



Dipartimento
del Tesoro



BTP FUTURA: Third Issuance April 2021 for the country's economic recovery

**Technical note for intermediaries,
market operators and
all subjects responsible
for carrying out the distribution**

BTP Futura: Third Issuance April 2021 for the country's economic recovery

Characteristics, Placement method, Fees and Bonus payment

1. Characteristics of BTPs FUTURA

- ✓ Maturity: 16 years
- ✓ 100% retail
- ✓ Guaranteed annual minimum nominal coupon rates
- ✓ Semi-annual nominal coupons increasing over time, calculated on the basis of a preset coupon rate for the first 4 years, which will increase for a first time for the next 4 years, a second time for the following 4 years and a third time for the last 4 years of the bond's life before its final maturity (the so-called "step-up mechanism")
- ✓ Double bonus related to the growth of the nominal Italian GDP, paid to investors who purchase the bond at issuance and hold it until the end of the eighth year or the final maturity.
- ✓ The issuance will be aimed at financing the measures adopted by the Government to support the country's economic recovery related to the Covid-19 pandemic crisis and the vaccination campaign's expenses. The Issuance Decree will refer to the legislative provisions aimed at increasing the State cash-borrowing requirement which this issuance is meant to finance.

2. Placement method

The third issuance of the BTP Futura is dedicated exclusively to individual investors and other persons similarly classified and will take place from the 19th to the 23rd of April through the MOT, the regulated

electronic retail market managed by Borsa Italiana. The series of guaranteed minimum coupon rates of this third BTP Futura issuance will be communicated on Friday, the 16th of April 2021, while the final coupon rates will be announced at the end of the Placement Period, on Friday, the 23rd of April, and in any case they will not be lower than the coupon rates initially set. Moreover, the coupon rate of the first 4 years will remain unchanged, while only the coupon rates of the following periods might be revised upwards based on market conditions. The settlement day will be on Tuesday, the 27th of April 2021.

2.1 Placement Procedure and investors admitted

The Placement Period will last five trading days in just one phase, from the 19th to the 23rd of April 2021 during which the banks that are members of the MOT will submit orders received by investors admitted entering into the sale-purchase contracts on the MOT at a fixed price equal to 100. The irrevocable purchase offers placed on the MOT by the effective date and time of the placement closing will be satisfied for the entire amount covered by the related contracts concluded on the MOT with a minimum lot purchasable of bonds equal to 1,000. The placement does not entail any cap or allotment hence guaranteeing the entirely satisfaction of the demand, except for the faculty of the MEF to close the issuance earlier. In any case, the possible early closing will not take place before Wednesday, the 21st of April, thus guaranteeing at least three full days of placement to individual investors. In case of early closing at 5.30 p.m. of the third or fourth day of the placement, the definitive annual coupon rates will be set during the morning of the day after the closing of the placement.

During the Placement Period, the two *Dealers* selected by the MEF among the Specialists in Government bonds and the two *Co-Dealers* selected by the MEF among participants in the MOT Market will be active on offer on the MOT.

The Placement Period is entirely and exclusively intended for individual investors and other persons similarly classified. In particular, the persons who can participate to the placement period are:

- a) natural persons, anyhow classified;
- b) retail clients, with the exclusion of qualified counterparties and investors qualified as professional clients by law (referred to in Annex 3 of Regulation CONSOB n. 20307/2018, as amended). Retail clients treated as professional customers on request (referred to num. II in Annex 3 of Regulation CONSOB n. 20307/2018, as amended) are included herein, but they should be identified as retail clients in connection with the distribution of BTP Futura by the intermediary sending or

- submitting the purchase order or in any case prove their status as retail clients to the intermediary;
- c) asset management companies authorised to provide individual portfolio management services on behalf of investors under points a) and b) above;
 - d) intermediaries authorised to provide individual portfolio management services on behalf of investors under points a) and b) above;
 - e) trust companies that provide portfolio management services, also through fiduciary registration, exclusively on behalf of investors under points a) and b) above.

The intermediary who receives the order directly from the final buyer (so-called proximity intermediary) has the responsibility to determine the nature of the investor hence the investor's legitimacy to take part in the bond's placement period. The order can be carried out at investor's bank's desk or through any home-banking system having an on-line trading feature. With reference to the categories under (c), (d) and (e) above, the entities mentioned thereunder will have the right to participate in the placement period provided that they will be able, on request, to give formal evidence of the fact that they are acting on behalf of clients included in the categories under (a) and (b) of the list above.

3. Placement Fees

In consideration of the services provided by intermediaries during the Placement Period of BTP Futura, the MEF will pay a fee proportional to the aggregated nominal amount offered. The fee will be paid exclusively to intermediaries who provide investment services to the final purchaser of the bond.

In particular, the Issuer will recognize a fee amounting to 0.90% of the total nominal amount to subjects who, as part of their activity of collection of bonds purchase orders from customers and transmission of such orders directly, or indirectly, from their customers or the transmission of orders for their own purposes during the Placement Period on the MOT, will deliver investment services and activities of the execution of orders for clients or the reception and transmission of orders, as defined in the TUF, in accordance with the provisions of the Ministerial Decree 15 January 2015 (the Transparency Decree). Therefore, this fee will be paid only to intermediaries that will deliver investment service to the final purchaser of the bond.

The total fee amount that the Issuer recognizes to intermediaries is calculated according to the following formula:

0.90% x total amount of purchase orders placed on the MOT during the Placement Period

The exact amount of the fee recognized to each intermediary is calculated according to the following formula:

0.90% x total purchases conveyed by each intermediary during the Placement Period

This fee will be allocated among the intermediaries in proportion to the overall amount of orders placed on the MOT during the Placement Period. The payment of this fee will occur by means of placement *Dealers* and all MOT market participants; the Issuer will transfer the relative fee amounts to the account indicated by the *Dealers*.

It should be noted that intermediaries who provide portfolio management services and trust companies that participate in the Placement Period on behalf of clients able to participate in this phase will not receive such fee as they are considered as final purchaser (see 2.1).

The MEF will recognize to *Dealers* and *Co-Dealers* a fee amounting to 0.05% for the allocation activity during the placement and for providing liquidity on the secondary market.

4. Foreign Investors

Individual foreign investors can participate to the placement, except what provided by "selling restrictions" imposed by the respective countries (including the United States of America).

The identification and certification of their nature, even in this case, is in charge of the intermediary that receives the order from the final purchaser and has to transmit such certification to intermediaries to whom he sends the purchase order received by the foreign customer. In the case of a chain of foreign intermediary the validity will be attested by the certificate made by the first foreign intermediary of the chain to the last Italian intermediary, who is required to follow normal professional diligence with regard to the truthfulness of information received. In this case, the individual foreign investor can participate to the placement.

In the absence of any objective finding, the investor cannot participate to the placement.

Individual investors resident in Italy but not Italian - and then having the Italian tax code - as well as those Italians living abroad can participate to the placement period.

5. Bonus Payment

In this third BTP Futura issuance, there will be significant innovations regarding the amount and the payment methods of the bonus, which will still be related to the country's economic growth during the life of the bond.

Firstly, differently from previous issuances, the BTP Futura bonus payment will be paid in two different times. In fact, taking into account the longer maturity (equal to 16 years), **at the end of the first eighth years, investors who purchased the bond at issuance will receive an *intermediate bonus payment*** for a minimum of 0.4% and a maximum of 1.2% of the invested capital, based on the average annual variation of the Italian nominal GDP over the first eight years of the bond's life. **After the following eight years, hence at the bond's final maturity, investors who purchased the bond during the placement period and hold it until its final maturity seamlessly will receive a *final bonus payment*** made of two components:

- the first one is calculated on the basis of the average annual variation of the Italian nominal GDP over the first eight years of the bond's life, with a minimum of 0.6% and a maximum of 1.8% of the invested capital;
- the second one is calculated on the basis of the average annual variation of the Italian nominal GDP from the ninth year until the sixteenth year of the bond's life, with a minimum of 1% and a maximum of 3% of the invested capital.

Calculation of the Intermediate Bonus Payment "I"

The intermediate bonus payment is equal to 40% of the average annual percentage variation of the Italian nominal GDP, calculated from the issuance year until the year before the maturity of the first eight years of bond's life, rounded to the second decimal. This calculation will be based on the last updated series of the Italian nominal GDP published on the Istat website (www.istat.it) at the end of

the first eight years of bond's life. The intermediate bonus will not be less than 0.4% and greater than the 1.2% of the invested capital.

The *intermediate bonus payment* "I" will be calculated as follows:

If we define:

$GDP_{(t)}$ = the Italian nominal GDP at current prices in year t

$X_{(t)}$ = the GDP growth rate in year t with respect to year $t - 1$

then, it follows that

$$X_t = \frac{(GDP_{(t)} - GDP_{(t-1)})}{GDP_{(t-1)}}$$

Moreover, setting "m" as the issuance year and "n" the year before the maturity of the first eight years of the bond's life and rounding the nominal annual growth rate to the second decimal, the average annual variation of the nominal GDP, rounded to the second decimal, will be equal to:

$$\bar{X}_1 = \frac{1}{(n - m)} \sum_{t=m+1}^n X_{(t)}$$

Hence, the *intermediate bonus payment* "I" will be:

0.4% for $0.4\bar{X}_1 \leq 0.4\%$

0.4 \bar{X}_1 for $0.4\% < 0.4\bar{X}_1 < 1.2\%$

1.2% for $0.4\bar{X}_1 \geq 1.2\%$

Calculation of the Final Bonus payment "F"

The two components of the *final bonus payment*, which will be paid at the final maturity of the bond, will be calculated as follows.

The **first component** will be calculated on the basis of the average annual variation of the Italian nominal GDP (\bar{X}_1), for the period between the issuance year and the year before the maturity of the first eight years of the bond's life (the same used previously for the calculation of the *intermediate bonus payment*). Therefore, the first component will be equal to:

0.6% for $0.6\bar{X}_1 \leq 0.6\%$

$0.6\bar{X}_1$ for $0.6\% < 0.6\bar{X}_1 < 1.8\%$

1.8% per $0.6\bar{X}_1 \geq 1.8\%$

The **second component** will be calculated on the basis of the average annual variation of the Italian nominal GDP during the last eight years of the bond's life. This calculation will be based on the last updated series of the Italian nominal GDP published on the Istat website (www.istat.it) before the bond's maturity.

Setting "n" as the year before the maturity of the first eight years of the bond's life and "p" the year before the final bond's maturity, this average annual variation of the Italian nominal GDP (\bar{X}_2) will be equal to:

$$\bar{X}_2 = \frac{1}{(p - n)} \sum_{t=n+1}^p X_{(t)}$$

Hence, the **second component** will be:

1% for $\bar{X}_2 \leq 1\%$

\bar{X}_2 for $1\% < \bar{X}_2 < 3\%$

3% for $\bar{X}_2 \geq 3\%$

Therefore, the *final bonus payment* "F" will be equal to the sum of the first and the second component.

In order to simplify the entitlement to receive the Bonus Payment, a "special" ISIN code will be assigned to BTP Futura together with a regular ISIN code, which will be that used for market trading purposes. The "special" ISIN code will be replaced by the regular ISIN code at the time of any sale of the bond in the secondary market starting from the settlement date. Only investors of the bond identified by the "special" ISIN code will be entitled to receive the intermediate bonus payment, at the end of the eight years of the bond's life, and the final bonus payment, at the final maturity, hence implying that they have never sold the bond before the first eight years of the bond's life and its final maturity.

The intermediaries must keep track of all individual investors and other persons similarly classified that hold BTPs Futura with the "special" ISIN code until the bonds maturity, communicating the relative nominal amounts to Monte Titoli S.p.A. (the Italian Central Security Depository), which will communicate to the MEF and Banca d'Italia these data on a monthly basis.

Rome, 8th April 2021

ANNEX

Tables with the list of the types of investors that can purchase the BTP Futura

PERSONS ADMITTED TO THE PLACEMENT
A) Natural persons, anyhow classified
B) Retail clients, with the exclusion of qualified counterparties and investors qualified as professional clients by law (referred to in Annex 3 of Regulation CONSOB n. 20307/2018, as amended). Retail clients treated as professional customers on request (referred to num. II in Annex 3 of Regulation CONSOB n. 20307/2018, as amended) are included herein, but they should be identified as retail clients in connection with the distribution of BTP Italia by the intermediary sending or submitting the purchase order or in any case prove their status as retail clients to the intermediary.
C) Asset management companies authorised to provide portfolio management services on behalf of investors under points A) and B) above.
D) Intermediaries authorised to provide individual portfolio management services on behalf of investors under points A) and B) above.
E) Trust companies that provide portfolio management services, also through fiduciary registration, exclusively on behalf of investors under points A) and B) above.