the following quarter in the nominal BTP segment with maturities of up to 10 years, together with the minimum outstanding volumes that the Treasury undertakes to reach for each of them before launching a new security in the same segment. For the new securities to be issued in the quarter, on a case-by-case basis, the Treasury will decide whether, in addition to the type and maturity of the security, it will also be appropriate to provide the exact maturity date as well as the accrual date, to meet any flexibility requirements dictated by market trends.

Finally, three days before each auction, as provided for in the Annual Calendar, an Issuance Announcement will be issued, informing the market about the specific securities on offer and the related quantities. These announcements also contain additional helpful information for the investor, such as, for example, the timeframe within which to submit applications to the auction, the amount offered in the supplementary placement reserved for Specialists, the entities that may participate in the auction with the related participation modalities, and, finally, whether the security provided in the auction is admitted to the stripping activities and whether it has a first “short coupon”.

Table 2.1 below summarises the timing of announcements and settlements commonly adopted for securities placed on auction by the Treasury:

<b>TABLE 2.1 – AUCTION ANNOUNCEMENT CALENDAR AND SETTLEMENT DATES</b>			
Type of Security	Announcement Date	Auction	Auction Settlement Date
All types of securities issued via auction	T-3	T	T+2

The 2024 Annual Calendar, as in recent years, envisages the possibility that, on some sporadic occasions, the sequence of announcements, auctions and settlement of BOT and/or medium/long-term bond placements may not follow the regular schedule shown in the table and this precisely to accommodate various aspects such as, among other things, the positioning of the auction date concerning national or international holidays.

The date on which supplementary placements reserved to Specialists will be held will be included in the Issuance Announcements, and, in any case, as a rule, such placements will be held on the afternoon of the working day following the auction day. Again, regarding supplementary placements, the shares of the re-openings reserved to Specialists will continue to be, as a rule, equal to 30% for the first tranches and 15% for subsequent tranches. As regards the calculation method, no changes will be introduced with respect to those already introduced as of 2022. Therefore, in the case of new bonds, the share to be allocated to each dealer in proportion to the amount subscribed in previous auctions remains equal to 22.5%, while the share linked to the performance obtained by the same dealer on the secondary market remains unchanged at 7.5%; for subsequent tranches, the share to be allocated to each dealer in proportion to the amount subscribed in previous auctions remains equal to 7.5%, while the share linked to the performance obtained by the same dealer on the secondary market remains equal to 7.5%.

In addition, as in recent years, when defining the shares for the tranches following the first, the Treasury will continue to avail itself of the right to choose to increase the share of the re-openings of nominal and inflation-indexed bonds by a further 5% from time to time. Again, this decision will be announced in the press releases announcing the ordinary auctions. About the methodology for calculating the amount of each Specialist's entitlement on the additional tranche over and above the standard 15%, for securities with a residual maturity of less than 15 years, such entitlement will continue to be fully calculated according to the tranche awarded in the last three auctions for the same type of security and segment; for securities with a residual maturity greater than fifteen years, such right will continue to be calculated half based on the Specialist's performance on the electronic secondary reference market and the remaining half based on the share awarded in the last three auctions relating to the same type of security and segment.

## II.2 FREQUENCY OF AUCTIONS DIVIDED BY TYPES OF SECURITIES

In 2024, the frequency of the auction cycles in which Government securities will be offered for mid- and end-month auctions will remain unchanged.

For the BOT segment, 12-month and 6-month bonds will be offered monthly, respectively in mid-month, and end-month auctions. As regards the offer of 3-month BOTs, re-openings of BOTs in circulation and BOTs with flexible maturities, whenever cash requirements make it necessary, they may be offered either in mid- or end-month auctions.

The offer of on-the-run securities in the nominal medium/long-term segment will also be divided into two auction rounds, in the middle and end of the month. In the middle of the month, 3- and 7-year BTPs will be offered regularly, and where the conditions are met, one or more long-term BTPs with maturities of 15, 20, 30 or 50 years will also be offered in the same auction round. In the auctions at the end of the month, 5- and 10-year BTPs will continue to be provided together with CCTeus.

As for placements of European inflation-indexed securities, the BTP€i will continue to be offered monthly in end-month auctions, generally on the same day as the Short-Term BTPs.

Therefore, for mid-month auctions, first, the 12-month (and possibly the 3-month) BOT auction will take place, whose settlement date will typically fall on the working day before the 15th of the month; the day after the BOT auction, auctions of medium/long-term nominal bonds will take place, whose settlement date will typically fall on the 15th of the month. For end-month auctions, however, the three days on which they take place will continue to be organised as follows: on the first day, the BTP€i and Short Term BTP auctions will be held, with the settlement date usually falling on the day before the last working day of the month; on the second day the 6-month BOT auction will be held with the settlement date on the previous working day of the month; on the third day the auctions of medium-long term nominal bonds will be held with settlement on the first TARGET working day of the month following the auction itself. Announcements will be issued three business days before the placement day for all auctions.

Also, in 2024, for all nominal BTPs, CCTeus and BTP€is, the Treasury may resort to off-the-run securities auctions if it deems it appropriate in cases where this favours the optimal functioning of the secondary market, contributes to removing possible distortions present on the Government bond yield curve and/or satisfies specific demand needs that may emerge for particular securities. To place these instruments more efficiently, the Treasury reserves the broadest flexibility in selecting securities and the frequency with which it places them on the market.

Given the peculiarity of the reasons they are offered to the market, off-the-run securities may be provided in either the mid- or end-month round. As regards the placement modalities, for off-the-run securities, intervals will be offered on the amounts in issue calibrated to the individual security or with a joint interval in case of several securities provided in the same auction.

However, by exception and in particular market conditions, the Treasury may decide to jointly place off-the-run and on-the-run benchmark securities in the same issuance interval.

Table 2.2 below summarises the auction frequency for each instrument:

TABLE 2.2 – FREQUENCY OF AUCTIONS		
TYPE OF SECURITY	MID-MONTH AUCTIONS	END-MONTH AUCTIONS
FLEXIBLE BOTs	ISSUANCE SUBJECT TO CASH REQUIREMENTS	
3-MONTH BOTs	ISSUANCE SUBJECT TO CASH REQUIREMENTS	
6-MONTH BOTs		X
12-MONTH BOTs	X	
SHORT TERM BTPs		X
3-YRS BTPs*	X	
5-YRS BTPs*		X
7-YRS BTPs*	X	
10-YRS BTPs*		X
15, 20, 30 and 50-YRS BTPs*	OFFER IN RELATION TO THE MARKET DEMAND	
CCTEUs		X
BTP€Is		X

\* For securities marked with an asterisk, it should be noted that off-the-run securities falling into the respective maturity category according to the residual maturity criterion at the time of issuance may also be offered in medium/long-term auctions other than those in the table.

Finally, should specific liquidity needs, market functioning and/or demand require it, the Treasury may exceptionally resort to reopening outstanding short- and medium-long term bonds outside of the Annual Calendar. Such placements, to be decided also after an in-depth consultation with market participants, will be announced through customary communication channels.

The auction procedures will remain unchanged: for BOTs, the competitive auction type will be maintained, while for all other instruments, the auctions will be of the marginal type with discretionary price cuts based on the demand received in the auctions within a pre-announced quantity range.

### **III. FIXED AND FLOATING-RATE NOMINAL SECURITIES**

#### **III.1 BOTs AND LIQUIDITY MANAGEMENT**

During 2023, the projected cash flow dynamics for the current year were affected by an uncertain macroeconomic environment. The international geopolitical context, the inflationary dynamics underway, and the keen responses of the international central banks generated a high level of uncertainty among market players concerning growth forecasts and the trend of the leading public finance variables. All this has had repercussions on liquidity management and issuance policy in the short-term segment. In particular, in the Ordinary Treasury Bonds (BOTs) segment during 2023, about EUR 156 billion were issued against maturities in the EUR 145 billion area, with positive net issues of about EUR 10 billion. In absolute terms, therefore, issues were higher than in 2022 by about EUR 17 billion, but compared to the total bonds issued during the year, the share of the segment fell from 33% to 30%, with the share of BOTs in the stock of outstanding bonds remaining around 5%.

2024 will be just as complex, with the same geopolitical risks, but set in a macroeconomic framework where the leading forecasters and analysts estimate a more contained growth context and declining inflationary risks. However, there is still a great deal of uncertainty and risk in these scenarios, which must be reflected in cash dynamics that must be managed even more carefully. Out of the instruments available, repurchase agreements (repo) will continue to be one of the main instruments for cash management activities, given the appreciation the instrument has received not only from the market but also from the Treasury in terms of flexibility and effectiveness. Through this instrument, the objective of limiting the level of issuances in the BOT segment out of total issuances of Government Securities will also continue to be pursued in 2024, being able to pour into the repo the short- and very short-term hedging needs that were previously managed precisely via BOTs.

As regards developments in the money markets, the European Central Bank, as expected, continued to adopt a restrictive monetary policy for all of 2023, raising its reference rates steadily and at a sustained path until the Governing Council held in September, a period from which a first marked drop in inflation began to be recorded. Energy prices (mainly gas) have been falling steadily and rapidly in recent months, and consequently, general inflation is also showing signs of rapid cooling. Therefore, at the last two monetary policy meetings, the ECB, as expected, left its reference rates unchanged, suggesting that the bullish phase should be over. The market is now discounting the assumption that, already in 2024, the ECB might start to cut reference rates.

Over the coming year, the Treasury will continue to be regularly present on the primary market with the issuance of 6- and 12-month BOTs, which will be carried out considering investor demand, the need to ensure sufficient liquidity of each security, and the need to reduce the outstanding amounts of securities in this segment or opt for the total cancellation of the auction round if the lack of cash requirements allows it, as already decided for the auction of the 6-month BOT at the end of December 2023.

The innovations introduced the previous year are also confirmed for the year 2024, such as: the ISIN code of the new BOTs will be made known on the same day as the publication of the related issuance announcement; the launch of new 6-month BOTs in alternate months, i.e., each new 6-month bond will be reopened in the following auction round. In this way, the objective is pursued of guaranteeing a sufficient outstanding amount to ensure adequate liquidity, a progressive reduction of issues in the segment throughout the year, and greater flexibility in the issuance policy that allows for the re-opening, where there are market or cash needs, of on-the-run securities selected among the entire BOT curve.

In 2024, the Treasury will change communication methods to share the reopening reserved to Specialists in Government bonds. In particular, the share of the supplementary auction will usually remain equal to 10% of the nominal amount offered in the auction. Still, this share will no longer be communicated after the conclusion of the ordinary auction, as was the case until now, but at the same time as the announcement of the ordinary auction. In this way, it is made certain ex-ante as to the portion in which dealers can participate in the supplementary auction. In addition, unlike in previous years, the supplementary placements for the tranches following the first one will take place for all types of BOTs issued, such as 3-month or flexible BOTs, and no longer only for 6-month and 12-month BOTs. The share of the reopening will be allocated, as usual, according to the performance of Specialists observed on the primary and secondary markets. Possible variations to the 10% quota will be evaluated, from time to time, based on market conditions and demand expressed by operators and for debt management purposes, always in line with the need to optimise overall volumes issued in this segment.

For all types of BOTs, the Treasury will continue to use the competitive auction system. As is customary, dealers will be able to submit up to five requests expressed in terms of yield for each security offered. Investors who purchase BOTs at auction will be subject to the rules outlined in the Ministerial Decree for transparency in the placement of Government securities.

Finally, concerning the entire segment, the Treasury - as usual - will consider, in the event of specific liquidity management needs, to issue 3-month BOTs, reopen BOTs already in circulation or issue so-called flexible BOTs. This type of issuance may occur either in the mid-month rounds, with the 12-month BOT, or in the end-month rounds, alongside the issuance of the 6-month BOTs, whether first tranches or subsequent re-openings.

In 2023, liquidity management was characterised by consolidating repurchase agreement (repo) operations and non-collateralised lending (via deposits) through trading platforms. In the current year, the Treasury operated in the repo segment both in funding, contributing to the management of distortions in the market and facilitating market-making operations of Specialists, and in liquidity use (*reverse repo*), to increase cash management's overall efficiency.

The year 2023 was also characterised by the ECB's decision to operate a reduction in the remuneration of Government deposits (starting in May and equal to €str - 20 bps), which encouraged the adoption of policies to make efficient use of deposits in excess of the amount of liquidity maintained for prudential purposes. The Treasury promptly responded to the monetary policy decision by intensifying both uncollateralised use - also by expanding the counterparts with which the MEF can operate - and collateralised use with the closing of reverse repo contracts even with very short maturities or equal to one day, which made it possible to fully exploit the market's ability to absorb the excess of liquidity of the Cash Availability Account.

As regards repo activity in particular, the focus on market conditions was manifested in July with the replacement of 5 BTPs in the Treasury's securities portfolio with 5 BTPs that were less liquid and more in demand on the market, for a total turnover of a nominal amount of 5 billion. On the other hand, the successful operation was confirmed by a constant growth in volumes traded and an additional increase in the portfolio of securities in October, composed entirely of tranches of outstanding BTPs, which reached a total amount of EUR 50 billion.

In 2024, the repo business will continue to play a crucial role among the available cash management instruments, both on the liquidity raising and investment side. Thanks to the flexibility of the facility, the activity will be fine-tuned from time to time based on cash needs and market context. During 2024, the Treasury will consider negotiating repos even without a central counterparty through the signing, especially with Specialists in Government Securities, of specific agreements, typically in the form widely used in the GMRA market<sup>1</sup>.

On the lending side, the Treasury will be able to count on uncollateralised lending, taking advantage of the rapidity of trading on platforms and the effectiveness in terms of trading volumes and counterparties involved, already experienced in the current year. During the year, further increase in the number of counterparties allowed to operate with the Treasury is expected to minimise the risk deriving from an excessive concentration of lending transactions and obtain better contractual conditions through greater competition.

Finally, the Treasury will benefit from Commercial Paper (CP) as a further cash management tool, to obtain greater flexibility regarding the quantity in issue and the variety of maturities, and to increase the diversification of investors operating on short- and very-short-term instruments.

Lastly, another important new feature to be launched in 2024 will be the constitution of a group of money market experts designated by the counterparties admitted to the Treasury's money market activity and the scheduling of periodic meetings to strengthen the collaboration with these counterparties to develop a constructive and permanent dialogue with them, mainly oriented to the examination of market features and evolution. In the MEF's intentions, this cycle of meetings could represent an opportunity for in-depth analysis and comparison aimed at tightening the collaboration between the MEF and its market counterparties, thus facilitating the pursuit of the MEF's institutional objectives and improving the effectiveness and efficiency of the cash management tools used.

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<sup>a</sup>“Global Master Repurchase Agreement”. Repo trading is a framework contract to trade Repo with counterparties authorised outside regulated markets and multilateral trading facilities. The framework contract is a contractual scheme drawn up by the financial industry through one of the most important trade associations (ICMA).

### III.2 SHORT TERM BTPs

As envisaged in last year's Guidelines, in 2023, the Treasury launched two new benchmark Short Term BTPs, with amounts placed totalling around EUR 31 billion, showing a decrease compared to the previous year in terms of the segment's share on total issues, in line with the Treasury's objective of implementing a gradual and progressive reduction in the quantities issued on the short end of the yield curve.

On the redemption front, only one bond reached maturity in the year just ended, amounting to just over EUR 13 billion. Therefore, also considering the exchange transactions involving the BTP Short Term segment, net issues were largely positive, as expected at the beginning of the year.

In 2024, the Treasury will continue to offer Short Term BTPs on a regular basis in the ordinary auction cycle at the end of the month, together with indexed BTPs. It will presumably introduce two new benchmarks with timing that will be adequately communicated to the market through the publication of the Quarterly Issuance Programmes. The amounts placed may be slightly higher than last year and will, in any case, be adjusted to reflect the high amount of redemptions expected, with two bonds maturing for approximately EUR 29 billion. As a result, net issuance in the segment may be only marginally positive.

Finally, following what has already occurred in recent years, the BTP Short Term may be included among the securities subject to possible exchange or buyback transactions, with a view to containing the amount maturing in the next two years.

### III.3 CCTeus

As in previous years, in 2023, the Treasury was particularly attentive to supporting the CCTeu segment, both through a more flexible issuance policy in the selection of the maturities of the two new benchmarks placed during the year and using exchange transactions aimed at lightening the outstanding amount on the various maturities and simultaneously favouring regular and orderly trading on the secondary market.

In 2023, CCTeus issues amounted to around EUR 24.5 billion, exceeding the previous year's level and leading to an increase in the segment's share in total issues, as expected. Therefore, considering maturing volumes of about EUR 21 billion and redemptions through exchange transactions, net issues were marginally positive at the end of the year.

In 2024, the Treasury will continue exercising the abovementioned flexibility in choosing the most suitable maturities to meet demand in each placement. Beyond the normal reopening of outstanding bonds, at least one new benchmark bond will be placed on the market, the maturity of which, in the range of 3 to 10 years, will be defined after assessing the market environment and investor preferences. Depending on market conditions and demand, a decision will also be made on whether to launch the new bond through the traditional auction mechanism or resort to syndicated placement, as has been the case in recent years.

The amounts offered at monthly auctions will be adjusted in such a way as to leave the weight of the segment on the total volume of bonds in issue more or less unchanged. However, considering that next year will see the maturity of two



bonds amounting to just under EUR 30 billion, net issues on the CCTeu segment may be negative.

Finally, as usual, CCTeus may also be the subject of exchange and buyback transactions aimed at lightening the maturity profile in the next two years and easing any tensions that may affect the segment.

### **III.4 NOMINAL 3-YEAR AND 5-YEAR BTPs**

During 2023, on the three-year maturity of the nominal BTP segment, Treasury issuances amounted to approximately EUR 43.5 billion, more than the amount placed during 2022, equal to roughly EUR 37 billion. This issuance policy notwithstanding, there was a slight reduction in the segment's weight on total issues for the year, in line with the Treasury's objective of limiting issues on the short end of the yield curve.

The five-year segment also saw an increase in gross issues, which stood at around EUR 47 billion, compared to around EUR 43 billion in 2022. Similarly to the three-year maturity, the five-year BTP also saw a reduction in the sector's weight in total issues.

Compared to 2022, where the weight of the five-year BTP was decidedly predominant for the three-year one, 2023 saw a greater balancing of the weight of the two sectors on total issues.

Furthermore, in line with estimates made at the beginning of the year, on the three-year segment, the significant volume of securities maturing in 2023 led to negative net issuance, while on the five-year segment, net issuance was largely positive.

In 2024, consistently with this year, issuance volumes on both segments will be adjusted in such a way as to maintain the balance between the two sectors and to leave the weight of issuance in total gross issuance unchanged.

On both segments, issuing volumes are estimated to be roughly in line with 2023. In the three-year segment, negative net issuance is estimated, given the large amount of maturities scheduled for next year, at around EUR 62 billion.

In the five-year sector, around EUR 15 billion maturing volumes are expected. Therefore, also, during 2024, net issuances are estimated to be largely positive.

The Treasury will continue to ensure a regular and continuous presence through the re-opening of current bonds until they have reached an adequate free float to guarantee them satisfactory liquidity on the secondary market and through the launch of new bonds for which at least two new benchmarks are expected to be issued on both maturities. The appropriateness and timing with which these will be proposed to the market will be assessed based on the financing needs of the Treasury and the performance of securities with similar residual maturities on the secondary market. In any case, adequate information will be provided on the timing with which the new bonds will be proposed to the market through the publication of the Quarterly Issuance Programmes.

The mode of offering the new benchmarks on these maturities will remain mainly the marginal auction. The possibility of using syndicated placements is not excluded on the new 5-year benchmarks, where market conditions permit and/or for Treasury needs.

### **III.5 NOMINAL 7-YEAR AND 10-YEAR BTPs**

In 2023, gross issues of 7-year BTPs amounted to around EUR 41.5 billion, up from around EUR 36 billion issued in 2022. Nevertheless, the weight of the seven-year maturity on total issuance was slightly lower than in 2022. Moreover, as expected at the beginning of the year, net issuance in the seven-year segment was largely positive.

Two 7-year BTPs with just over EUR 32 billion will mature next year. Regarding the volume in issuance on the 7-year BTP, in 2024, it will presumably continue to be in line with last year's. Therefore, a positive net issuance amount is expected. The weight of the seven-year maturity in the total amount issued is also likely to align with last year.

In 2023, around EUR 59 billion was issued on the 10-year segment, marking a sharp increase from the approximately EUR 40 billion issued in 2022, with a consequent rise in the share of the 10-year maturity on the total issues made in the year. The 10-year BTP, in fact, absorbed most of the reduction in the share of issues on the short-term end of the BTP curve, thus continuing to maintain its role as a reference point for the entire Italian nominal yield curve, also for the purpose of extending the average life of debt. As expected at the beginning of the year, net issues were largely positive.

In 2024, three 10-year BTPs will mature for approximately EUR 62 billion, a significant increase compared to 2023. As regards the issuance volume, this may be in line with or only slightly lower than last year, and with it also the weight that the 10-year BTP will have concerning total issuance. Therefore, negative net issuance is estimated for the 10-year segment of the BTP curve.

The new lines to be issued in the coming year will be announced within the Quarterly Issuance Programmes. For the seven-year segment, at least two new benchmark securities are expected to be offered, while on the ten-year segment, at least one new security will be provided. The Treasury's preferred modality for launching new benchmark bonds will continue to be the ordinary auction, but where market conditions or the Treasury's funding needs make it necessary, syndicated placements cannot be excluded.

As usual, before deciding on the opening of a new bond, an in-depth analysis of the market context will be carried out of the capacity of the same to accept a new benchmark - typically for larger volumes than in ordinary re-openings - and verify whether the overall float of the bonds being issued is such as to guarantee a possible re-opening at a later date, as an off-the-run in auction or exchange transactions.

### **III.6 NOMINAL LONG-TERM BTPs (15, 20, 30 and 50 years)**

The issuance of new benchmark bonds on the long-term segment in 2023 was again well received by end-investors. In the first months of the year, the Treasury placed two new benchmark bonds via syndication on the 20- and 30-year maturities, respectively. Overall, around EUR 33 billion was placed on the long-term portion, slightly higher than the EUR 31 billion issued in 2022, with a slight reduction in the weight of the long portion on the total issued during the year.

Consistent with past years, in 2024, the issuance policy on the long-term segment will continue to focus on providing liquidity to all available instruments through regular and continuous placements. In the mid-month auctions, the Treasury will offer to the market at least one of the securities with a maturity between 15 and 50 years, choosing each time based on evaluations that will take into account the information acquired - through direct and indirect channels - with the investors and operators most active on these instruments and considering the dynamics of trading on the secondary market.

In 2024, gross issuances on the long-term end of the BTP curve could reach higher levels than in 2023; therefore, the weight that nominal long-term BTPs will have on total issuances is also estimated to increase slightly compared to the year just ended. Considering the absence of bond maturities on the 15-, 20- and 30-year segments, the Treasury expects to make positive net issues on these maturities. For the 50-year BTP, the Treasury reserves the possibility, should the opportunity arise and following an in-depth market analysis, to reopen existing bonds either through ordinary auction or syndicate placement.

The Treasury will also consider the opportunity to issue new bonds through syndicated placement on the various benchmark maturities of this segment, should market and demand conditions prove favourable. As usual, given the nature of the transaction carried out through syndication and outside of the auction calendar, the announcement of new securities in the segment will be made through press releases and will not be included in the Quarterly Issuance Programme.

### **III.7 BONDS INDEXED TO EUROPEAN INFLATION (BTP€is)**

High levels of inflation also characterised the year 2023, although signs of a slowdown emerged, mainly due to the gradual normalisation of commodity and energy prices, as well as the effects of restrictive monetary policies of central banks. In this context, the Treasury continued to ensure its presence in the index-linked securities segment with an issuance volume of just over EUR 19 billion, higher than the previous year. However, given the large number of redemptions during the year - amounting to over EUR 36 billion - net issues in the segment were largely negative, in line with expectations.

In addition, in 2023, a new 15-year benchmark bond for EUR 4 billion was issued through syndication, encountering very favourable demand and confirming the broad investor appetite for this type of instrument.

A single 10-year BTP€i will mature next year for a revalued amount of approximately EUR 16.5 billion, a significantly lower amount than the one maturing in 2023. As regards the volumes to be placed, the Treasury expects to enter the market with a higher amount and share of issues than in the year just ended. Therefore, positive net issuance is estimated for the segment considering the volume maturing.

Introducing new benchmarks will be assessed in light of the conditions of existing individual securities, both in terms of the outstanding amount achieved by each of them and in terms of their residual life. As usual, new securities with a maturity of ten years or more will be placed through the placement syndicate.

Should new benchmarks be launched, the Treasury, depending on market feedback and the need for optimal cash-flow management, will continue to favour the May-November coupon cycle.

### **III.8 BONDS DEVOTED TO RETAIL INVESTORS**

As is well known, the Treasury has for several years pursued a debt management policy aimed, among other things, at broadening the involvement of small retail investors, who have the possibility or need to invest even small sums in the direct holding of Government bonds. In a context of historically low interest rates and the strong development of alternative instruments offered by the financial industry, such as that which has characterised the last decade, the pursuit of this objective has been complex, and indeed, the share of Government bonds in the hands of these investors in recent years has remained very low. Starting in 2022, this trend was initially reversed, with this share rising slightly again despite the underlying continued growth in the debt stock. In addition to the trend in interest rates, the instruments tailored for these investors that the Treasury has introduced over the past decade, such as the BTP Italia, the BTP Futura, and the BTP Valore launched this year, have certainly contributed to this evolution.

During the coming year, given the excellent response received by the market on issues dedicated to retail investors, the Treasury will continue to propose these instruments, also given the general context of higher interest rates than in the recent past.

About the BTP Valore, the new family of Government securities targeted exclusively to individual investors and other persons similarly classified, the Treasury made two issues in 2023, in June and October, for a total amount of over EUR 35 billion, encountering widespread appreciation from the market.

This new class of securities can have different financial structures, and in 2024, should the conditions be met and in light of financing needs, the Treasury will assess the opportunity to make one or more issues of BTP Valore, reserving maximum discretion in assessing the most appropriate financial structure in the proximity of the placement concerning maturity, type and periodicity of coupon payments, and the extra final loyalty premium, reserved to retail investors who purchase the security at issuance and hold it until maturity.

Regarding the BTP Italia, during 2023, considering inflationary dynamics, the Treasury maintained its commitment to provide retail savers with an instrument of protection against inflation, contributing to broadening interest in direct participation in public debt by a growing number of small investors. BTP Italia was issued for almost EUR 10 billion during the year. Considering the redemptions of three bonds maturing during the year for a total amount of about EUR 25 billion and the exchange transactions involving the sector, net issues were largely negative.

In 2024, instead, two BTP Italia bonds for a total of approximately EUR 12 billion will mature. In view of the maturing volumes, to continue to satisfy the demand of institutional and retail investors and provide a well-established instrument for the protection of their savings, the Treasury will assess the advisability of issuing one or more BTP Italia during the year, reserving maximum flexibility in the choice of the most appropriate maturity for the new bond.

In any case, any bonds offered next year will maintain indexing linked to the national inflation rate and a loyalty premium for retail investors who purchase the bond at issuance and hold it until maturity.

Finally, in line with what has already occurred in recent years, the Treasury reserves the right to investigate the option of resorting to extraordinary operations to manage the amounts of BTP Italia bonds maturing in subsequent years through repurchase or exchange transactions, evaluating the most efficient modality for their execution. Such transactions may also be used to provide adequate support to the secondary market's liquidity and efficiency for this segment's securities should market conditions arise that require intervention in this direction.

Regarding the **BTP Futura** - the Government bond reserved exclusively for the retail market and introduced for the first time in 2020 to finance Governmental measures to deal with the COVID-19 crisis- the Treasury did not deem it appropriate to make new issues during 2023.

In 2024, the possibility of a new placement will be carefully assessed according to market conditions and demand for the instrument.

As for previous issuances, the retail BTPs will be issued directly on the MOT platform, Borsa Italiana's regulated electronic market dedicated to retail trading, relying on the order collection support of dealer banks chosen directly by the Treasury among the Specialists in Government Bonds. Moreover, while for the BTP Italia, a separate and subsequent ad hoc issuance phase is usually envisaged for institutional investors, for the BTP Valore e Futura, being a security reserved exclusively to individual savers and the like, this phase will not be envisaged.

### **III.9 GREEN BTPs**

Given the positive, wide-ranging response received from investors during the first two BTP Green bonds issued in 2021 and 2022, the syndicated issue of the third BTP Green maturing on 30 October 2031 took place last April, for an amount of EUR 10 billion.

In this context, the interest of ESG (Environmental, Social and Governance) investors, who subscribed about two-thirds of the placement and whose total demand reached EUR 53 billion, was reconfirmed. In addition, to provide adequate liquidity support on the secondary market, the second BTP Green, with a maturity of 30 April 2035, issued in 2022, was reopened by marginal auction in both March and October.

The proceeds of BTP Green issues are intended to cover the pool of sustainable expenditures in the State Budget for the year of issuance and the balance of the previous three years. Similar to the previous issuance, expenses were selected within the Green BTP Green Bond Framework (GBF) published on 25 February 2021, developed in line with the Green Bond Principles drawn up by the ICMA (International Capital Market Association). Furthermore, where possible, efforts were made to align with the criteria underlying the EU Taxonomy under EU Regulation 2020/852.

Following international best practices and the ICMA criteria, the Treasury published the BTP Green 2023 Allocation and Impact Report last June, which illustrates the allocation of proceeds raised from green Government bonds in 2022. In addition, the document provides an estimate of the positive environmental impact of the interventions made possible by the expenses

reported through the use of both physical results and environmental impact indicators. Where the complexity of the financed intervention does not allow for a precise quantification of the environmental impact, the BTP Green 2023 Allocation and Impact Report offers an in-depth context analysis, presenting the detailed quantitative and qualitative elements that characterise the segments affected by the allocation.

Significant developments in this market will characterise the year 2024. On the one hand, the effort for the ecological and energy transition implemented by countries will continue to be more and more quantitatively relevant, with significant consequences on the need for financial funding to be raised on the market; on the other hand, especially at the European level, all the effects of regulatory developments aimed at favouring the channelling of investments by investors and intermediaries towards projects and expenditure designed to achieve the transition mentioned above will begin to be felt. In this context, new standards for Green Bond issuances have been developed, with the entry into force of the new European Regulation introducing the European Union Green Bond Standard at the end of the year.

The Treasury is carefully monitoring these developments, aiming to consolidate its presence in this market, making choices that, on the one hand, meet investors' preferences and, on the other, allow for the Italian Government's commitment through the resources of its budget, to the purposes of the United Nations 2030 Agenda to be expressed in an ever more effective way.

In 2024, in connection with the evolution of market conditions and due to financing needs, the Treasury will continue with its programme of issuances of BTP Green for volumes aligned to the average of these three years of issuance, providing liquidity to existing bonds and evaluating the option of placing a new bond via syndication.

## **IV. LIABILITY MANAGEMENT OPERATIONS: EXCHANGE TRANSACTIONS, REPOS, TAP ISSUES AND DERIVATIVES**

To manage exposure to the principal risks of the stock of debt in circulation and contribute to the efficiency of the secondary market, in 2024, as in previous years, the Treasury will resort to extraordinary Liability Management operations, taking into account and with a frequency dictated by market conditions. As usual, only Specialists in Government bonds will be able to participate in these transactions, and, as a rule, they will be held in the weeks free from the bond auctions already scheduled.

Through the exchanges and buybacks, the Treasury will pursue various objectives. In line with the policy adopted in recent years, maximum attention will be paid to situations of market efficiency, intervening where conditions of tension arise on specific securities or at particular points on the yield curve of Government bonds. The Treasury will also continue to monitor the maturity profile and refinancing risk management.

Exchange transactions may be conducted using the telematic trading system or the auction system managed by the Bank of Italy. It is not excluded that, as occurred in the recent past, such operations may also be carried out through syndication, whose procedure favours greater speed of execution and the possibility of a more efficient allocation of the security in issue among investors who request it. Moreover, this modality allows the Treasury to issue, where deemed appropriate, different quantities between the two legs of the operation or the issuance of several securities against the repurchase of a single Government bond.

For buyback transactions, the Treasury may occasionally consider reverting to the Bank of Italy's auction system, bilateral negotiations, or telematic trading system. Finally, as already indicated for the exchange, the possibility of resorting to syndicated transactions is not excluded.

TAP issues will continue to be a viable option to support the Treasury's financing programme and meet specific demand needs for particular securities. Thus, one or more off-the-run securities may be issued in TAP transactions. These transactions may be executed either using the electronic trading system or by auction at the Bank of Italy.

During 2024, financial derivatives will continue to be a useful ancillary instrument to the issuance policy for managing the risk of the Treasury's liabilities. The derivatives strategy for the coming year will be designed to reduce the interest rate and exchange rate risk associated with the issue diversification policy, thus helping to optimise the cost-risk profile of the issuance strategy over the medium-long term.

The market environment of the year coming to an end was characterised by highly volatile swap rates, but still low on a historical basis and inverted in the long-term segment of the curve.

Should these trends continue next year, the Treasury could consider using derivatives to mitigate interest rate risk, considering the existing exposure on the securities portfolio, primarily via BOTs and CCTeus.

Concurrently, the Treasury will continue its usual activity of monitoring existing IRSs to decide possible interventions on their financial properties if they align with the overall strategy of public debt issuance and management. Therefore, operational decisions will be preceded by a thorough economic-statistical analysis and an adherence analysis of each transaction in the context of liability management. Consequently, renegotiating some existing transactions will be possible primarily to improve their accounting impact on the interest burden and/or debt level.

Finally, concerning the management of risks related to the possible activity of issuance in non-domestic currencies, the Treasury will continue to protect itself by resorting to the cross-currency swap instrument, which allows for the transformation of liabilities issued in foreign currencies into EUR-denominated 'synthetic' liabilities, accounting for their economic-financial cost and neutralising the impact of exchange rate volatility for the entire life of the securities.



## V. ISSUANCES ON INTERNATIONAL MARKETS

Over the last few years, the Treasury has been active on international markets through issues made through the Global Bond and Medium Term Note programmes, aiming to increase the audience of institutional investors and contain financing costs compared to 'traditional' issues on domestic markets.

The Global Bond channel, reserved for investors with a high institutional profile and distributed in different geographic areas, has allowed in the past to differentiate the bondholders' base and strengthen the connection with some investors, especially the US and Asian ones.

However, the different timing of rate manoeuvres between the FED and the ECB during the year strongly contributed to the weakness of the EUR-DOL exchange rate, which also impacted cross-currency swap contracts. This exchange rate dynamic, together with the high volatility of swap spreads, has therefore made foreign currency funding relatively more expensive than domestic ones and, therefore, the Treasury, in the last two years, has considered it appropriate not to carry out financing operations on international markets through the Global Bond channel.

In the coming year, the Treasury will continue to monitor market trends, evaluating the possibility of offering new benchmarks, possibly also on unconventional maturities. In any case, the choice of issuing new lines will be subordinate to the return of more favourable cost conditions and will consider both the evolution of market demand and the performance of existing bonds, with particular attention to the yield differentials with respect to domestic bonds with the same maturity.

The issuance of one or more bonds - single or multi-tranche - will take place through the usual syndicated placement channel, with the participation of some Specialists in Government bonds as lead managers and the other Specialists as co-lead managers. The Treasury also reserves the possibility of reopening existing securities to favour an optimal functioning of the secondary market and satisfy specific investor demand requirements.

The Medium Term Note Program, active since 1998, is used to satisfy specific requests made by investors through Specialists in Government Securities through public issues or private placements. Through this channel, it is possible to issue new securities with different structures, still plain vanilla, fixed or floating rate, denominated in EUR or foreign currency, nominal or indexed to inflation, depending on the requests received.

The primary purpose of these issues is to build investor loyalty and possibly reduce financing costs compared to domestic securities with the same maturity and characteristics.

In 2023, the Treasury concluded two new private placements under the Medium Term Note Programme. In particular, two CMS (Constant Maturity Swap) notes were issued in March and May, respectively, on reverse enquiries from end investors.

In parallel, the Treasury entered into swaps with the same counterparties to synthetically reset the bonds to pay flows similar to those of a fixed-coupon bond of the same maturity minus an arbitrage, thus determining a saving for the Treasury with respect to the issuance of a BTP with the same maturity.

In continuity with previous years, there were no commercial paper transactions. In the coming year, the Treasury will continue to evaluate investors' expressions of interest in availing itself of this important channel, which is characterised by a high degree of flexibility in structure, maturity and currency, as well as execution methods and timing.

The three minimum requirements that requests must meet to become the subject of Treasury assessment remain unchanged: maturity of no less than three years, minimum amount of EUR 200 million, and minimum negotiable amount of no less than EUR 500,000. Private placements arise from reverse enquiries by confident institutional investors, i.e., from specific requests that would be difficult to satisfy through ordinary issuance channels, and are based on a buy-and-hold strategy, i.e., securities are purchased to hold them in the portfolio until maturity.

The Treasury will carefully examine the requests received, directing its choices towards those that best meet the debt management objectives and, simultaneously, avoiding overlaps with the public-format issuance programme.