



The Italian Ministry of Economy and Finance

HAVING REGARD to the Decree of the President of the Republic No. 398 of 30 December 2003, setting out the Consolidated Law of Legislative and Regulatory Provisions on Public Debt (hereinafter 'Consolidated Law'), and in particular Articles 3 and 5, as last amended by Article 1, paragraph 387, of Italian Law No. 190 of 23 December 2014;

HAVING REGARD to the fourth sentence of the abovementioned Article 5, paragraph 5, of the Consolidated Law, which provides that "by decree of the Minister, the procedures for the management of liquidity through transactions in use in the markets and for the selection of counterparties are established on the basis of transparency, efficiency and competitiveness criteria";

HAVING REGARD to paragraph 1, letter b, of the abovementioned Article 3 of the Consolidated Law, which allows the Treasury to arrange for the temporary issuance of tranches of existing loans through the use of repurchase agreements, as well as letter b-bis of the same paragraph, which provides for the possibility of arranging the issuance of tranches of existing loans aimed at establishing an active portfolio of government bonds to be used for repurchase agreements;

HAVING REGARD to the Decree of the Italian Minister of Economy and Finance No. 51961 of 26 June 2015, which, pursuant to the abovementioned Article 5, paragraph 5 of the Consolidated Law, identified the accounts set up with the Bank of Italy (hereinafter 'Bank'), which constitute government deposits;

HAVING REGARD to Articles 24 *et seq.* of the Consolidated Law on centralised depository of government bonds;

HAVING REGARD to the Ministerial Decree No. 143 of 17 April 2000, whereby the regulation concerning the discipline of centralised depository of government bonds was adopted;

HAVING REGARD to the Directorial Decree of 23 August 2000 published in the Official Gazette No. 204 of 1 September 2000, whereby the centralised depository service for government bonds was entrusted to Monte Titoli S.p.A.;

HAVING REGARD to the Decree of the Italian Minister of Economy and Finance No. 103382 of 20 December 2017, on the "Implementation, pursuant to Article 3, paragraph 1-bis, of the Consolidated Law on Public Debt, for the introduction of bilateral guarantees on derivative transactions (hereinafter 'Collateral Decree');

HAVING REGARD to the Decree of the Italian Minister of Economy and Finance No. 25391 of 25 October 2011;

HAVING REGARD to the Directorial Decree No. 95450 of 28 November 2011;

CONSIDERING the need to adapt the abovementioned Decree to the operating methods in use on the money market also following the introduction of the repurchase agreement activity, and to the regulatory interventions, in line with the guidelines of the European Central Bank, which have amended the abovementioned Articles 3 and 5 of the Consolidated Act;

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Article 1

Scope

1. The present Decree regulates the procedures for the management of the liquidity available on the 'Treasury Account held at Bank of Italy for treasury purposes' and similar accounts (hereinafter 'Account') and for the selection of the counterparties with which transactions will be carried out on the financial markets.

Article 2

Liquidity management transactions

1. The Account is managed through transactions in use in the financial markets of funding and investment operations.
2. With the transactions referred to in the preceding paragraph, the Italian Ministry of Economy and Finance (hereinafter 'Ministry') pursues the aim of ensuring adequate liquidity to meet Treasury needs and, considering the market context, to achieve the best possible remuneration conditions taking into account the minimization of risk.

Article 3

Execution of liquidity management transactions

1. The transactions referred to in Article 2, paragraph 1 may be carried out by means of:
 - a) bilateral negotiation;
 - b) trading on regulated markets, MTFs or systems for the exchange of euro-denominated monetary deposits (hereinafter 'trading venues'), including through mechanisms for requesting competitive proposals from trading venue participants.
2. The transactions referred to in this Article may also take the technical form of repurchase agreements or other transactions in use in the markets. Government bonds handled for the transactions referred to in this paragraph are deposited in a specific account with the company to which the centralised depository service has been entrusted, pursuant to the Decree of the Director General of the Treasury of 23 August 2000.
3. The transactions referred to in this Article shall be arranged and executed by the Ministry; Treasury account handling activities shall be performed by the Bank, while back-office activities may be performed by the Ministry or entrusted to the Bank. Such operations may be performed on any calendar working day on which the TARGET2 gross settlement system (hereinafter 'TARGET2') is operational.
4. In order to coordinate all the monitoring and handling transactions of the Account, the Ministry and the Bank shall enter into appropriate protocols to define:
 - a) the procedures and content of the exchanges of provisional and final account information;
 - b) the content and procedures of the back-office activities carried out by the Bank.
5. The performance of the activities falling within the Bank's competence, in the context of the transactions referred to in this Article, shall not give rise to any charges or fees to be paid by the Ministry.
6. The Ministry may enter into agreements to entrust the execution and management of certain transactions in use on the money market to financial intermediaries selected on the basis of structure and reliability criteria.

Article 4

Counterparties admitted to bilateral negotiations

1. The following may participate in the transactions referred to in Article 3, paragraph 1, letter a) above:
 - a) Specialists in government bonds, as per Articles 23 and 28 of the Decree of the Italian Minister of Economy and Finance No. 216 of 22 December 2009 and subsequent amendments and integrations, as well as counterparties belonging to the same corporate group as the 'Specialist';
 - b) the European Commission and the institutions or public bodies/authorities managing the liquidity of the Member States of the European Union. Entities established for the purpose of safeguarding the stability of the Eurozone, to which the Italian Republic has adhered, shall also be treated as such institutions.
2. Other counterparties selected by the Ministry on the basis of structure and reliability criteria, including creditworthiness and capitalisation and any other criteria useful to guarantee the efficiency of the operations, may also be admitted to the abovementioned transactions.
3. The counterparties mentioned in paragraph 2 that are interested in participating in the transactions provided for in this Article shall submit an application to the Ministry. The application must be filled in according to the form (named 'Application for registration in the List of counterparties admitted to money market operations with the Treasury') available on the Public Debt website.
4. Within 30 days from the date of receipt of the application, the Ministry shall verify the fulfilment of the requirements set forth in this Article. In the event of a positive outcome, the Ministry shall register the counterparty in a public List (hereinafter 'List') managed by the Ministry itself. The counterparties referred to in paragraph 1 of this Article shall be automatically included in the List. Exclusion from the List may take place if the counterparties so request or if they lose the requirements referred to in paragraphs 1 and 2. In order to be able to operate with the Ministry, the counterparties registered in the List must provide the information necessary for the settlement of transactions and back-office activities to the Bank, which shall verify the correctness/accuracy of said information.
5. The transactions referred to in Article 3, paragraph 1, letter a) above, which take the technical form of repurchase agreements or other transactions in use in the markets, may be carried out with the counterparties referred to in Article 5 below.

Article 5

Counterparties admitted to transactions executed on trading venues

1. The Ministry shall be entitled to conclude the transactions referred to in Article 3, paragraph 1, letter b) through a Central Counterparty with any counterparty.
2. Should the Ministry intend to conclude the transactions referred to in the preceding paragraph without a Central Counterparty, the counterparties may be chosen from among those belonging to the trading venue and only from among those registered in the List referred to in Article 4, paragraph 4. Should the transactions take the technical form of repurchase agreements, appropriate framework agreements and/or conventions in use on the market will be stipulated in advance with said counterparties.

Article 6

Credit risk management

1. The containment of credit risk in the transactions referred to in Article 3, paragraph 1 shall be ensured through credit limits assigned by the Ministry to each counterparty admitted to the transactions referred to in Articles 4 and 5, or through the request for financial instruments to secure the transactions.
2. The categories of financial assets that will be accepted as collateral in lending operations with the counterparties shall be those defined in Article 4 of the Collateral Decree as well as debt securities issued by the European Union.
3. The operational management of guarantees for the transactions referred to in Article 3 may be entrusted to the Bank.

Article 7

Remedies in the event of fail

1. Counterparties failing to fulfil their settlement obligation in liquidity-providing or liquidity-borrowing transactions within the contractual time limits shall be subject to a penalty determined by multiplying the value of the amount in default by a percentage equal to the marginal lending rate indicated by the European Central Bank, as increased by 3.5 percentage points, divided by 360 and multiplied by the actual days of delay. In addition to the abovementioned penalty, the counterparty shall pay interest for each day of delay, as calculated at the same rate as the transaction. If after three days of default the other party has not made the payment due, it shall be deemed to be in default according to the law.
2. In the event that the settlement of the transactions referred to in the preceding paragraph is carried out through an intermediary other than the intermediary which participated in those transactions, the penalties referred to in paragraph 1 shall be charged to the intermediary entrusted with the settlement.
3. The transactions referred to in Article 3, paragraph 2, shall be excluded from the procedure referred to in the preceding paragraphs.

Article 8

Allocation to the State budget of the amounts collected in case of fail

1. The Bank shall collect the sums referred to in Article 7 above by charging the TARGET2 accounts of the failing counterparties or of the entrusted intermediaries, for the amounts corresponding to the penalties and interest on the day:
 - a) on which the default occurs, in the case of funding transactions;
 - b) on which the amount due is paid, in the case of investment transactions.

The Bank itself deposits the amounts collected, the same day it receives them, at the Section of Rome of the Provincial State Treasury, with allocation at budget line item 3248 (voting unit 2.1.5) of the revenue forecast for the State Budget.

2. The Section of Rome of the Provincial State Treasury, with regard to these payments, releases proper State Budget revenue receipts.
3. The Bank shall notify the Ministry of the activation and the outcome of the procedure referred to in Articles 7 and 8 of this Decree.

Article 9

Liquidity management transactions

1. The financial transactions referred to in Article 3, paragraph 1 of this Decree shall be carried out by the office in charge, under the responsibility of the Head of office, in accordance with the operational instructions given by the Head of the Directorate responsible for public debt.
2. For the activities involving the Bank, the Ministry may conclude specific operational protocols with the Bank.

Article 10

Final provisions

1. This Decree shall be effective for all purposes from the date of its publication in the Official Journal. As of this date, the decree of the Italian Minister of Economy and Finance No. 25391 of 25 October 2011, bearing the "Regulations for the management of the liquidity available on the Treasury Account held at Bank of Italy for treasury purposes and similar accounts and for the selection of the counterparties participating in the operations", as well as Directorial Decree No. 95450 of 28 November 2011, which defines the technical procedures for the liquidity operations held on the Treasury Account held at Bank of Italy for treasury purposes and similar accounts., are repealed.
2. Pending the establishment of the List referred to in Article 4, paragraph 4, the current List at the time of the entry into force of the present Decree shall continue to be effective, as well as the agreements that the counterparties have entered into with the Bank.
3. This decree shall be transmitted to the supervisory body in accordance with the current regulations and shall be published in the Official Journal of the Italian Republic.

Rome, 10 January 2022

Daniele Franco