



## *Il Ministro dell'Economia e delle Finanze*

**HAVING REGARD TO** the Decree of the President of the Republic No. 398, 30 December 2003 and subsequent modifications, bearing the “Consolidated Act of the Legislative and Regulatory Provisions on the Subject of Public Debt” (hereinafter “Consolidated Act”), and in particular Article 3, Paragraph 1, where it is provided that the Minister of the Economy and Finance is authorized, in any financial year, within the annual limits set out in the budgetary law, to issue framework decrees which, *inter alia*, may allow the Treasury:

- to carry out borrowing transactions on both domestic and foreign market through short, medium, and long-term financial instruments and products, setting their nominal amount, rate of interest or criteria for its determination, duration, minimum amount to be subscribed, placement system, and any other characteristic and means;
- for the purpose of promoting efficiency of the financial markets, to temporarily issue tranches of outstanding bonds in order to allow for recourse to repo transactions or other transactions in use in the markets;
- to issue tranches of outstanding bonds aimed at establishing an active portfolio of Government bonds to be used for repos or other operations in use in financial markets, in order to promote their efficiency;
- to carry out early redemption debt transactions, as well as to perform debt exchange transactions and to use other instruments as provided by practices in the international financial markets;

**HAVING REGARD TO**, in particular, Article 3, Paragraph 1-bis, of the aforementioned consolidated act, under which the Treasury is authorized to enter into bilateral collateral agreements in relation to transactions in derivative instruments;

**HAVING REGARD TO** the Ministerial Decree for carrying out collateral No. 103382 of 20 December 2017 (hereinafter “Collateral Decree”);

**HAVING REGARD TO** the Ministerial Decree No. 73150 of 4 August 2003, as amended by the Ministerial Decree No. 9487 of 1 February 2005, regulating the government securities’ exchange transactions to be performed through screen-based trading systems;

**HAVING REGARD TO** Article 5 of the aforementioned Consolidated Act, regarding the “Governance of the account held by the Treasury at the Bank of Italy for the treasury service”;

**HAVING REGARD TO** the Ministerial Decree No. 25391 of 25 October 2011, regulating the movement of the liquidity held at the Treasury’s Cash account for the service (hereinafter, “liquidity account”) and in other accounts similar thereto, and the selection of the counterparties participating in the related transactions;

**CONSIDERING** that the Department of the Treasury may place into effect:

- Master agreements with financial institutions (I.S.D.A. Master Agreements), for the purpose of regulating the agreements indicated hereunder, in accordance with the provisions established by the International Swap & Derivatives Association, previously known as the International Swap Dealers Association (hereinafter, “I.S.D.A.”), an internationally recognized trade association for definition of contractual standards;
- On the occasion of financial derivative transactions, agreements with the above financial institutions for the purpose of regulating such transactions;
- Other agreements howsoever connected with debt management;

**HAVING REGARD TO** the Legislative Decree No. 300, 30 July 1999, bearing the “Reform of the Organization of the Government, pursuant to Article 11 of Law No. 59, 15 March 1997,” and in particular, Article 5, Paragraph 3, where it is provided that the head of the department carries out tasks of coordination, direction, and control of the general management offices within the department, for the purpose of ensuring the continuity of the administrative functions, and is responsible for the overall results achieved by the offices reporting to him, as part of the implementation of the Minister’s plans and strategies;

**HAVING REGARD TO** the Legislative Decree No. 165, 30 March 2001, bearing “General Regulations about Work within the Public Administration” and in particular, Article 4, which, while vesting the political level with the responsibility for policy-administrative planning and the verification of consistency of administrative and management activity with the plans and strategies conveyed, has instead vested senior managers with the responsibility for administrative actions and orders, including those that commit the administration with respect to external parties, as well as the financial, technical, and administrative management;

**HAVING REGARD TO** the regulations for the organization of the Ministry of the Economy and Finance, issued with decree of the President of the Council of Ministers No. 103, 26 June 2019, and in particular Article 5, Paragraph 2, where the functions carried out by Directorate II are defined;

**HAVING REGARD TO** the Law No. 20, 14 January 1994, bearing “Provisions about the Jurisdiction and Control of the Court of Auditors” and in particular, Article 3, Paragraph 13, which establishes that the provisions referenced in Paragraph 1, in relation to the legitimate preventive control of the Court of Auditors, are not applicable to the acts and orders issued with respect to monetary, credit, securities-related, and foreign-exchange matters;

**HAVING REGARD TO** the Legislative Decree No. 50 of 18 April 2016, bearing the “Public Procurement Code,” and in particular, Article 17, Paragraph 1, letter e), which establishes that the provisions of the code are not applicable to contracts concerning financial services in relation to the issuance, purchase, sale, and transfer of securities or other financial instruments;

**HAVING REGARD TO** the Ministerial Decree No. 143 of 17 April 2000, which provides for the regulation of the centralized depository of Government bonds;

**HAVING REGARD TO** the Decree of 23 August 2000, which provides for entrusting Monte Titoli S.p.A. with Government bonds centralized depository service;

**HAVING REGARD TO** the Law No. 196 of 31 December 2009 and subsequent modifications and additions, bearing the Public Finance and Accounting Law;

**HAVING REGARD TO** the Law No. 160 of 27 December 2019, bearing the “State Budget for 2020 financial year and multi-annual budget for triennium 2020-2022”, and in particular, Article 1, Paragraph 92, which provides the issuance of Government green bonds, in proportion with the interventions financed by the State budget with positive impact on the environment and in such a way as to ensure an efficient functioning of the secondary market of the aforementioned bonds;

**CONSIDERING** the need to delineate the key objectives for the fulfilment of the administrative activity with respect to financial transactions aimed at the management of the public debt, establishing the limits to be respected and the terms and conditions with which the administration must comply with respect to such activity during the 2021 financial year;

## **DECREES**

### **Article 1**

#### **Issuance of loans**

Pursuant to Article 3 of the Consolidated Act, the transactions for the issuance of loans during the 2021 financial year are to be ordered through decree by the Director General of the Treasury or, by his delegation, by the Director General of Directorate II of the Department of the Treasury (hereinafter, “Director of Directorate II”). In the event of the latter’s absence or inability to act, the aforementioned transactions may be ordered by the Director General of the Treasury, even if a continuous delegation has been issued. In the event of the absence or inability to act of both persons, the transactions for the issuance of loans will be ordered by another Director General empowered to sign the acts in substitution of the Director General of the Treasury.

The Department of the Treasury may proceed with the issuance of all types of government

securities in use on the financial markets, whether fixed- or floating-rate, including the issuance of green bonds as of Art. 1, Paragraph 92, of the Law No. 160 of 27 December 2019. It may further issue tranches of outstanding securities in order to allow repo transactions or other transactions in use in the market for the purpose of promoting the markets' efficiency.

## **Article 2**

### **Borrowing limits**

The issuance of securities shall be effected within the limit established annually by the law approving the State budget, and by complying with the limits set forth in this decree and in accordance with the objectives indicated by the same. The securities may have any duration and, while fixing it, the need to secure the approval of the markets shall be reconciled with the need to curb the overall borrowing cost from a medium-/long-term perspective, having considered the need for protection from refinancing risk and from exposure to changes in interest rates.

For such activity, the Department of the Treasury shall issue securities in such a size that, at the end of the 2021 financial year, and with respect to the total nominal amount of the government securities outstanding at that date, short-term securities will account for between 3 percent and 8 percent, "nominal" medium-/long-term fixed-rate securities will be between 65 percent and 78 percent, "nominal" floating-rate securities will be between 4 percent and 10 percent; in addition, the "real" inflation-indexed securities and zero-coupon Treasury certificates shall not exceed 15 percent and 4 percent, respectively, and the securities issued on foreign markets shall not exceed 5 percent.

In addition, the Department of the Treasury may effect, with the terms and conditions provided by this decree, transactions for the assignment of securities for particular purposes as provided by laws and regulations.

## **Article 3**

### **Transactions aiming at public debt management purposes**

The Department of the Treasury, on the basis of available information and market conditions, will effect transactions for the management of the public debt, also using financial derivative instruments. These transactions, depending on their specific features, will aim to curb overall borrowing cost, to protect from market risks and refinancing risks, and to improve the efficient functioning of the government securities secondary market .

Debt exchanges or buybacks will be ordered by the Director General of the Treasury or, by his delegation, by the Director of Directorate II. For each transaction, the Department of the Treasury, if considered necessary with respect to market conditions, may repurchase securities in a way that the residual outstanding amount of each securities can ensure adequate liquidity conditions in the secondary market.

Participation in debt exchange or buyback transactions will be only allowed to the operators registered in the list of the Specialists in government securities.

Pursuant to Article 3, Paragraph 2, of the Consolidated Act, the payments consequent to the

transactions referred to in this article may also occur as an exception to the provisions established by Article 24, Paragraph 2 of Law No. 196, 31 December 2009, and subsequent modifications and additions, in consideration of the specificities related to such transactions.

#### **Article 4**

##### **Containment of credit risk in financial derivative instrument transactions**

In order to reduce risks stemming by possible breaches by counterparties in financial derivative instrument transactions, the aforementioned operations will be only performed with highly reliable financial institutions. In evaluating the credit worthiness of these institutions, reference will be made to the assessment expressed by the main rating agencies that appraise credit worthiness as per EC Regulation no. 1060/2009 of 16 September 2009, and subsequent modifications.

In managing public debt, should the need arise, the Department of the Treasury is allowed to conclude collateralization agreements with the counterparties of financial derivative instrument transactions, enabling both parties to provide collateral, pursuant to the provisions of Paragraph 1-bis of Article 3 of the Consolidated Act.

With regard to the above mentioned agreements, the exposure threshold pursuant to letter b), Paragraph 1, Article 6 of the Collateral Decree is set at € 3 billion for the 2021 financial year. The relevant exposure is calculated as the average of the weekly evaluations, carried out by the Department of the Treasury, upon the overall derivatives portfolio of each counterparty in the last quarter of 2020.

#### **Article 5**

##### **Agreements related to financial derivative instruments**

The Director General of the Treasury or, by his delegation, the Director of Directorate II may enter into the I.S.D.A. Master Agreements referred to in the above preambles, and any annex thereto, as well as any other agreement related to financial derivative instrument transactions.

For the drawing up of the collateralization agreements the Collateral Decree remains unaffected.

#### **Article 6**

##### **Liquidity management transactions**

The management of the liquidity account is aimed at allow an efficient movement of the available liquidity, in relation to the government securities issuance strategy, to the prevailing market conditions, and to the restrictions imposed by monetary policy provisions.

Repo transactions on government securities can be carried out. These transactions, for their temporary nature, constitutes treasury operations for which specific treasury accounts are provided,

also for cash collateral margins turnover, taking care of the distinction between deposited and received margins.

Government securities used for the aforementioned transactions are deposited in a specific account at the centralized depository company Monte Titoli S.p.A..

Repo transactions set out in this article are carried out on the regulated markets in accordance with their admission and functioning rules.

The transactions for the management of the liquidity account referred to in the Ministerial Decree of 25 October 2011 are ordered by the Director of Directorate II or, in the event of his absence or inability to act, by another senior manager of Directorate II delegated by the Director, by way of derogation from the aforementioned decree.

## **Article 7**

### **Decrees for approval and verification**

The decrees for the approval of the agreements cited in the preceding Article 5, as well as those for the verification of the outcome of the transactions for public debt management and the management of liquidity referred to in Article 6, are to be signed by the Director General of the Treasury or, by his delegation, by the Director of Directorate II.

For the drawing up of the collateral agreements the Collateral Decree remains unaffected.

## **Article 8**

### **Communication obligations**

The Department of the Treasury shall steadily give notice to the Minister's Cabinet Office of the financial transactions concluded pursuant to this decree, indicating the financial data of each of them.

The Department of the Treasury shall give advance notice to the Minister of those transactions that, for their characteristics, fall within the functions of the political level's policy-administrative planning. In addition, should any specific public debt management need make it appropriate to derogate from the limits set out in this decree, the relevant decisions will be submitted to the Minister.

This decree will be published in the Official Gazette of the Republic of Italy.

Rome, 30 December 2020

**Roberto Gualtieri**