



Dipartimento  
del Tesoro

Edited by directorate II

# 2020 public debt management guidelines - Update April 2020



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## FOREWORD

The aim of this document is to provide participants of Italian public debt market with qualitative information regarding Treasury strategies to manage additional financing needs for the year 2020 resulting from the Government's implementation of extraordinary measures to strengthen the national health service and provide economic support for families, workers and companies, related to the Covid-19 epidemiological emergency.

This document integrates, without replacing, the 2020 Public Debt Management Guidelines released at the beginning of the year, which continue to be the reference document regarding the Government securities' issuances and management strategy for the current year. Therefore, please refer to them for the aspects not specifically covered in this document.

Regarding the quantitative indications, as reported by a press release from the Ministry of Economy and Finance<sup>a</sup>, preliminary estimates on the additional volume of public debt issuance required to finance government measures, taking account the new macroeconomic context, will be elaborated and presented in the 2020 Economic and Financial Document, which will be published in the next few weeks.

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<sup>a</sup> Press release N° 64 of 01/04/2020

## **INFORMATION REGARDING THE 2020 DEBT MANAGEMENT POLICY TO ADDRESS ADDITIONAL FINANCING NEEDS DUE TO THE HEALTH CRISIS**

The outbreak of health crisis due to the spread, first in China and then all over the world, of Covid-19 epidemic has deeply changed the global economy and the financial markets. The health crisis turned soon into an economic and financial crisis, resulting from the economic impact of the restrictive measures implemented by various countries in order to contain the virus diffusion. With the health emergency still in place and with the restrictive measures still in force in all the countries, the effects of the epidemiological crisis are still uncertain and difficult to quantify.

The governments of various countries, including Italy, tried to deal with the economic and health emergency through the implementation of extraordinary measures to strengthen the National Health Service and economic support for families, workers and companies. These measures cause the need to find additional funding sources through public debt issuances in a deeply changed market context affected by the current crisis.

The vulnerability of financial markets, due to the uncertain health crisis impact on the global economy, was partly mitigated by the important and extraordinary monetary policy measures implemented by the central banks of all countries. During an extraordinary meeting on March 18, the ECB decided to implement a new purchasing program called "Pandemic Emergency Purchase Program" (PEPP), in order to support both the public and private sectors, in addition to the monetary policy measures that were already in place.

The impact of this decision was particularly important for the European Government bond market, especially for the flexibility that makes this program different from those already in place.

In this context, the Treasury plans to manage the additional financial needs for the year 2020 by combining in the most efficient way the need to consolidate its objectives in terms of debt management strategy with the evolution and trend of the financial markets.

In this perspective, the Treasury will try to ensure that the greater volume of additional issues will not significantly alter the results achieved in terms of debt structure and composition, in order to limit the debt exposure to the main risks, in particular interest rate and refinancing risks.

For the above reasons, the Treasury, when planning its strategy, will make use of both flexibility and innovation elements, maintaining at the same time its commitment to ensure predictability and regularity in all the segments of domestic securities. Hereafter a list of tools that will be adopted by the Treasury in order to manage the additional financing needs according to the actual context and the aforementioned goals:

- a) **Increase of the amount offered at auctions.** There will be an increase of the amount offered at auctions, the schedule of which will continue to be in line with the current calendar and time frequency, across the various segments and maturities. The Treasury will allocate the additional issues across the various segments and maturities in a regular way by taking always into consideration the evolution of the market. The calibration of volumes offered to the market will continue to give more weight to the sectors with greater liquidity on the secondary market and deeper demand.
- b) **Increase of the shares of the supplementary placements reserved to the Specialists (Primary Dealers).** Currently, the reopening shares of the Specialists in supplementary placements amount to 30% for the first *tranche* and 15% for following *tranche*. The latter, when considering nominal and inflation-linked bonds with maturity longer than ten years, can be raised up of an additional 5% and communicated in the ordinary auction press release, on a case-by-case basis. Starting from the medium-long term government bond auctions occurred on the 31<sup>st</sup> March 2020, the Treasury has the faculty of waiving the aforementioned limit by increasing the reopening share of nominal and inflation-indexed securities, on a discretionary basis and bond by bond, regardless of their residual maturity. Even in that case, this potential decision will be notified in the relative auction press release.
- c) **More resort to syndicated placement of new benchmark securities.** Considering the importance, in this market context, of an efficient allocation among final investors and to achieve a size that guarantees a good performance on the secondary market, the Treasury might make use of the syndicated placement for the launch of new benchmark even for different maturities than those traditionally reserved for this type of issuance. Hence, it is not excluded the possibility of resort to the syndicated placement for the issuance of new benchmark, both nominal and inflation-linked, with maturity equal or lower than ten years.
- d) Introduction of a **facility reserved to Specialists**, which will allow the Treasury to issue one or more *off-the-run* securities during weeks where no calendar auctions are scheduled. These new placements, in addition to calendar-based usual auctions, might take place through traditional auctions or through new innovative tools, such as a dedicated electronic platform within the regulated wholesale debt market.  
The opportunity and type of bond to be issued will be evaluated in order to meet the specific demand requirements with respect to specific securities.

- e) In order to guarantee a **greater participation of *retail* investors**, in this context of higher public financing needs, the Treasury will offer to the market securities tailored to this specific investor segment. These instruments, aimed at supporting the funding coverage of already launched or to be launched Government decrees to face the pandemic crisis Covid-19, will be of two different types:
- a. BTP Italia, a well-known instrument by the financial markets and *retail* investors, that will be offered through the traditional ways implemented so far, through at least one issue during the year;
  - b. A new plain-vanilla nominal security, and with no inflation indexations, specifically tailored to *retail* investors, that will be offered in more occurrences during the year.