

Law Decree no. 66 of 24 April 2014, passed, with amendments, by Law no. 89 of 23 June 2014, regarding urgent measures on competitiveness and social justice

(Official Gazette - General Series no. 143 of 23 June 2014)

Article 45

Restructuring Regional debt

1. The Ministry of the Economy and Finance is authorized to restructure mortgages with the characteristics listed in paragraph 5, letter a), contracted by regions with the Ministry of Economy and Finance as a counterparty, according to article 2, paragraphs 46 to 48, of Law no. 244 of 24 December 2007, and article 2, paragraph 98, of Law no. 191 of 23 December 2009, and mortgages managed by Cassa Depositi e Prestiti S.p.A. on behalf of the Ministry of Economy and Finance as per article 5 of Decree Law no. 269 of 30 September 2003, passed, with amendments, by Law no. 326 of 24 November 2003.

2. The Ministry of Economy and Finance can issue Government bonds to buy back securities with the characteristics listed in paragraph 5, letter b), issued by regions. For the purposes of this paragraph, including the contribution by the same Ministry to the repurchase of the regional bonds based on the concerning availability, up to a maximum amount of 543,170,000 euro, it is authorized the establishment of appropriate special accounting.

3. The regions' yearly savings deriving from the application of paragraphs 1 and 2 are especially earmarked for the payment of amortization instalments of loans contracted during 2014, as per articles 2 and 3 of Law Decree no. 35 of 8 April 2013, passed, with amendments, by Law no. 64 of 6 June 2013, and as per articles 32, 34 and 35 of the present decree.

4. Operations mentioned in paragraph 1 do not form new loans or mortgages as per article 4 of Law Decree no. 35 of 8 April 2013, passed, with amendments, by Law no. 64 of 6 June 2013.

5. Debt operations which, as of 31 December 2013, have the following characteristics can be subject to restructuring:

- a) residual maturity equal to or above 5 years and residual debt to amortize exceeding 20 million euros for mortgages contracted with the Ministry of Economy and Finance;
- b) residual maturity equal to or above 5 years and a nominal value of outstanding regional securities equal to or exceeding 250 million euros. For securities in foreign currency the exchange rate is that of the hedging swaps on the single issues.

6. Loans contracted by regions as per articles 2 and 3 of the mentioned Decree-Law no. 35 of 2013 are excluded from debt restructuring operations.

7. Regions can request the debt restructuring operations mentioned in paragraphs 1 and 2, by sending the Ministry of Economy and Finance - Treasury Department - Directorate II, within 20 June 2014, together with the combined certification of the president and the CFO, the list of the borrowing operations which present the requisites mentioned in paragraph 5.

8. Buyback operations of securities with the characteristics mentioned in paragraph 5, letter b), are enacted as provided by the law governing the same securities, through one or more brokers chosen by the Ministry of Economy and Finance among specialists in Government securities, who receive special mandate by the single regions.

9. The buyback process and the brokers' fees are governed by the mandate mentioned in paragraph 8; each region must consult the Ministry of Economy and Finance to define the terms.

10. A decree of the Minister of the Economy and Finance, to be issued by 18 July 2014, will select the borrowing operations approved for restructuring.

11. Following the restructuring of mortgages with the Ministry of Economy and Finance, the outstanding debt is repaid in 30 yearly installments of equal amounts. The interest rate applied to the new mortgage is equal to the market yield of Treasury Bonds having a financial duration as close as possible to that of the new mortgage granted by the Ministry of Economy and Finance, as observed on the MTS trading platform on the day the new loan contract is signed.

12. The buyback of securities issued by regions and chosen as suitable as per paragraph 5, having considered the value of the derivatives mentioned in paragraph 15, is financed by the Ministry of Economy and Finance with a mortgage with the characteristics listed in paragraph 11.

13. Should the securities being bought back or the mortgages being renegotiated be the underlying of derivative operations, the region will provide for the immediate early closing of the same. Any positive market value cashed at the early closing of the derivatives is bound by the region to buy back the debt underlying the same derivative. Should the derivative have a negative market value for the region, it must be included in the buyback operation, providing that the sum of the buyback value of the securities and the market value of the derivative is not greater than the nominal value of the securities themselves. If the underlying is a mortgage, the sum of the possible negative market value of the derivative and of the outstanding capital of the mortgage being renegotiated must not exceed the outstanding capital at the end of the solar year before the year of the renegotiation.

14. Should the sum of the security buyback price and the value of the derivatives connected to the same bring about an increase in public administration debt as defined in EU regulation 479/2009, the operation will not take place.

15. The regions are responsible for the valuation of the derivatives which, as regards the aim of the present norm, will be effected under the supervision of the MEF - Treasury Department - Directorate II.

16. The regions independently make the decisions regarding the buyback of securities and the early closing of any connected derivative operations, also taking into account the payments already made in the amortization swaps, in the sinking funds, or, in any case, of the capital earmarked for the amortization of securities in lump sum at maturity.

17. The renegotiation of mortgages and the buyback of outstanding securities as defined above, including the Ministry of Economy and Finance's market funding activity mentioned in paragraph 2, must not determine an increase in public debt of public administrations as defined by EU regulation 479/2009.