

EXAMPLE OF CCT ISSUANCE DECREE

The following decree regarding the issuance of the Cct is published solely to serve as an example

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MODULARIO
T. DEB. PUBBL. 893

Mod. 211/A



Ministero dell'Economia e delle Finanze

Dipartimento del Tesoro - Direzione Seconda

N. 110184

THE DIRECTOR GENERAL OF THE TREASURY

CONSIDERED the Legislative Decree n. 396 of December 30, 2003, concerning the consolidated act on the 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 decrees that allow the Treasury to carry out funding in the domestic and 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 maturity, the minimum amount that can be subscribed, the placement system and every other characteristic and modality;

CONSIDERED the ministerial decree no.19969 of April 7, 2004, in enactment of article 3 of the aforementioned Legislative Decree no.396 of 2003, which establishes the objectives, limits, and modalities by which the Department of the Treasury must abide in carrying out the financial transactions mentioned in the same article, and it is foreseen that the transactions themselves will be determined by the Director General of the Treasury, or, by proxy, by the Head of the Public Debt Management Direction;

CONSIDERED the administrative act no. 39686 of April 22, 2004, with which the Director General of the Treasury delegated the Head of the Direction II of the Department of the Treasury to sign the decrees and acts relative to the aforementioned transactions;

CONSIDERED, furthermore, articles 4 and 11 of the mentioned Legislative Decree no.396 of 2003, regarding the dematerialization of Government bonds;

CONSIDERED the ministerial decree of April 17, 2000, no.143, published in the Official Gazette no. 130 of June 6 2000, concerning the assignment of centralized depository

management services for Government bonds;

CONSIDERED the decree of August 23, 2000, published in the Official Gazette no. 204 of September 1, 2000, which mandates Monte Titoli S.p.A. for the management of centralized depository services for Government bonds;

CONSIDERED the ministerial decree no.43044 of May 5, 2004, published in the Official Gazette of the Italian Republic no. 111 of May 13, 2004, concerning the dispositions in the event of late payment of issue, exchange, or buyback transactions of Government bonds;

CONSIDERED the law of December 24, 2003, no. 351, concerning the approval of the previsual State budget for financial year 2004, and in particular the third paragraph of article 2, which establishes the maximum amount of public loans to be issued for the same year;

CONSIDERED the amount of issues disposed as of 21 October 2004, net of public loan reimbursements already carried out, amounts to 77,221 million euros, and bearing in mind the reimbursements still to be paid out;

HELD opportune, in relation to market conditions, to dispose the issuance of a first tranche of CCT (Treasury certificates) bearer bonds with an effective date of 1 November 2004 and maturity on 1 November 2011;

D E C R E E S :

Art. 1

In accordance with article 3 of the legislative decree of 30 December 2003, no.396, and with the ministerial decree of 7 April 2004, cited in the preamble, the issuance of a first tranche of CCTs with an effective date of 1 November 2004 and maturity on 1 November 2011, up to a maximum amount of 3,500 million euro is disposed.

The bonds are issued without a minimum price and allocated by marginal auction referenced to the price; the auction price will be determined by the allocation procedure stipulated in the subsequent articles 11, 12 and 13.

Upon the completion of the aforementioned allocation procedure automatically a second tranche of the bonds is disposed, for a maximum amount of 25 percent of the amount indicated in the first paragraph, to be allocated to "Government bond specialists" according to the modalities described in the subsequent articles 14 and 15.

Bids met are considered binding and irrevocable and imply that relative transactions will be carried out.

Art. 2

The gross semiannual interest rate for the bonds described in article 1 will be determined by adding 15 hundredths of a point to the six-month gross yield of the six-month BOT, rounded to the closest 5 hundredths, relative to the auction held at the end of April for the six-month period from 1 May to the following 1 November and at the end of October for the six-month period from 1 November to the following 1 May.

The gross semiannual yield of the six-month BOT is equal to the difference between the value of reimbursement (100) and the auction price of the same BOT divided by the price itself, multiplied by the ratio percentage between 180 and the number of effective days that make up the maturity of the BOT.

The auction price, for each issuance of the BOT mentioned in the preceding paragraph is equal

- in the case of a non-competitive auction, to the lesser price offered by the allottees, even if pro quota;
- in the case of a competitive auction, to the average of the accepted auction prices, weighted for relative quantities.

In the event that in one of the month mentioned above there are no six-month BOT offered at auction, the gross six-month yield considered for the calculation of the CCT semiannual period will be determined by dividing in half the arithmetic average of the annual interest rates, calculated in the simple capitalization regime (based on 360 days), relative to the 12-month and the three-month BOT offered at the auctions held at the end of the above-indicated reference months.

In the event that there are no three-month or twelve-month BOT offered at auction, said gross six-month yield will be determined by referring to the gross annual interest rate of the only available variable.

In the event that no BOT auction takes place in the months referred to, the gross semiannual yield considered for the calculation of the CCT semiannual period will be equal to the EURIBOR semiannual rate, taken, according to the first paragraph of the ministerial decree 23 December 1998, published in the Official Gazette no.302 of 29 December 1998, on the fifth working day preceding the start of the six-month period.

The gross six-month interest rate will be communicated via a press release and will be certified by the appropriate decree of the Ministry of Economy and Finance, to be published in the Official gazette of the Italian Republic.

Art. 3

The minimum amount of the CCTs referred to here that can be subscribed is one thousand euros (nominal value); subscriptions may therefore be in that amount or in multiples thereof; in accordance with article 39 of the legislative decree no. 213 of 1998, cited in the preamble, subscribed bonds are represented by accounting entries in favor of those entitled; these accounting entries continue to enjoy the same fiscal treatment, including benefits and exemptions, that the valid regulation recognizes for the Government bonds.

For the same settlement date the Bank of Italy will automatically input the amounts of bonds subscribed at auction to be settled through the compensation and liquidation service that handles financial instruments. Each dealer participating in the auction can ask another dealer, whose name should be communicated to the Bank of Italy, to settle the allocated bonds on his behalf, according to the rules and procedures set forth by the Bank of Italy.

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

Art. 4

Without prejudice to the dispositions in effect relative to tax exemptions in matter of public debt, the dispositions of the legislative decree 1 April 1996, no. 239 and legislative decree 21 November 1997, no. 461 apply to the bonds issued by the present decree.

The bonds themselves will be admitted as part of the official quotation and are included among the activities permitted to guarantee transactions of refinancing at the European Central Bank.

Art. 5

Interest on the CCTs is paid in deferred six-month installments on 1 May and 1 November of each year. The first semester is payable on 1 May 2005 and the last one on 1 November 2011.

The six-month interest is paid to those entitled, bearing in mind the dispositions of the cited legislative decree no.239 of 1996.

Six-month Interest is calculated by applying the coupon rate expressed in percentage terms, carried to no less than six decimal digits, to the minimum amount of the loan equal to 1,000 euro.

The result obtained, carried to no less than ten decimal digits, is multiplied by the times in which the aforementioned minimum amount is included in the nominal value to be paid. For the purposes of payment, the value thus determined will be rounded to the second decimal.

Art. 6

Reimbursement of CCT will be made in a lump sum on 1 November 2011, bearing in mind the dispositions of the cited legislative decrees no.239 of 1996 and no.461 of 1997 and of the ministerial decree no. 473448 of November 27, 1998 as per article 18.

In accordance with article 11, second paragraph, of the cited legislative decree no.239 of 1996, in the case of re-opening of subscriptions for the issuance here decreed, for the purposes of applying the substitutive tax as per article 2 of the same decree to the difference between the subscribed nominal capital to reimburse and the auction price, the reference price remains the auction price of the first tranche of the loan.

The re-opening of the present issuance may take place even over the course of the years following the present year; in which case the relative amount will count toward the maximum limit of funding foreseen for the same years.

Art. 7

The following can participate in auctions as dealers provided that they are authorized to the exercise at least one of the investment services as per art. 1, paragraph 5, of the Legislative Decree of 24 February 1998, no. 58, cited in the preamble (Consolidated Act on dispositions in matters of financial intermediation):

- a) Italian banks both within and outside the European community as stipulated in art. 1, paragraph 2, letters a), b) and c) of the Legislative Decree of 1 September 1993, no. 385 (Consolidated Act on Banking and Credit Matters), included in the roll of the Bank of Italy hereof to art. 13, paragraph 1, of the same legislative decree;
banks within the European community can participate in auctions insofar as they conduct the transactions stipulated in art. 16 of the aforementioned Legislative Decree no. 385 of 1993 without establishing branches in the territory of the Republic, as long as in compliance with paragraph 3 of the same art.16;
banks outside the European community can participate in auctions insofar as they conduct activities of financial intermediation without establishing branches and upon authorization of the Bank of Italy, granted in agreement with the CONSOB in accordance with the cited art. 16, paragraph 4 of the aforementioned legislative decree no. 385 of 1993;

b) financial intermediaries and investment firms outside the European community as stipulated in art. 1, paragraph 1, letters e) and g) of the aforementioned Legislative Decree no. 58 of 1998, listed in the roster established at the CONSOB, as stipulated in art. 20, paragraph 1 of the same legislative decree, or investment firms within the European community as stipulated in letter f) of the aforementioned art. 1, paragraph 1, included in the list enclosed to the roll.

These dealers may participate on their own behalf or on the behalf of others.

The Bank of Italy is authorized to stipulate special conventions with dealers so that they can settle their auction participation through the National Interbank Network.

Art. 8

The Bank of Italy is entrusted to carry out the transactions relative to the placement of CCTs issued by this decree.

The relationship between the Ministry of Economy and Finance and the Bank of Italy with regard to the transactions in question are regulated by the norms contained in the relative convention stipulated on March 10, 2004 and approved with the decree no. 25909 of March 23, 2004.

As reimbursement of costs sustained and in compensation for the service rendered dealers will benefit from a placement fee of 0.30%, calculated on the basis of the nominal amount subscribed, related to the efforts not to apply any intermediation charge to the subscriptions of the clientele.

This fee will be paid through the Bank of Italy once the counter value of the subscribed bonds is deposited with the Provincial State Treasury, section of Rome.

The amount of the fee will be ascribed by the Treasury Sections as "payments to settle" and will be charged to item 2247 (base prevision unit 3.1.7.5) of the prevision budget of the Ministry of Economy and Finance for the financial year 2004.

Art. 9

Dealers' bids, up to a maximum of three, must contain the amount of bonds they are willing to subscribe and the relative price offered.

Prices indicated by dealers must vary by a minimum amount of one-hundredth of a euro; variations of a different amount will be rounded upward.

Each bid must be for at least 500,000 euros of nominal capital; bids for an inferior amount will not be considered.

No bid may be greater than the amount indicated in article 1; bids for an amount greater will be accepted only up to that amount.

Bids for amount not multiples of the minimum amount that may be subscribed will be rounded downward.

Art. 10

The bids of each single dealer relative to the tranche referred to in article 1 of the present decree must be transmitted by 11 on the day of 28 October 2004, to be addressed to the Bank of Italy, using the national interbank network according to the technical modalities established by the same Bank of Italy.

Bids not received by the deadlines will not be considered.

In the event of a lengthy interruption of service of the aforementioned "network", the specific recovery procedures stipulated in the Convention between the Bank of Italy and the dealers participating in the auctions, as per the preceding article 7, will apply.

Art. 11

After the deadline to submit bids as per the preceding article, auction transactions are carried out at the branches of the Bank of Italy in the presence of a representative from the same Bank, who, for auction purposes, will list the bids submitted with the relative amounts in descending order of price offered.

The transactions described in the preceding paragraph are carried out with the intervention of a representative of the Ministry of Economy and Finance delegated for this purpose and with power of notary, who drafts the proper report in which the auction price is indicated. This price will be communicated via a press release that will also state the information concerning the quota assigned in auction to "specialists".

Art. 12

In accordance with the dispositions of article 1 of the present decree, according to which the bonds are issued without a minimum placement price, bids submitted at prices inferior to the "exclusion price" will not be considered by the allocation procedure.

The " exclusion price" is calculated as follows:

- a) if the total amount bid is greater than the amount offered, the weighted average price of the bids is calculated on those bids that, being ranked starting from the highest price, account for the first half of the nominal amount to be issued; if the total amount bid is less than the amount offered, the weighted average price of the bids is calculated on those bids that, ranked starting from the highest price, account for the first half of the amount bid;
- b) the "exclusion price" is determined by subtracting two percentage points from the weighted average price in point a).

For the purposes of determining the aforementioned "exclusion price", the bids submitted at prices higher than the "maximum accepted price", calculated as follows, are not considered:

- a) if the total amount bid is greater than the amount offered, the weighted average price of the bids is calculated on those bids that, being ranked starting from the highest price, account for the second half of the nominal amount to be issued; if the total amount bid is less than the amount offered, the weighted average price of the bids is calculated on those bids that, ranked starting from the highest price, account for the second half of the amount bid;
- b) the "maximum accepted price" is determined by adding due percentage points to the weighted average price in point a).

The exclusion price will be communicated in the same press release as that mentioned in article 11.

Art. 13

The allocation of bonds will be made at the lowest price of those offered by the remaining

allottees.

In the event that the bids formulated at the marginal price cannot be totally satisfied, the allocation is made on a pro-quota basis with the necessary rounding off.

Art. 14

Once the allocation of the bonds described in the preceding articles is completed, the allocation of the second tranche of the same bond begins, for a maximum amount of 25% of the nominal amount indicated in the first paragraph of article 1 of the present decree; this supplemental tranche is reserved for "Specialists in Government Bonds", determined in accordance with article 3 of the regulation adopted with ministerial decree 13 May 1999, no. 219, published in the Official Gazette of the Italian Republic no. 159 of 9 July 1999, who participated in the auction for the first tranche with at least one bid made at a price not inferior to the exclusion price. Specialists may participate in the supplemental placement by forwarding applications for subscription up to 12 noon of the day of 29 October 2004.

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

The supplemental placement will take place at the auction price of the first tranche.

For the purposes of allocation, the provisions set out in art. 8 and 11 of the present decree should be followed, to the extent applicable. The bid of each "specialist" will have to be presented according to the modalities of article 10 and must contain the amount of bonds the dealer wishes to subscribe.

Each bid must be for at least 500,000 Euros; bids for an inferior amount will not be considered.

No bid may be greater than the total amount offered in the supplemental placement; bids for an amount greater are accepted only up to the amount offered in the supplemental auction itself.

Bids for amounts not multiples of the minimum amount that may be subscribed will be rounded downward; in the event that numerous bids are submitted, the first bid will be considered; bids at prices different from the auction price will not be considered.

Art. 15

The amount rightfully due to each "specialist" in the supplementary placement is equal to the ratio of the value of bonds allotted to the specialist in the last three "ordinary" auctions of seven-year CCTs (including that of the first paragraph of article 1 of the present decree and excluding those relative to exchange transactions) to the total amount allocated in the same auctions to the dealers admitted to participate in the supplementary placement. Bids are satisfied by first assigning to each Specialist the lesser between the amount requested by the specialist and the amount rightfully due to him.

Should one or more "specialists" present bids inferior to those rightfully due, or not present any bid at all, the difference is allocated to dealers who presented bids greater than those rightfully due.

For transactions related to the supplementary placement, the appropriate documentation will be completed.

Art. 16

Settlement of the bonds subscribed in auction and in the supplementary placement will be made by the dealers to whom the bonds were allocated on 1 November 2004, at the auction price. To this end, the Bank of Italy will input the amounts in the compensation and liquidation service "EXPRESS II" with the value of the settlement date.

In case of delay in settling the bonds described in this decree, the dispositions of the ministerial decree of 5 May 2004, cited in the preamble, will apply.

Art. 17

On 1 November 2004 the Bank of Italy will deposit at the Provincial State Treasury section of the Rome the net earnings from the bonds allocated, at auction price.

The aforementioned Section of the Treasury will, for said deposit, issue a receipt of State budget income, to be charged under Capo X, item 5100, art. 4 (base previsional unit 6.4.1).

Art. 18

Payment on the CCTs described in the present decree and the relevant accounting statement are regulated by the dispositions contained in the ministerial decree no. 473448 of November 27, 1998, published in the Official Gazette no. 294 of December 17, 1998.

All the records and documents in any way regarding the transactions described in this decree, as well as the accounts and the correspondence of the Bank of Italy and its delegates, are exempt from registration and stamp taxes and from taxes on governmental concessions.

Any form of advertisement for the issuance of the new bonds is exempt from stamp tax, from communal tax on advertisements and from rights normally paid to the local authorities; all other related expenses are to be paid with the reserved funds as per art. 8.

Art. 19

The costs of interest relative to the financial years from 2005 to 2011, as well as the cost for the reimbursement of capital relative to the financial year 2011, will be charged under the items that will be included in the previsional budget of the Ministry of Economy and Finance for the same years, and corresponding, respectively, to items 2216 (base previsional unit 3.1.7.3) and 9537 (base previsional unit 3.3.9.1) of the budget for the current year.

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

Rome,

THE DIRECTOR GENERAL