

BTP FUTURA – FAQs

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CHARACTERISTICS OF BTPs FUTURA

What are BTPs Futura?

BTPs Futura are Italian government bonds designed with the aim of supporting the national economy: its proceeds are entirely used to finance the measures adopted by the Government to support the country's economic growth.

BTPs Futura are government bonds with semi-annual nominal coupons and maturity greater than 8 years, exclusively targeted to retail investors.

In fact, together with the BTPs Italia, they are the only government bonds issued by using the MOT platform of the Borsa Italiana - Euronext (www.borsaitaliana.it), instead of the traditional auction mechanism.

Accordingly, they can be purchased at issuance not only at a bank or at a Postal Office, but also through any home-banking system equipped with the on-line trading feature.

For whom is this type of investment recommended?

BTPs Futura are the first Italian government bonds designed only for retail investors. They are a medium-term investment that will provide an increasing return over time. The direct purchase at issuance methodology (through the MOT platform www.borsaitaliana.it) makes them an ideal product for whoever is used to managing investments autonomously through on-line trading systems.

Which are the interest rates guaranteed by the BTPs Futura?

The day before the start of the placement period, the Treasury will communicate the series of guaranteed minimum coupon rates of this BTP Futura issuance, based on market conditions.

The communication of the coupon rates applied to each issue can be found on the MEF website www.tesoro.it.

How and when can the BTPs Futura be purchased?

BTPs Futura can be purchased at issuance directly on-line, through any home-banking system having an on-line trading feature, during the placement period.

As for all the other Italian government securities, BTPs Futura can be also purchased at issuance at the investor's bank's desk or at the post office.

The placement dates will be announced on the Internet site of the Ministry of Economy and Finance (www.tesoro.it).

Is it possible to purchase at issuance the BTPs Futura through the Banco Posta service?

Yes, as in the case of all other government securities.

Is it possible to purchase the BTPs Futura without having a Banco Posta account?

Yes, the BTP Futura can be purchased through a postal savings book or bank account. In order to purchase the BTP Futura retail investors have to meet the following conditions at the same time:

- having signed the contract about investment services;
- being classified according to the MIFID scheme;
- having filled the Suitability Assessment Questionnaire MIFID and this has to be valid and not expired;
- having a Custody account linked to the postal savings book or the bank account.

Moreover, the client can go to the Post Office or might purchase the bond through the Market Access Bancoposta platform reserved only to holders of bank accounts linked to a Custody account.

Is it possible to sell the BTPs Futura before maturity? At which conditions?

Yes, from the first trading day on the MOT the bond can be freely purchased or sold at market conditions. At maturity the bond will be redeemed at par (hence at 100). The BTP Futura, thanks to its coupon increasing structure, is less sensitive to potential future increase in interest rates, and it offers, in the case of sale before maturity, a greater capital protection with respect to tradition BTP with the same maturity.

What are the main characteristics of the BTPs Futura?

BTPs Futura are the only Italian government securities 100% retail, with nominal coupons increasing over time, calculated on the basis of a preset path of increasing rates over time (the so called "step-up" mechanism).

For example, suppose a Futura BTP with 3 sets of step-up coupons, "a-b-c": for every year there will be a specific coupon rate, based on an increasing progression. For the first x years there will be a rate a , for the following y years a rate b , with $b > a$, and for the last w years there will be a rate c (with $c > b$).

In addition, considering the BTPs Futura are not sold through the traditional auction system, but placed by the Treasury through the MOT platform of the Borsa Italiana, whoever purchases the security during the placement period can be assured of always being allotted the quantity requested.

What is the minimum lot that can be purchased at issuance?

The BTP Futura have a minimum lot of Euro 1,000. The minimum lot purchasable of each order is Euro 1,000 and it is possible to purchase at issuance lots in multiples of Euro 1,000.

How do the BTPs Futura differ from other Italian government securities?

BTPs Futura differ from other Italian government securities, with respect to both financial characteristics and type of target investors.

As regards the financial characteristics, there are no other government bonds that guarantee nominal coupons increasing over time according to the "step up" mechanism.

As regards the type of investors, BTP Futura is the only government bond exclusively targeted to individual investors and other persons similarly classified.

In addition, BTP Futura is conceived to support the growth of Italy and it will grant a bonus payment equal to the average of nominal GDP annual growth rate over the bond life, paid only to investors who purchase the bond at issuance and hold it until its final maturity.

Are there any fees or particular taxes to be paid for purchasing the BTPs Futura at issuance?

There are no bank fees to be borne by investors for purchasing the BTPs Futura at issuance, as is the case with other medium-/long-term government securities.

The fees for sale or purchase subsequent to the issuance are those agreed with the investor's bank.

What is the taxation treatment of these securities?

As in the case of all other government securities, the taxation of interest income and other incomes is at a special rate of 12.5%. As for all other government securities they are not subject to the inheritance tax.

Who can I ask to have additional information about BTPs Futura?

BTPs Futura can be purchased at any bank's desk and at the post office. The recommendation is to contact the own reference person at the bank and visit the bank's website. In any case, all information and communications about the BTP Futura are available at the MEF website www.mef.gov.it/btpfutura4 and at the official pages @MEF_gov su Twitter, Instagram, LinkedIn e Facebook.

In addition, it is also available and active for all the issuances the email box btpfutura@mef.gov.it.

BONUS PAYMENT

What is the bonus payment? Who is eligible for it? How to compute it?

The bonus payment is a bonus that will be paid exclusively to investors that purchase the BTPs Futura during the placement period and hold them until the end of the first eighth years of the bond's life or until the final maturity. In line with the previous issuance, in fact, the bonus payment related to this BTP Futura fourth issuance will be paid in two different times.

At the end of the first eighth years, investors who purchase 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 four years, hence at the bond's final maturity, investors who purchase 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 twelfth 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 equal to 60% 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% for $0.6\bar{X}_1 \geq 1.8\%$

The second component will be calculated on the basis of the average annual variation of the Italian nominal GDP during the following four 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.

EXAMPLE FOR THE CALCULATION OF THE BONUS PAYMENT

As an example, let's suppose a 12-year maturity BTP Futura with issuance year 2001 and maturity year 2013.

Let's see how to compute the **intermediate bonus payment "I"**, to be paid in 2009.

Firstly, let's consider the last updated series of the Italian nominal annual GDP from 2001 to 2008 as published on the ISTAT website (www.istat.it),

T	0	1	2	3	4	5	6	7
Year	2001	2002	2003	2004	2005	2006	2007	2008
GDP _t	1,298,890.19	1,345,794.24	1,390,709.57	1,448,362.70	1,489,725.46	1,548,473.44	1,609,550.76	1,632,150.83
X _t		3.61%	3.34%	4.15%	2.86%	3.94%	3.94%	1.40%

where X_t represents the nominal GDP growth rate in year t with respect to year $t-1$.

Hence, it follows the calculation of the average annual growth rates of the nominal annual GDP with the first taking into account the annual growth rate of 2002 with respect to 2001 and the last one considering the annual growth rate in 2008 with respect to 2007. Therefore, the average of the nominal GDP annual growth rates, rounded to the second decimal, will be equal to:

$$\bar{X}_1 = 3.32\%$$

Therefore, the intermediate bonus payment “I”, equal to 40% of the average annual percentage variation of the Italian nominal GDP, will be:

$$0.4\bar{X}_1 = 1.33\%$$

Since this value exceeds the maximum threshold of 1.2%, the intermediate bonus payment, paid at the end of the first eight years of the bond’s life, will be equal to 1.2% of the invested capital.

As concerns the **final bonus payment “F”** to be paid in 2013, this will be equal to the sum of two components.

The first component will be equal to 60% of the average annual percentage variation of the Italian nominal GDP for the period between the issuance year (2001) and the year before the maturity of the first eight years of the bond’s life (2008), the same used previously for the calculation of the intermediate bonus payment:

$$0.6\bar{X}_1 = 1.99\%$$

Since this value exceeds the maximum threshold of 1.8%, at the bond’s final maturity, the first component of the final bonus payment will be equal to 1.8% of the invested capital.

The second component is, instead, calculated on the basis of the average annual variation of the Italian nominal GDP during the last four years of the bond’s life, hence from 2009 to 2012, as published on the ISTAT website (www.istat.it).

<i>T</i>	<i>8</i>	<i>9</i>	<i>10</i>	<i>11</i>
<i>Year</i>	2009	2010	2011	2012
GDP _t	1,572,878.28	1,604,514.52	1,637,462.94	1,613,264.96
X _t	-3.63%	2.01%	2.05%	-1.48%

As in the previous case, let’s calculate the average of the annual nominal GDP growth rates with the first taking into account the annual growth rate of 2009 with respect to 2008 and the last one considering the annual growth rate in 2012 with respect to

2011. Therefore, the average of the annual nominal GDP growth rates, rounded to the second decimal, will be equal to:

$$\bar{X}_2 = -0.26\%$$

Since this value is below the minimum threshold of 1%, at the bond's final maturity, the second component of the final bonus payment will be equal to 1% of the invested capital.

As a consequence, the final bonus payment "F" will be equal to:

$$F = 1.8\% + 1\% = 2.8\%$$

What are the consequences for the bonus payment in the case of a transfer of the BTP Futura between Securities Accounts in the name of partially different natural persons (for example when purchased at issuance they are registered to the Securities Account in the name of A-B and subsequently transferred to the Securities Account in the name of A-B-C)? Is there a proportional reduction of the bonus payment?

The guiding principle that rules the bestowal of the bonus payment is continuative possession for the entire life of the security, that is from purchase at issuance during the placement period to maturity. Therefore, in the case of transfer of the security between accounts that are also differently co-owned, it is important that at the security's maturity at least one of the co-owners at the time of purchase at issuance is a holder of the securities account. Otherwise, the intermediary, since the requisites to grant the "bonus payment" no longer exist, requests Monte Titoli (the Italian Central Security Depository) to substitute the "special" ISIN code (that allows for the bonus payment) with a regular code (that does not allow for).

What are the consequences for the bonus payment in the case of a transfer of the BTP Futura by inheritance following the death of the investors that originally purchased at issuance the security? Do the inheritors benefit?

In the case of inheritance due to death, the inheritors that enter into possession of the security purchased at issuance during the placement period by the deceased can benefit from the intermediate bonus payment if they hold the bond till the end of the

eight years of the bond's life, and from the final bonus payment if they hold the bond till the final maturity.

What are the consequences for the bonus payment in the case of the transfer of the BTP Futura following a donation by the investors that originally made the purchase at issuance during the placement period to a third party? Does the donee benefit?

The donation of the security is likened, as regards the bonus payment, to a sale against payment. Thus, the donee is not entitled to the bonus payment.

In the case of a securities lending operation of BTP Futura securities does the lender maintain the right to the bonus payment?

In the case of a securities lending operation (or similar cases) involving BTP Futura securities (in which the client takes on the role of lender) since the security goes to form part of the assets of the lending intermediary, the person that purchased the bond at issuance loses the right to the bonus payment.

PURCHASE AT ISSUANCE BY US INVESTORS AND FOREIGN INVESTORS

Is the offer made also to persons located in the United States of America?

Absolutely not, the offer is made only to persons located outside of the United States of America. Nobody, regardless of its nationality or legal residence, can be offered or purchase the BTP Futura at issuance from the United States of America.

Instead, can American citizens that don't reside in America but that reside in Italy purchase the BTP Futura?

American citizens residing in Italy can purchase the BTP Futura.

Can investors with a citizenship/nationality other than Italian and American that are a) in Italy or b) abroad in a country other than the United States of America participate in the BTP Futura offer?

Usually yes, but depending upon the law of the country of which they are citizens.

PLACEMENT PROCEDURE AND INVESTORS ADMITTED

What is the MOT?

The MOT (Mercato Obbligazionario Telematico, www.borsaitaliana.it) is the electronic secondary market managed by Borsa Italiana, where trading of domestic and foreign bonds and government securities takes place (from 9 a.m. to 5.30 p.m., of every trading day for the entire life of each bond). It is a retail market, therefore particularly specialized in transactions even of very small sizes, being the minimum trading lot of Euro 1,000.

How is the BTP Futura placed?

This issuance of the BTP Futura will take place through the MOT (www.borsaitaliana.it) according to the timing illustrated in the term sheet of the bond (available on the website www.tesoro.it). It is a transaction typical of the primary market (namely, where securities are issued for the first time), even though the placement procedure is to be executed on a technological platform (the MOT) that is normally used as a secondary market. Unlike the auction procedure, where the price is determined at the end of the auction, with this new procedure the coupon rate is to be determined in the last day of the placement based on market conditions, whereas the issue price is fixed at par. The placement period lasts five days, except for early closing, during which the banks that are members of the MOT will submit orders entering into the sale-purchase contracts on the MOT at a fixed price equal to 100. At the end of the placement period, the MEF sets the total final nominal issuance size of the BTP Futura and the definitive coupon rates in the Special Decree. In case of early closing at 5.30 p.m. of the third or fourth day of the placement period, the series of the annual coupon rates and the final nominal amount issued will be set, through a Special Decree, in the morning of the following day. The settlement date (value date) of the issuance, that is the issue date, for all contracts concluded during the placement, will be specified in the term sheet of the bond (available on the website www.tesoro.it). It is possible to purchase the bond during the placement period either through the Internet (through the investor's home-banking service) or by going to his/her bank or at the post office in the traditional way. The bond can be traded on the secondary market (www.borsaitaliana.it) from the day of settlement of the issuance and its price will be determined by market conditions, just as in the case of any other security quoted and traded on such trading platform.

How is the BTP Futura identified during the placement period?

The BTP Futura is identified through a "special" ISIN code and a regular ISIN code, which will be used for market trading purposes. The "special" ISIN code is the one that will identify the bond during the placement period on the MOT. Then, 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 settlement date. Only investors 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, implying that they have never sold the bond before the first eight years of the bond's life and its final maturity.

Who are the persons who may participate in the placement period?

Individual investors and other persons similarly classified are the only investors admitted to the placement period. 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. 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.

Can institutional investors purchase the BTP Futura after the placement period?

Institutional investors can purchase the BTP Futura on the secondary market only after the placement period, and of course, they will be not entitled to receive the final bonus.

Can foreign investors participate in the placement?

Individual foreign investors can participate to the placement, except as 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 responsibility of the intermediary that receives the order from the final purchaser. 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 in the placement period.

In the absence of any objective finding, the investor can't 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.

Is it possible for the MEF to exercise the faculty of early closing in the placement period? How is it communicated to investors?

The MEF has the faculty of early closing the placement period, by giving adequate communication to the market.

In case of early closing, its press release, which will be given the broadest diffusion, will be issued simultaneously by both MEF and Borsa Italiana and it will be published in accordance with standard practices. Moreover, it will be available on the website of the MEF (www.tesoro.it), of the Public Debt Directorate of the Department of the Treasury (www.debitopubblico.it), and of the Borsa Italiana (www.borsaitaliana.it).

Please note that all the BTP Futura's purchase orders will be successful if and only if they will be concluded when the placement period is open, regardless of how investor purchases the bond (at the bank's desk, through the home banking system, or at the post office).

What happened at the closing of the placement period?

At the closing of the placement period, the purchase proposals correctly placed on MOT during the placement period, will become purchase orders.

Who are Dealers and Co-Dealers in the placement of BTP Futura?

Dealers are operators selected by the MEF among the Specialists in Government bonds with the mandate to receive purchase proposals during the placement period. Co-Dealers are operators selected by the MEF among the most active participants in the MOT on the segment of Italian government bonds.

From the settlement day, the Co-Dealers and the Dealers will provide liquidity to the bonds on the secondary market.

Is the placement of the BTP Futura referred to trading service/collection of orders or to the placement service?

The collection of clients' purchase orders and their related input to the MOT carried out by intermediaries can be consolidated as the investment service "execution of orders for clients" and "reception and transmission of orders" mentioned in article 1, paragraph 5, letter b) and e) of the TUF¹. The method with which the service of execution or reception and transmission of orders of such securities is carried out implies that the intermediary collects the BTP Futura purchase bids made by clients and forward them, directly or indirectly, to the stock exchange.

Do the provisions of the Transparency Decree apply in the case of BTPs Futura?

Yes, the provisions contained in the "Decree for Transparency in the Placement of Government Securities"² are applicable. In particular, there are no fees charged to the investor who buys the security during the placement period³.

¹ Consolidated Law on Finance (Legislative Decree 24 February 1998, n. 58).

² Ministerial Decree of 15 January 2015 ([Decree for Transparency in the Placement of Government Securities](#)).

³ There are no fees charged to the investors who participate in the placement.

Is the investor allowed to withdraw its on-line buy orders of BTP Futura?

No. The withdrawal right granted by the Codice del Consumo⁴ in connection with the distance marketing of consumer financial services is not applicable to the on-line buy orders of BTP Futura executed on the MOT during the placement period.

Is the investor allowed to withdraw from BTP Futura's purchase orders placed through door to door selling?

No, because the contracts relating to BTP Futura are entered into the placement period by combining offers to sell, entered by the Dealers, and irrevocable offers to purchase entered by MOT participants, both on their own account and on behalf of third parties.

The specific mechanics relating to the issuance and distribution of BTP Futura constitute a case that does not fall under the investment services for which the provision of Article 30, paragraph 6 of the TUF is applicable. Article 30, paragraph 6 of the TUF provides for the suspension, for a period of seven days starting from the subscription date, of the enforceability of contracts for the placement of financial instruments or individual portfolio management entered into through door to door selling techniques, and grants to the investor the right to withdraw from the contract within the seven days period mentioned above.

Who are the subjects which the MEF recognizes the fee for the collection of purchase orders from investors during the placement period?

As a consideration for the services provided by intermediaries during the placement period of BTP Futura, the MEF will pay a fee proportional to the bonds' aggregated nominal amount bought. The fee will be paid exclusively to intermediaries who provide investment services to the final purchaser of the bond.

As stated by the Issuance Decree and by the information memorandum, the Issuer recognizes a fee amounting to 0.80% of the total nominal amount to subjects who, as part of their activity of collection of purchase orders of bonds 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

⁴ Article 67-duodecies of D. Lgs. n. 206 of 6 September 2005.

Transparency Decree). This fee is therefore paid only to intermediaries that will deliver investment service to the final purchaser of the bond.

It should be noted that intermediaries who provide portfolio management services and trust companies that participate in the placement period will not receive such fee as they are considered as final purchaser; in each case in such circumstances, the fee will be paid to the intermediary that receives the order, as indicated above.