

# TREASURY CERTIFICATES (CCTs)

CCTs are floating rate securities with a 7 year maturity.

Interest is paid with semi-annual coupons in arrears indexed to the yield of 6 month Treasury Bills. Also the difference between the nominal value and the issue price accounts for the yield.

The auction is reserved to institutional intermediaries authorized in accordance with the legislative decree 24<sup>th</sup> February 1998, no. 58 (see section "[Authorized dealers](#)").

## *CCTs MAIN FEATURES*

<b>Currency</b>	Euro.
<b>Maturity</b>	7 years.
<b>Remuneration</b>	Floating semi-annual coupons in arrears plus spread and discount at issuance.
<b>Auction mechanism</b>	Marginal auction with discretionary determination of price and quantity issued.
<b>Auction frequency</b>	Monthly.
<b>Settlement dates</b>	T+2 on the primary market, T+3 on the secondary.
<b>Market conventions</b>	Actual/actual for the yield calculation and the accrued interest.
<b>Redemption</b>	At par, single payment on maturity.

## *PRACTICAL INFORMATION ABOUT CCTs*

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

- 1. INVESTING IN CCTs**
- 2. INDEXATION**
- 3. MINIMUM DENOMINATION**
- 4. AUCTION MECHANISM**
- 5. MATURITY**
- 6. AUCTION CALENDAR**
- 7. AUCTION COMMUNICATIONS**

## **1. INVESTING IN CCTS**

Treasury Certificates are a kind of security very appreciated by families because of their feature to adjust coupons to market rates and therefore guarantee, in case of a negotiation before maturity, a capital amount very similar to that initially invested.

CCTs have been issued, since March 1991, with a 7 year maturity. Like other Government bonds, CCTs are traded regularly on the electronic Government bond market (MOT) in limited quantities (for round lots of 1,000€ or multiples thereof) and on the electronic wholesale market of Government bonds (MTS) for trades worth not less than 2.5 million Euros.

Those wishing to buy a CCT during an auction, must book it by an authorized intermediary within the day preceding the auction.

Being securities subject to a dematerialised regime, subscribed CCT amounts are represented by the accounts registration in favour of the entitled.

Up front fees set for CCTs amount to 0.30% (30 basis points) of the invested capital and are given to financial intermediaries by the Treasury. Consequently, intermediaries must apply to the purchasers the auction price, without any further fee.

## **2. INDEXATION**

Semi-annual coupon CCTs issued after 1<sup>st</sup> January 1995<sup>1</sup> are currently indexed with the following rule. The procedure takes into account the gross annual simple yield of the 6 month BOT issued in the last auction preceding the accruing of coupon, the yield is divided by 2 and the spread of 0.15% is added. The result is rounded up or off to the nearest five cents.

As far as the actual interest payment is concerned, there is a 6 month lag between the coupon definition and its payment.

The spread to be summed up to these yields, from the CCT 1-11-1996/03, is equal to 15 basis points. Previously this spread was of 50 basis points, until CCT 1-8-1993/00, and of 30 basis points for CCTs issued from 1<sup>st</sup> October 1993 until 1<sup>st</sup> September 1996.

To wrap up, on the secondary market we can find semi-annual coupon CCTs indexed to the 6 months BOT yield with a 7 year maturity and the spread levels mentioned before.

## **3. MINIMUM DENOMINATION**

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

## **4. AUCTION MECHANISM**

The investment takes place 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 specialist in Government bonds, technically assuming the shape of a following tranche. Only specialists who took part in the first day auction, can have access to this supplementary placement.

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

Prices offered by dealers participating in the auction can vary of one cent Euro or multiples thereof.

The execution of the CCTs auction is responsibility of Bank of Italy.

As compensation for the service, the Treasury pays to Bank of Italy a commission of 30 basis points on the nominal amount subscribed. This commission will be awarded, totally or partially, to

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<sup>1</sup> For semi-annual coupon CCTs issued before 1<sup>st</sup> January 1995 the procedure considered yield of annual BOTs issued in the two months preceding one month the coupon accruing and then the arithmetical mean was calculated. In this case the coupon was paid eight months after the determination of the benchmark rate for indexation.

operators participating in the auction as they cannot apply any other subscriptions fees to the retail investors (see also section “Government bond auctions”).

## **5. MATURITY**

Treasury Certificates have been issued, since March 1991, with 7 year maturity. In the past CCTs were issued with different maturities in between 2 and 10 years. Now securities offered during public auctions are only septennial. They have floating semi-annual coupons tied to the 6 months BOT auction preceding the accruing of coupon as specified in the paragraph 1.2.

## **6. AUCTION CALENDAR**

As set in the annual calendar, CCTs auctions take place monthly and are generally characterized by reopenings of the same security through following tranches. The launch of new security issue takes place, indicatively, annually.

## **7. AUCTION COMMUNICATIONS**

The relevant information can be accessed at the pages “[Medium/Long term Securities offering announcements](#)” and “[CCTs latest auction results](#)” of the Public Debt web site ([http://www.dt.tesoro.it/en/debito\\_publico/](http://www.dt.tesoro.it/en/debito_publico/)).