

TREASURY BONDS (BTPs)

Treasury bonds, are medium and long term securities, with a fixed coupon paid.

Financial intermediaries who meet the conditions set by the Italian legislation can participate directly in the auctions and are, therefore, called “[Authorized dealers](#)”.

To buy BTPs, investors who cannot participate in the auctions, can turn to the previously mentioned dealers or to the secondary market.

BTPS MAIN FEATURES

Currency	Euro.
Maturities	3, 5, 10, 15 and 30 years.
Remuneration	Semi annual coupon and discount at issuance.
Auction mechanism	Marginal auction with discretionary determination of price and quantity issued.
Auction frequency	Twice a month according to maturities.
Settlement dates	T+2 on the primary market; T+3 on the secondary market.
Market conventions	Actual/actual for the yield calculation and the accrued interest.
Redemption	At par, single payment on maturity.

PRACTICAL INFORMATION ABOUT BTPS

Some useful information about the features and functionality of this instrument are outlined below.

- 1. INVESTING IN BTPS**
- 2. MINIMUM DENOMINATION**
- 3. AUCTION MECHANISM**
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1. INVESTING IN BTPs

BTPs are issued with maturities¹ of 3, 5, 10, 15 and 30 years.

They are medium and long term securities with fixed coupon particularly useful for those investors requiring constant payments² every 6 months.

Different maturities existing on the market allow investors to schedule regular cash flows during the year. Moreover BTPs are particularly appreciated for their liquidity: before maturity, investors can buy or sell BTPs both on the regulated secondary markets (MTS and MOT, for trades worth not less than 2.5 million euro and 1.000 euro respectively) and on the over-the-counter market.

Even though all the authorized dealers can participate in the auctions, security assignment is mainly concentrated among Specialists in Government Bonds who, on average, account for more than 90% of the total nominal amount of every auction.

2. MINIMUM DENOMINATION

BTPs can be subscribed for a minimum amount of 1,000 euro or multiples thereof.

3. AUCTION MECHANISM

BTPs are offered through a marginal auction with discretionary determination of price and quantity issued. There is also a mechanism of speculative bid exclusion. This mechanism is showed in detail in every issue decree. The same decree sets supplementary placement terms, reserved to specialists in Government bonds, technically assuming the shape of a following tranche. Only specialists who took part in the every last auction, can have access to this supplementary placement.

The amount of any bid cannot be less than 500,000 euro.

Bidders can submit prices with a minimum tick of one cent of euro or multiples thereof.

The execution of the operations concerning BTPs auction is responsibility of Bank of Italy.

For each security to be issued, auction fees will be applied based on the residual maturity, which will be set calculating the number of days between the auction settlement date and the maturity date, according to the table below:

Type of security	Time-to-maturity days interval		Fees
BTP 3 Years	1	1460	0,2%
BTP 5 Years	1461	2738	0,3%
BTP 10 Years	2739	4562	0,4%
BTP 15 e 30 Years	4563	999999	0,4%

4. MATURITY

Maturities set for BTPs are 3, 5, 10, 15 and 30 years.³

¹ To increase liquidity the Treasury issues 5 and ½ year, 10 and ½ year, 15 and ½ year and 31 year BTPs, so that when the series of reopenings is over, the residual maturity is near 5, 10, 15, 30 years.

² To satisfy those investors who prefer securities offering a single payment on maturity (zero coupon bonds), in 1998 the Treasury initiated a program, named Separated Trading of Registered Interest and Principal of Securities (STRIP), that allows them to split a Treasury bond into security coupons. It is then possible the reconstitution of the “stripped” security matching the security coupons and the nominal amount. Government bonds subject to this kind of stripping operations are 10, 15 and 30 year BTPs.

³ In the past the Treasury issued BTPs with maturities of 2, 4, 7 and 9 years but they are no longer issued.

5. AUCTION CALENDAR

Until June 2000, 3 and 5 year BTPs were issued twice a month. 10 and 30 year BTPs were issued monthly with settlement at the beginning respectively of the first and second half of every month. Since July 2000, also 5 year BTPs have been issued monthly, at mid month. Since 2002, 30 year BTP is offered quarterly, at mid month.

Finally, after the syndication for the initial launching, also the 15 year BTP, since June 2002, has been included in the regular auction calendar. It is offered quarterly alternatively to the 30 year bond.

6. AUCTION COMMUNICATIONS

Treasury web pages (http://www.dt.tesoro.it/en/debito_publico/) “[Medium/Long term Securities offering announcements](#)” and “[BTPs latest auction results](#)” give information about the auctions.