



Ministry of Economy and Finance

Decree 22 April 2005 n. 16440

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“Directives for the conducting of financial transactions, in accordance with Article 3 of the legislative decree of 30 December 2003, n. 398 regarding the Consolidated Act of regulations concerning public debt.”

THE MINISTER OF ECONOMY AND FINANCE

GIVEN the decree of the President of the Republic of 30 December 2003, n. 398, bearing the “Consolidated Act of legislative dispositions and regulations concerning public debt” and in particular Article 3 where it is stipulated that the Minister of Economy and Finance is authorized, in any financial year, to issue guideline decrees allowing the Treasury:

- to provide its funding on the domestic or foreign market in the form of short-, medium-, and long-term financial instruments, indicating thereby the nominal value, the interest rate or the criteria for determining the interest rate, the maturity, the minimum underwritable amount, the placement system, and every other characteristic and modality;
- to authorize, in order to promote the efficiency of financial markets, the temporary issuing of tranches of existing loans through recourse to repurchase agreements or other transactions in use in the markets;
- to proceed, for the purposes of restructuring domestic and foreign public debt, with the reimbursement of bonds before maturity, with the amendment of maturity deadlines, with trades as well as substitutions among different types of bonds or other instruments provided for by international financial market practices;

GIVEN Ministerial Decree no. 73150 of 4 August 2003, amended by Ministerial Decree no. 9487 of 1 February 2005, which regulates the trading of government bonds conducted through the telematic trading systems;

CONSIDERED that Directorate II of the Department of the Treasury (from here on referred to as "Directorate II" for the purposes of the present decree) stipulates:

- in occasion of public-debt restructuring transactions, agreements with financial

- institutions for the purpose of payment of these same transactions;
- agreements of a general nature with these same financial institutions, for the purpose of governing the contracts mentioned above, in accordance with the International Swap Dealers Association (I.S.D.A.), trading association designed to guarantee from a juridico-financial point of view the equality of contractual conditions between the two counterparts;
 - other agreements connected to the management of loans;

GIVEN the legislative decree of 30 March 2001, no. 165 bearing the “General rules on the organization of work in the charge of the public administration” and in particular Art. 4, which, while attributing to governmental bodies the functions of a politico-administrative nature, including the verification of results of administrative management and activities on the part of those entrusted with these same, reserves for managers, on the other hand, the adoption of the administrative acts and provisions, including those that engage the administration abroad, and the administrative, technical and financial management;

GIVEN, likewise, Art. 16, paragraph 1, letter d) of the aforementioned legislative decree no. 165/2001 which stipulates that the managers of the general management offices adopt, among others, the administrative acts and provisions and exercise spending power and powers of acquisition of income falling under the responsibility of their offices;

GIVEN the legislative decree of 30 July 1999, no. 300, bearing the “Reform of the organization of the Government, in accordance with Article 11 of the Law of 15 March 1997, no. 59” and in particular Art. 5, paragraph 3, which stipulates that the head of the department performs the duties of coordinating, directing, and overseeing the offices at the general management level included in the same department, for the purpose of assuring the continuity of the administrative functions, and is responsible for the full results attained by the offices he employs to carry out the policies of the Minister;

GIVEN the law of 14 January 1994, no. 20, bearing “Regulations concerning the jurisdiction and assessment of the State Audit Court” and in particular Article 3, paragraph 13, which stipulates that the regulations mentioned in paragraph 1, relative to the legitimacy assessment of the State Audit Court, do not apply to the acts and provisions issued on monetary, credit, real estate and currency matters;

GIVEN the legislative decree of 17 March 1995, no. 157, and subsequent amendments, bearing the “Implementation of the directive 92/50/CEE concerning public service bids”, and in particular Art. 5, paragraph 2, letter d), which stipulates that the regulations of the same decree do not apply to contracts for financial services relative to the issue, the purchase, the sale, or the transfer of bonds or other financial instruments;

ACCEPTED the necessity to delineate the objectives of a framework for the

administrative activity in the sector of financial transactions on public loans, establishing the limits and means to be respected by the administration in carrying out its function;

D E C R E E S:

Art.1

Issuance of loans

In accordance with Article 3 of the Decree of the President of the Republic of 30 December 2003, no. 398, cited in the preamble, for the financial year 2005, the transactions of loan issuance indicated in the same article will be determined by the Director of “Directorate II”.

“Directorate II” may issue Government bonds of all the types in use in financial markets, with fixed or variable interest rates, and may issue temporarily tranches of existing loans through recourse to repurchase agreements or other transactions in use in financial practices in order to promote the efficiency of the markets.

The issues of loans must be conducted, in addition to being within the limit established annually by the law approving the provisional State budget, within the guidelines of the present decree, and according to the objectives indicated herein.

The bonds may be for any period of maturity; this should be determined by adapting the need to satisfy the market to the need of bearing the least cost, in compatibility with the need to protect against re-financing risk and exposure to changes in interest rates.

In carrying out this activity, “Directorate II” will maintain, on an annual basis, the total quota of short-term bonds between 5% and 15% of the total nominal value of Government bonds in circulation, the quota of fixed-rate bonds between 50% and 75%, and the quota of indexed bonds between 15% and 30%, while the quota of medium-term zero-coupon bonds cannot be greater than 10%.

The total of loans issued on foreign markets, net of reimbursements, must not exceed 30% of the total net issuances.

Furthermore, “Directorate II” may also conduct, in accordance with the modalities of the present decree, transactions of bond allocation for specific ends, allowed by the regulations.

Art. 2

Public-debt restructuring transactions

The transactions of public debt restructuring will have as their principal objective, on the basis of available information and the foreseeable evolution of market conditions, the reduction of the total cost of debt in compatibility with the need to protect against re-financing risk.

Trades and the reimbursement of bonds before maturity, and all other financial

transactions for the purposes of debt restructuring allowed by Art. 3 of the D.P.R. no. 398/03, cited in the preamble, as well as trades conducted through telematic trading systems, will be determined by the Director of “Directorate II”.

“Directorate II” may engage in the reimbursement of bonds before maturity up to a maximum amount equal to 40% of the nominal amount in circulation for each issue.

“Directorate II” may, likewise, engage in trades by accepting, as underwriting for issued bonds, Government bonds of any maturity.

Art. 3

Containment of risk of restructuring transactions

In order to reduce the risks connected with possible breaches of the restructuring-transaction counterparts, these transactions will only be conducted with financial institutions of elevated trustworthiness.

To evaluate the credit worth of the aforementioned institutions, reference will be made to the evaluations of the principal rating agencies.

The Director of “Directorate II” will sign the agreements relative to the restructuring transactions carried out with these same financial institutions.

Art.4

Agreements in connection with funding

The Director of “Directorate II”, furthermore, will sign the I.S.D.A. ("International Swap Dealers Association") contracts between the Ministry of Economy and Finance and the financial institutions that engage in “swap” transactions, as well as any connected agreement, preliminary or as a consequence of debt management.

Art. 5

Decrees of approval and certification

The decrees of approval of the agreements mentioned in the preceding articles as well as those of certification of the outcome of the transactions of public-debt management, will be signed by the Director of “Directorate II”.

Art. 6

Obligation of communication

“Directorate II” will provide the Cabinet Office of the Minister and the Director General of the Treasury with regular updates of the financial transactions conducted in keeping with Articles 1 and 2 of the present decree, indicating the financial data characteristic of each; these

updates may also take place electronically.

“Directorate II” will provide the Minister with advance notice of those transactions that, for their nature, belong to the politico-administrative functions specific to government bodies; in addition, should market conditions prevent the compliance with limits set by the present decree, the subsequent decisions made will be subject to approval by the Minister himself.

Upon completion of the procedures in the preceding Articles 3 and 4, regular updates will be provided to the Cabinet Office of the Minister and to the Director General of the Treasury in the form of copies of the agreements and relative decrees of approval.

The present decree will be published in the Official Gazette of the Italian Republic.

Rome, 22 April 2005

THE MINISTER

Signed Siniscalco