



The Minister of Economy and Finance

No. 105532

HAVING REGARD to the decree of the President of the Republic no. 398 of 30 December 2003, “Consolidated act of legislative and regulatory dispositions concerning public debt,” and in particular article 3, which also stipulates that the Minister of Economy and Finance is authorised, in each financial year, to issue guideline decrees allowing the Treasury to:

- conduct borrowing operations on domestic or foreign markets with short-, medium-, and long-term products and financial instruments, indicating the nominal amount, the interest rate or the criteria for its determination, the duration, the minimum denomination, the placement system, and all other characteristics and procedures;
- authorise, so as to promote the efficiency of financial markets, the issuance of tranches of existing loans to allow recourse to repurchase agreements or other operations in use on the markets;
- proceed, for the purposes of restructuring domestic and foreign public debt, to redeem bonds before maturity, to adjust maturities, to perform exchange transactions, as well as substitutions between different kinds of bonds or other instruments provided for by international financial market practices;

HAVING REGARD to Ministerial Decree no. 73150 of 4 August 2003, as amended by ministerial decree no. 9487 of 1 February 2005, which regulates exchanges of Government bonds through electronic trading systems;

HAVING REGARD to article 5 of the cited Consolidated Act of legal and regulatory dispositions on matters of public debt, regarding the “Discipline of the Treasury’s account at the Bank of Italy used for treasury services”;

HAVING REGARD to ministerial decree no. 25391 of 25 October 2011, which determined the procedures to use the liquidity deposited on the Treasury's availability account for treasury services (hereinafter "availability account") and on accounts connected to the same, as well as the procedures to choose the counterparties that can participate in these operations;

HAVING CONSIDERED that the Treasury Department may stipulate:

- framework contracts (ISDA Master Agreements) with financial institutions, to regulate the agreements mentioned below, as per what was established by the International Swap & Derivatives Association, formerly the International Swap Dealers Association (hereinafter

“ISDA”), the internationally recognized association that defines contract standards;

- in the case of public debt restructuring operations, agreements with the same financial institutions to regulate the same public debt restructuring operations;
- other agreements connected with loan management;

HAVING REGARD to legislative decree no. 165 of 30 March 2001, “General norms on the organisation of work within the public administration”, and in particular article 4 which, while assigning government bodies with politico-administrative functions and with the mandate to verify the correspondence of the outcome of administrative and management activities to the guidelines given, instead, assigns managers the duty of adopting administrative acts and provisions, including those that engage the administration with third parties, and the financial, technical, and administrative management;

HAVING REGARD to legislative decree no. 300 of 30 July 1999, "Government organisation reform, pursuant to article 11, law no. 59 of 15 March 1997" and in particular article 5, paragraph 3, which provides that the head of the department perform the duties of coordinating, directing, and controlling the offices at the general management level included in the same department, so as to guarantee the continuity of administrative functions, and is responsible for the overall results attained by its subordinate offices, in enacting the Minister's directives;

HAVING REGARD to the Regulation that organizes the Ministry of Economy and Finance, issued with the President of the Council of Ministers' Decree no. 67 of 27 February 2013, and in particular article 5, paragraph 2, which defines the functions performed by Directorate II;

HAVING REGARD to law no. 20 of 14 January 1994, “Regulations concerning the jurisdiction and control of the Court of Auditors” and in particular article 3, paragraph 13, which determines that the provisions mentioned in paragraph 1, relating to the Court of Auditors' preventive legitimacy control, do not apply to acts and provisions issued on monetary, credit, real estate, and currency matters;

HAVING REGARD to legislative decree no. 163 of 12 April 2006, “Code of public contracts concerning works, services, and supplies in implementing EC directives 17 and 18 of 2004”, and in particular article 19, paragraph 1, letter d), which states that the provisions of the code itself are not applied to contracts concerning financial services relating to the issuance, purchase, sale, and transfer of bonds or other financial instruments;

HAVING REGARD to the public accounting and finance law, no. 196 of 31 December 2009;

HAVING CONSIDERED the necessity of outlining the reference targets in conducting administrative activity in the financial operations sector aimed at managing public debt, establishing the limits to be observed and the procedures that the administration should respect in this activity during the 2016 financial year;

D E C R E E S

Article 1

Loan issues

As per article 3 of the President of the Republic's decree no. 398 of 30 December 2003, cited in the preamble, for the 2016 financial year, loan issuance operations mentioned in the same article will be determined by the Treasury's Director General or, by proxy, by the Director General Head of Directorate II of the Treasury Department (hereinafter "Director of Directorate II"). Should the latter be absent or impeded, the mentioned operations will be determined by the same Director General of the Treasury, even via continuous proxy. Should both be absent or impeded, loan issue operations will be determined by another Director General authorised to sign the acts in place of the Director General of the Treasury.

The Treasury Department can issue all types of Government bonds in use on financial markets, with fixed or floating rates. It may also issue, so as to promote market efficiency, tranches of existing loans to allow recourse to repurchase agreements or other operations in use on the markets.

Article 2

Borrowing limits

Loan issues must be conducted, in addition to being within the limit established annually by the law approving the State forecast budget, respecting the limits of the present decree and according to the targets indicated herein.

The bonds may be of any duration. The determination of their duration must reconcile the need of satisfying market expectations with that of containing the overall cost of funding in the medium/long-term, taking into account the necessity of protecting against re-financing and interest rate risks.

In implementing this activity, the Treasury Department will issue loans so that, at the end of the 2016 financial year, the share of short-term bonds is between 3 and 8% of the total nominal value of outstanding Government bonds at that date, the share of "nominal" fixed-rate bonds is between 60 and 75%, and the share of "nominal" floating bonds is between 5 and 10%. Moreover, the share of real inflation linked bonds and zero-coupon certificates must not exceed 15 and 5% respectively. The share of loans on foreign markets must be within 5%.

Moreover, the Treasury Department may, as per the procedures of the present decree, allocate bonds for specific purposes foreseen by law.

Article 3

Public debt restructuring operations

The Treasury Department is authorised to conduct public debt restructuring operations by mutual consent. These restructuring operations are not to be interpreted as a modification of the terms and conditions of single loans ordered unilaterally by the issuing authority.

The above operations, including those making use of derivatives concluded according to the agreements mentioned in the following article 5, will be aimed, based on available information and market conditions, at curbing the overall cost of borrowing, at protecting against market and refinancing risks, and at maintaining the proper functioning of the Government bond secondary market.

Exchange operations, buybacks, and any other financial operation aimed at restructuring public debt permitted by article 3 of the President of the Republic's Decree no. 398 of 30 December 2003, cited in the preamble, will be determined via decree by the Director General of the Treasury or, by proxy, by the Director of Directorate II.

In each operation, the Treasury Department may repurchase bonds up to a maximum of 40% of the outstanding nominal amount of each issue.

The Treasury Department may also conduct exchange operations, accepting Government bonds of any duration as payment for the bonds being issued.

Only Specialists in Government bonds, as defined in article 23 of Ministerial Decree no. 216 of 22 December 2009, will be allowed to participate in exchange and buyback operations.

Under article 3, paragraph 2, of the cited Decree of the President of the Republic no. 398 of 2003, payments arising from the operations mentioned in the present article may breach what was established by article 24, paragraph 2, of law no. 196 of 31 December 2009, considering the real conditions that are in fact connected with such activity.

Article 4

Containing credit risk in public debt restructuring operations

In order to reduce risks connected with possible breaches by counter-parties in restructuring operations using derivatives, said operations will be conducted exclusively with highly reliable financial institutions.

In assessing the credit worthiness of these institutions, reference will be made to the evaluations expressed by the main rating agencies that appraise credit worthiness as per EC Regulation no. 1060/2009 of 16 September 2009 and subsequent amendments.

In managing public debt, should the need arise, the Treasury Department has the option of drawing up, together with the counter-parties of derivative operations, agreements for both parties to provide collateral.

Article 5

Agreements connected with public debt restructuring activities

The Treasury's Director General or, by proxy, the Director of Directorate II, is authorised to draw up ISDA Master Agreement framework contracts, mentioned in the preamble, and any annex to the same, including those mentioned in article 4, paragraph 3, which discipline the agreements to provide collateral, between the Ministry of Economy and Finance and the financial institutions that are counter-parties of derivative operations, in addition to any connected agreement, that is preliminary to or is a consequence of debt management, including those related to the operations mentioned in article 3.

The Treasury's Director General or, by proxy, the Director of Directorate II, will sign the restructuring operation agreements.

Article 6

Liquidity management operations

The management of the availability account is aimed at an efficient use of the liquid balance, according to the Government bond issuance strategy, to the prevailing market conditions, and to the restrictions imposed by monetary policy dispositions.

The operations to manage the availability account mentioned in the Ministerial Decree of 25 October 2011 will be determined by the Director of Directorate II or, if absent or impeded, by another manager of Directorate II delegated by the same, even in breach of what was established by the same ministerial decree.

Article 7

Approval and verification decrees

The decrees that approve the agreements cited in the preceding articles 4 and 5, as well as those that verify the results of public debt and liquidity management operations mentioned in article 6, will be signed by the Treasury's Director General or, by proxy, by the Director of Directorate II.

Article 8

Mandatory communication

The Treasury Department will provide the Minister's Cabinet Office with regular communication of the financial operations conducted pursuant to the present decree, indicating the particular financial data of each. The communications may also make use of computers.

The Treasury Department will provide the Minister with advance notice of those operations that by their nature relate to the politico-administrative functions specific to government bodies. Moreover, should particular debt management needs require the infringement of the limits set by the present decree, the ensuing choices will be submitted to the Minister himself.

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

Rome, 23 December 2015

Pier Carlo Padoan