



BTP ITALIA: Issuance June 2022

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

BTP Italia: Issuance June 2022

Characteristics, Placement method, Fees and Bonus payment

1. Characteristics of BTPs ITALIA

- ✓ Maturity: 8 years
- ✓ Guaranteed minimum annual (real) coupon rate
- ✓ Semi-annual coupon, indexed to the "Prezzi al consumo per le famiglie di operai e impiegati", with the exclusion of tobacco products (FOI ex-tobacco)
- ✓ Semi-annual revaluation of the principal, it is paid with the coupon (with a floor on the coupon in case of deflation)
- ✓ Nominal principal redemption guaranteed at maturity, even in case of deflation
- ✓ Bonus payment of total 1% exclusively for investors who purchase bonds during the First Phase of the Placement Period, reserved for individual investors and other persons similarly classified¹, and hold them until maturity. The bonus payment will be structured with two payments at different times: an intermediate bonus of 0.4% at the end of the first four years and a final bonus of 0.6% at the final maturity.

2. Placement procedure

The next BTP Italia will continue to be open to all market participants without distinction through the MOT, the regulated electronic retail market managed by Borsa Italiana, and to take place in order to allow the differentiation of the types of investors. The next placement will take place from 20th to 23rd June 2022 and the bond Placement Period will be divided into two Phases, which will be discussed later.

¹ The terminology "individual investors and other persons similarly classified" is used only for disclosure needs. The exact equivalent from a regulatory point of view is clarified below.

The guaranteed minimum annual (real) coupon rate will be announced on Friday 17th June 2022, while the definitive annual (real) coupon rate will be fixed by 10,00 on the last day of placement on the MOT, before the opening of the Second Phase of the Placement Period. The settlement day will be Tuesday 28th June 2022 for all contracts executed both in the First and in the Second Phase of the Placement Period.

2.1 First Phase of the Placement Period

The First Phase of the Placement Period is divided into three days, from 20th to 22nd June 2022, 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 offers to purchase placed on the MOT by the effective date and time of the closing of the placement 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. In the First Phase of the Placement Period, two Dealers selected among the Specialists in Government bonds will be active on offer on the MOT.

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 the event of early closing at 5.30 p.m. of the second day of placement (June 21st), the communication will be given at the end of the first trading day (June 20th) or by 1.00 p.m. of the same second day. In the event of early closing during the third day of placement (June 22nd) it will take place not before 2.00 p.m. and the relative communication will be given at the end of the previous trading day. The relative press release, which will be given the broadest diffusion, will be issued simultaneously together by MEF and Borsa Italiana and it will be published in accordance with standard practices.

The First Phase of the Placement Period is entirely and exclusively intended for individual investors and other persons similarly classified. Institutional investors resident abroad, qualified counterparties and professional clients referred to in Annex 3 of CONSOB Regulation n. 20307/2018, as amended, the authorities and bodies included in the Public Administrations cannot participate in the First Phase of the Placement Period. An exception is made for:

- (i) Natural persons, in any case;
- (ii) Professional customers on request, referred to num. II in Annex 3 of Regulation Consob n. 20307/2018, as amended;
- (iii) Asset management companies authorised to provide portfolio management services on behalf of investors under point (i) and (ii) above;

- (iv) Intermediaries authorised to provide individual portfolio management services on behalf of investors under points A) and B) above.
- (v) Trust companies that provide portfolio management services, also through fiduciary registration, referred to in art. 60, paragraph 4, of Legislative Decree 23 July 1996 n. 415, can take part to the First Phase of the Placement Period exclusively on behalf of investors under points (i) and (ii) above.

In other words, the following may participate in the First Phase of the Placement Period:

- 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 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 First Phase of the Placement Period rather than in the Second one. 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.

2.2 Second Phase of the Placement Period

The Second Phase of the Placement Period will take place on the 23rd of June 2022 and all the investors that have been excluded from the First Phase of the Placement Period can participate to this Phase. The collection of purchase proposals for the Second Phase of the Placement Period will take place on MOT platform in the same way as a screen-based auction, applying at the end a mechanism of proportional allocation. Before the opening of the Second Phase of the Placement Period, hence before and no later than 10 a.m., the MEF sets the definitive annual (real) coupon interest rate that will be immediately announced by means of a Press Release. The collection of purchase proposals will occur from 10 a.m. to 12 a.m. During the Second Phase of the Placement Period, it will be possible to send only purchase proposals without any price cap, both on their own account and on behalf of third parties, always according to the MOT functioning rules. At the closing of the Second Phase of the placement period, the valid purchase proposals will become purchase orders. The total amount that the MEF intends to offer for the Second Phase of the placement period coincides with the offer proposal placed on the MOT by the Dealer that is in charge for the Second Phase of the placement. If the total amount of purchase orders exceeds the total supply that the MEF intends to offer for the Second Phase of the placement period, such orders will be satisfied by applying a mechanism of proportional allocation with a rounding down to the minimum lot purchasable of bonds (1,000). This mechanism, for each purchase proposals, allocates an amount according to the following formula:

Executed amount for each purchase proposal = rounding down to the minimum lot [total amount offered by MEF × (single purchase proposal amount / total amount of purchase proposals)]

The full application of this formula for all participants is guaranteed by the automatic system of Borsa Italiana, at the end of the Second Phase of the placement Period.

Any residual amount to reach the total amount on offer by MEF will be allocated by satisfying a random order of an amount equal to the minimum lot of bonds (Euro 1,000), and then the orders placed subsequently to the latter.

Any further residual amount will be allocated satisfying the order with the greatest time priority of an amount equal the minimum lot of bonds (Euro 1,000), and then the orders placed subsequently to the latter until the total amount on offer is exhausted.

The proximity intermediary will communicate to its customers the amounts allocated resulting from the allocation procedure.

On the 23rd of June 2022, the MEF sets in the Special Decree the total final nominal size of the BTP Italia issued in both phases and the definitive annual (real) coupon interest rate already announced in

the morning. The minimum lot for the purchase proposals during the Second Phase of the Placement Period is Euro 100,000. The purchase proposals will be entirely satisfied at a fixed price equal to 100. In order to facilitate the activities carried out by the intermediaries, here attached in the annex a table with the list of the types of investors that can participate to the two Phases of the Period of Placement.

3. Placement Fees

In consideration of the services provided by intermediaries during the First Phase of the Placement Period of BTP Italia, the MEF will pay a fee proportional to the aggregated nominal amount offered during such phase. 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, the Issuer recognizes a fee amounting to 0.65% 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). This fee is therefore 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:

$$0.65\% \times \text{total amount of purchase orders placed on the MOT during the First Phase of the Placement Period}$$

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

$$0.65\% \times \text{total purchases conveyed by each intermediary during the First Phase of the Placement Period}$$

This fee will be allocated among the intermediaries in proportion to the overall amount of orders placed on the MOT during the First Phase of the Placement Period. The payment of this fee will occur by means

of placement *Dealers* and all the 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 First Phase of the placement period on behalf of clients who may participate in this phase will not receive such fee as they are considered as final purchaser (see 2.1).

For the Second Phase of the placement period, given the nature of the investors involved, there are no fees paid to intermediaries receiving such orders.

The MEF will recognize to Dealers and Co-Dealers a fee amounting to 0.075% for the allocation activity during the placement and for providing liquidity on the secondary market.

4. Foreign Investors

Concerning individual foreign investors that 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 transmits such certification to intermediaries to whom he sends the purchase order received by the foreign customer.

In absence of any objective finding from the final intermediary, the investor can participate only in the Second Phase of the placement period, like all foreign institutional investors.

Individual investors resident in Italy but not Italian - and then having the Italian tax code - as well as Italian investors living abroad with an Italian tax code can participate to the First Phase of the placement period.

5. Bonus Payment

For this issuance of BTP Italia, the bonus will be structured with two payments at different times. In particular, retail investors who purchase the bond during the First Phase of the placement period and hold it until the end of the first four years will receive an **Intermediate Bonus Payment** calculated according to the following formula:

$$0.4\% \times \text{non-revalued nominal amount of the investment}$$

After the following four years, at the final maturity, investors who purchase the bond during the First Phase of the placement period and hold it until its final maturity seamlessly will be entitled to a **Final Bonus Payment** calculated according to the following formula:

$$0.6\% \times \text{non-revalued nominal amount of the investment}$$

Therefore, investors who bought the bond at issuance and hold it until the final maturity will receive a **Total Bonus Payment** equal to 1 per cent on the non-revalued principal nominal amount.

In order to simplify the entitlement to receive the Bonus Payment, a "special" ISIN code will be assigned to BTP Italia for the First Phase of the placement period while a regular ISIN code, which will be that used for market trading purposes, will be assigned for the Second Phase of the placement period. 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 bonus payment at maturity, meaning they never sold the bond before its maturity.

The intermediaries must keep track of all individual investors and other persons similarly classified that hold BTPs Italia with the "special" ISIN code until the bond's 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, 6th June 2022

ANNEX

Tables with the list of the types of investors that can participate
to the two Phases of the Period of Placement

PERSONS ADMITTED TO FIRST PHASE OF THE PERIOD OF PLACEMENT (20-21-22 June 2022)
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.

**PERSONS ADMITTED TO
SECOND PHASE OF THE PERIOD OF PLACEMENT**

(23 June 2022)

F) Qualified counterparties, not being natural persons, even if treated as retail or professional clients on request, referred to in Annex 3 of Regulation CONSOB n. 20307/2018*

G) Investors, not being natural persons, qualified as professional clients by law, even if treated as retail customers on request, referred to in Annex 3 of Regulation CONSOB n. 20307/2018*

H) Authorities and bodies included in the Public Administrations

* A list of investors included in points F) e G) above is set out below:

Persons authorised and regulated to operate in Italian and foreign financial markets
Investment firms
Banks
Insurance companies
Collective investment undertakings
Asset management companies not admitted to the first phase of distribution
Harmonised asset management companies
Pension funds and management companies for such funds
Financial intermediaries registered in the lists pursuant to Articles 106, 107 and 113 of the Italian Consolidated Law on Banking
Financial companies subject to mutual recognition
E-money institutions
Banking foundations
National governments and their offices, including public bodies established to manage public debt
Central Banks
International public organisations
Persons whose main business consists of dealing on own account in commodities and commodity derivatives

Persons whose exclusive business consists of dealing on own account on derivative financial instrument markets and, merely for hedging purposes, on spot markets, providing such persons are guaranteed by members of the central counterparties of the relevant markets, when the responsibility for the settlement of the contracts entered into by such persons falls under the competence of members of the central counterparties of the relevant markets.

Investors corresponding to those of previous paragraphs for persons in non-EU countries

Other authorized or regulated financial institutions

Persons dealing exclusively on their own account on financial instruments markets with indirect membership of clearing and settlement services and the local clearing and guarantee system

Other institutional investors, including companies dedicated to the securitization of assets or other financial transactions

Foreign institutional investors

Large undertakings meeting two of the following size requirements on a company basis:

- balance sheet total: 20,000,000 euro,
- net revenues: 40,000,000 euro,
- own funds: 2,000,000 euro.