

EXAMPLE OF BOT ISSUANCE DECREE

*The following decree, regarding the issuance of the 6-month BOTs,
is published only as an example*



Ministry of Economy and Finance

Department of the Treasury – Directorate II

THE DIRECTOR GENERAL OF THE TREASURY

HAVING REGARD to Royal Decree no. 2440 of 18 November 1923, on provisions for the administration of capital and on the general accounting of the State;

HAVING REGARD to article 548 of the Regulation for the administration of capital and for the general accounting of the State, approved by Royal Decree no. 827 of 23 May 1924;

HAVING REGARD to article 3 of Law no. 20 of 14 January 1994, as amended;

HAVING REGARD to Legislative Decree no. 58 of 24 February 1998, Consolidated Act on the dispositions regarding matters of financial intermediation, as per articles 8 and 21 of Law no. 52 of 6 February 1996; as well as articles 23 and 28 of Decree no. 216 of 22 December 2009, regarding Specialists in Italian Government Bonds;

HAVING REGARD to D.P.R. no. 398 of 30 December 2003, on the consolidated act of legislative provisions in matters of public debt, and, in particular, article 3, where it is stipulated that the Minister of Economy and Finance is authorized, in each financial year, to issue framework decrees that allow the Treasury, among other things, to effect funding operations in the domestic or foreign market in the form of short-, medium-, and long-term financial instruments, indicating therein the nominal amounts, the interest rate or the criteria for determining the same, the duration, the minimum amount that can be subscribed, the placement system and every other characteristic and procedure;

HAVING REGARD to Legislative Decree no. 239 of 1 April 1996, as amended;

HAVING REGARD to Legislative Decree no. 461 of 21 November 1997, as amended, on the reorganization of regulations regarding capital and other revenues;

HAVING REGARD to Ministerial Decree no. 97587 of 23 December 2014, issued in implementation of article 3 of the aforementioned D.P.R. no. 398 of 2003, which established the

objectives, limits and procedures by which the Treasury Department must abide in carrying out the financial transactions mentioned in the same article, stipulating that the operations themselves will be determined by the Director General of the Treasury or, by proxy, by the Director of Directorate II of the same Department and that, in case this latter is absent or impeded, the above mentioned transactions can be ordered by the same Director General of the Treasury, even in the case of a continuous delegation;

HAVING REGARD to decision no. 100215 of 20 December 2012, with which the Director General of the Treasury authorises the Director of Directorate II of the Treasury Department to sign the decrees and acts related to the above mentioned transactions;

HAVING REGARD to, furthermore, articles 4 and 11 of the abovementioned D.P.R. no. 398 of 2003, regarding the dematerialization of Government bonds;

HAVING REGARD to Ministerial Decree no. 143 of 17 April 2000, published in Official Gazette no. 130 of 6 June 2000, through which the rules on the discipline of central management of Government bonds were adopted;

HAVING REGARD to the decree of 23 August 2000, published in Official Gazette no. 204 of 1 September 2000, which mandates Monte Titoli S.p.A. for the service of central management of Government bonds;

HAVING REGARD to law no. 191 of 23 December 2014, on the approval of the forecast State budget for the financial year 2015, and in particular the third paragraph of article 2, which established the maximum limit of public loan issues for the same year;

HAVING REGARD to article 17 of D.P.R. no. 398 of 30 December 2003, on the admissibility of sending bids via fax to participate in Government bond auctions;

HAVING REGARD to the Ministerial Decree of 15 January 2015 on rules for transparency in Government bond placement operations;

HAVING REGARD to the Ministerial Decree of 5 May 2004, which disciplines the procedures to adopt in the case of late payment of cash or bonds, due to insufficient funds of the operators that participated in the issue, exchange or buyback transactions of Government bonds;

HAVING RECOGNIZED the need to perform BOT auctions with operators' bids expressed in yield terms, instead of price, according to the prevailing use in euro area money markets;

HAVING CONSIDERED that the amount of issues as of 19 February 2015, net of reimbursements, adds up to 32,339 million euros;

D E C R E E S :

Article 1

In compliance with and by effect of article 3 of D.P.R. no. 398 of 30 December 2003, as well as the Ministerial Decree of 23 December 2014, cited in the preamble, and in breach of article 548 of the general accounting regulation of the State, the issuance on 27 February 2015 of 185-day Treasury Bills (hereinafter BOTs) with maturity on 31 August 2015, up to a maximum limit in nominal value of 7,000 million euros, is determined.

Re-openings in tranches are possible for the present issue.

At the conclusion of the allocation procedure, the issuance of a supplementary placement of BOTs mentioned in the present decree is determined, to be allocated to “Specialists in Government Bonds”, identified in compliance with articles 23 and 28 of Decree no. 216 of 22 December 2009 cited in the preamble, according to the procedures specified in the subsequent articles 15 and 16 of the present decree.

Article 2

Bids made at yields lower than the “minimum acceptable yield” , determined on the basis of the following procedures, are automatically excluded from the auction:

- a) if the total amount bid is greater than the amount offered, the weighted average yield of the bids is calculated on those bids that, being ranked starting from the lowest yield, make up the second half of the nominal amount to be issued; if the total amount bid is less than the amount offered, the weighted average yield of the bids is calculated on those bids that, ranked starting from the lowest yield, make up the second half of the amount bid;
- b) the minimum acceptable yield, corresponding to the weighted average yield in point a) minus 25 basis points (1% = 100 basis points), is identified.

In case of exclusion as per the first paragraph of this article, the weighted average allocation yield is calculated subtracting from the total amount offered by the issuer a quantity equal to that excluded. The excluded bids are allocated at the greater of the following two yields: that obtained by subtracting 10 basis points from the lowest yield accepted at auction and the minimum acceptable yield.

Article 3

Bids with yields 100 or more basis points greater than the weighted average yield of the bids, which, ranked starting from the lowest yield, make up half of the total amount of bids submitted, are excluded from allocation. In the event that this amount is greater than the tranche offered, the weighted average yield is calculated on the basis of the total amount of the bids, ranked in ascending order with respect to yield and equal to half the tranche offered.

Bids excluded in accordance with article 2 of the present decree are not included in the calculation of the weighted average yield mentioned in this article.

Article 4

Once the auction operations are concluded, a subsequent decree will indicate the maximum and the minimum acceptable yields – as per the procedures described in articles 2 and 3 of the present decree – and the weighted average allocation yield, as well as the corresponding weighted average price.

In the case of issues of tranches subsequent to the first, the decree mentioned in the preceding paragraph will also contain the weighted average price calculated for tax purposes, in accordance with article 17 of the present decree.

Article 5

BOTs can be subscribed for a minimum amount of 1,000 euros and, in accordance with article 39 of Legislative Decree no. 213 of 24 June 1998, subscribed amounts are represented by accounting entries in favour of those entitled.

The Bank of Italy will automatically input the amounts of BOTs subscribed at auction to be settled into the compensation and liquidation service as financial instruments with the same value date as the settlement date. The operator participating in the auction in order to settle the BOTs allocated can request that another operator, to be communicated to the Bank of Italy, settle the allocated BOTs on his behalf, according to the rules and procedures set forth by the same.

On the basis of the allocations, the awarded intermediaries will credit the relative amounts to the subscribers' accounts.

Article 6

As an exception of the dispositions of the aforementioned article 548 of the general accounting standards of the State, the maturity of BOTs can be expressed in "days".

The calculation of the days for the purpose of determining maturity begins from the day following that of the BOT settlement.

Article 7

The following can participate in auctions as operators provided that they are authorized to exercise at least one of the investment services as per article 1, paragraph 5, of Legislative Decree no. 58 of 24 February 1998, cited in the preamble:

- a) Italian banks both inside and outside the European community mentioned in article 1, paragraph 2, letters a), b) and c) of Legislative Decree no. 385 of 1 September 1993 (Consolidated Act on Banking and Credit Matters), included in the register of the Bank of Italy as per article 13, paragraph 1, of the same legislative decree;
 - banks within the European community can also participate in auctions insofar as they conduct the activity mentioned in article 16 of the aforementioned Legislative Decree no. 385 of 1993 without setting up branches in the territory of the Republic, as long as in compliance with paragraph 3 of the same article 16;
 - banks outside the European community can also participate in auctions insofar as they conduct activities of financial intermediation without establishing branches having obtained authorization by the Bank of Italy, granted in agreement with the CONSOB in accordance with the cited article 16, paragraph 4;
- b) financial intermediation companies and investment firms outside the European community mentioned in article 1, paragraph 1, letters e) and g) of the aforementioned Legislative Decree no. 58 of 1998, listed in the register established at the CONSOB, as per article 20, paragraph 1, or investment firms within the European community mentioned in article 1, paragraph 1, letter f), of the same decree, included in the appropriate list enclosed with said register.

The Bank of Italy, which manages the Provincial State Treasury, is entrusted to effect the operations.

The Bank of Italy is authorized to stipulate special agreements with operators so as to regulate auction participation through the national inter-bank network.

Article 8

Operators' bids must be expressed in terms of yields, which can have positive, null or negative values. These yields are to be considered gross and expressed in simple capitalisation referring to a 360-days year.

Bids submitted by operators must be made through the national inter-bank network and must contain both the amount of BOTs to be subscribed and the relative yield. Bids without a yield are not admitted to auction.

Yields indicated by operators at the auction, expressed in percentage terms, may vary by one thousandth of a percentage point or multiples thereof. Possible different variations are rounded downwards.

The amount of each bid cannot be less than 1,500,000 euros of nominal capital.

The bids of each operator that indicate an amount greater, even as a sum total of the bids, than that offered by the Treasury are taken into consideration starting with the bid with the lowest yield until the amount offered is met, except for what is stipulated in articles 2 and 3 of the present decree.

Bids that are not multiples of the minimum amount that can be subscribed as of article 5 are rounded downwards.

Any bids that present bonds in exchange to settle the bonds issued will not be considered.

Article 9

The bids of each operator, addressed to the Bank of Italy, must be transmitted using the national inter-bank network according to the technical procedures established by the same Bank of Italy.

In order to guarantee the integrity and confidentiality of the data transmitted on the national inter-bank network, bilateral authentication and cryptographic keys are exchanged between the operators and the Bank of Italy.

Should it become impossible to issue messages on the network due to malfunctioning equipment, the bids for participation at auction must be sent by forms transmitted via fax, according to the provisions of article 7, last paragraph, of the present decree.

Article 10

Bids must reach the Bank of Italy by and no later than 11 am of 25 February 2015. Bids not received by this deadline will not be taken into consideration.

Bids in substitution of those previously submitted and received will be taken into consideration only if the substitutive bids are received by the deadline mentioned above.

Bids cannot be withdrawn after the above stated deadline.

Article 11

Auction operations are carried out, after the deadline mentioned in the preceding article, at the branches of the Bank of Italy in the presence of a representative of the same bank and with the intervention, also through electronic communication systems, of a representative of the Ministry of Economy and Finance, who has power of notary and draws up the appropriate minute in which, for each tranche, the allocation yields and the relative amount of receivable or payable interest, determined by the difference between 100 and the corresponding allocation prices, must be indicated.

Article 12

The sections of the State treasury are authorized to register the amount of interest in a specific single summary document for each tranche issued and they release – on the same day

scheduled for the issuance of BOTs by the present decree – income receipts for the nominal amount issued.

The cost of payable interest will be charged to Chapter 2215 (voting unit 26.1) of the forecast budget of the Ministry of Economy and Finance for the financial year 2015.

The revenue related to receivable interest will be accounted to Item X, Chapter 3240 (voting unit 2.1.3), with the same value date as the settlement date indicated in article 1, paragraph 1 of this decree. The section of the State treasury in charge will issue a receipt of income for this deposit.

Article 13

BOTs are allocated at the yield respectively indicated by each operator participating in the auction; these may submit up to five bids, each at a different yield.

Article 14

BOTs are allocated following the ascending order of the yields offered by the operators, until the amount offered is met, with the exception of what is specified in articles 2 and 3 of the present decree.

In the event that the bids formulated at the maximum accepted yield cannot be totally satisfied, the allocation is made on a pro-quota basis.

Bids that are allocated are settled at prices corresponding to the yields indicated by the operators.

Article 15

Once the allocation operations are completed, the supplementary placement of the same semi-annual bills begins, reserved to the Specialists mentioned in article 1, usually for an amount of 10% of the total nominal amount offered at the ordinary auction, determined as per the procedures mentioned in the following article 16. This tranche is reserved for "Specialists in Government bonds" who participated in the ordinary tranche with at least one bid made at a yield not greater than the maximum acceptable yield mentioned in article 3 of the present decree. Specialists may participate in the supplementary placement by sending bids up to 3:30 pm of 26 February 2015.

Bids not received by this deadline will not be taken into consideration.

The supplemental placement takes place at the weighted average auction yield of the ordinary tranche; bids made at a different yield are allocated at that weighted average yield.

For the purposes of allocation, the provisions set out in articles 5 and 11 are valid to the extent applicable. Each specialist's bid must be presented according to the procedures of articles 9 and 10 and must contain the amount of bills the operator intends to subscribe.

Each bid must be for at least 1,500,000 euros; bids for lower amounts are not considered.

No bid may be greater than the total amount offered in the supplementary placement; bids for a greater amount are accepted up to the amount offered in the supplementary placement itself.

Bids for amounts not multiples of the minimum amount that may be subscribed as of article 5 are rounded downwards.

Bids that present bonds in exchange to settle the bonds issued will not be considered.

Article 16

The amount rightfully due to each specialist in the supplementary placement is determined as follows:

- a) for an amount usually equal to 5% of the nominal amount on offer in the ordinary auction, the amount awarded is equal to the ratio of the value of bills awarded to the specialist in the last three ordinary auctions of 6-month BOTs, including the ordinary auction immediately preceding the re-opening itself, to the total amount awarded in the same auctions to the dealers admitted to participate in the supplementary placement; the amounts awarded as per article 2 of the present decree do not go to form part of the amount due to each specialist;
- b) a further amount equal to 5% of the nominal amount on offer in the ordinary auction, will be awarded on the basis of a valuation made by the Treasury of the performance of the same specialists, registered quarterly in the wholesale trading venues chosen as per article 23, paragraphs 10, 11, 13, and 14, and article 28, paragraph 2, of Ministerial Decree no. 216 of 22 December 2009, cited in the preamble; this valuation is transmitted to the Bank of Italy and to the specialists themselves.

The amount mentioned at the preceding letter a), normally equal to 5% of the nominal amount on offer in the ordinary auction, may be modified by the Treasury with a press release after the conclusion of the ordinary auction procedures.

Bids are satisfied by preferentially assigning each specialist the lesser between the amount requested by the specialist and the amount rightfully due to them. Should one or more specialists present bids inferior to those rightfully due, or not present any bid at all, the difference is allocated to operators who presented bids greater than those rightfully due. The allocations will be made on the basis of the shares mentioned at the preceding letters a) and b).

Settlement for bills subscribed in the supplementary placement is made by the allotted operators on the same settlement day as for the bills allocated in the ordinary auction indicated in article 1, paragraph 1, of the present decree.

Article 17

The interest deriving from BOTs is paid in advance and determined, only for tax purposes, by referring to the weighted average price – rounded to the third decimal place – corresponding to the weighted average yield of the first tranche.

Aside from existing norms relative to tax exemptions in matters of public debt, BOTs issued with the present decree are subject to the dispositions in Legislative Decree no. 239 of 1 April 1996, as amended, and in Legislative Decree no. 461 of 21 November 1997, as amended.

The present decree will be sent to the Central Budget Office and will be published in the Official Gazette of the Italian Republic.

Rome,

for THE DIRECTOR GENERAL OF THE TREASURY