

The Ministry of Economy and Finance introduces Treasury Certificates indexed to 6 month Euribor (*CCTs-eu*) to gradually replace current CCTs

The Ministry of Economy and Finance announces that, after a thorough analysis of the CCT market, also supported by specific market enquiries, it is ready to introduce a new class of nominal floating rate bonds indexed to 6 month Euribor (so called *CCTs-eu*), which will replace current Treasury Certificates (CCTs) indexed to 6 month BOT auction rates. The structure of the new instrument will be very similar to that of ordinary floating rate securities issued in the euro area (both by sovereigns and corporate): interest will be paid with semi-annual coupons in arrears indexed to the 6- month Euribor rate of the second working day before the coupon first accrual date and the final maturity will be, normally, 7 years. Moreover, the Ministry of Economy and Finance will reconsider other maturities based on the preferences expressed by the market.

The choice of the new indexation mechanism is related to the need to enlarge the investors base in *floaters* instruments issued by the Ministry of Economy and Finance as well as to improve the efficiency and liquidity of the secondary market of such instruments. In the last few years, current CCTs, with coupons indexed to 6 month BOT auction rates, have shown in some occasions a suboptimal performance on the secondary market, with levels of price volatility somehow inconsistent with the nature of such instruments related to the profile mainly domestic of participants in CCTs markets, differently from the other Italian government securities.

Conversely the new index is one of the most important indicator of the Euro Area money market and it is well known by fixed income investors and dealers. As such this index shows all features to assure that the new *floater* will appeal a greater number of national and international investors who will be keener to have it in their portfolios. Moreover, the new instrument offers a suitable protection or hedge to those investors, corporate as well as retail, whose liabilities are euribor-linked (as for example those with a floating real estate mortgage loan, usually linked to euribor).

In keeping its policy of gradual and progressive reduction of floating rate bonds' share over the Italian Government debt, the Treasury aims at having the new instrument as a gradually substitute of CCTs, which will be not issued anymore on a regular basis. The process of replacement with the new *CCTs-eu*, also through several subsequent *exchange transactions*, will be carried out with timing and modality meant to guarantee efficiency and liquidity of both *CCTs-eu* and CCTs on the secondary markets, in the manner described below.

CCTs-*eu*, initially, will be issued through a syndicated group of selected Specialists in Government Bonds. The syndicate will collect buying orders from professionals and qualified investors. Furthermore, in order to facilitate the rapid distribution of the new instrument, investors, for limited and established shares of each syndicated transaction, could exchange CCTs-*eu* with existing CCTs. After these first transactions, subject to market conditions, the Treasury will regularly offer CCTs-*eu* via marginal auction (uniform price auction) that will be held at the end-of-month.

Current CCTs investors, who are interested to exchange them with CCTs-*eu*, will have the opportunity to do that not only during the first syndicated transactions but also at regular exchange transactions, which will be carried out with frequency consistent with the market needs.

Nevertheless, the Ministry of Economy and Finance commits itself to guaranteeing liquidity and efficiency in the CCTs secondary market through all available debt management instruments, such as the appropriate calibration of the amount of 6 month BOTs offered to the market, a prudent selection of the securities to be included in *exchange transactions* and, if needed, one-off CCTs reopenings. Moreover, *exchange transactions* will never reduce the outstanding of each CCTs below a threshold in order to avoid impairing the secondary market liquidity or the market makers trading and quoting activity. The commitment to support the CCTs market will be maintained until the natural maturity of the last CCT, in order to protect current CCTs investors.

The Ministry of Economy and Finance, through the ordinary communication tools for the market, will give appropriate information on CCTs-*eu* issuance and *exchange* activity and, at the same time, it will provide the market with all the necessary updates regarding the outcomes of the individual transactions as well as the whole program developments.

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