



BANCA D'ITALIA
EUROSISTEMA

**AGREEMENT BETWEEN THE BANK OF ITALY AND
COUNTERPARTIES ADMITTED TO THE OPERATIONS ON
BEHALF OF THE TREASURY (OPTES)**

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This is an unofficial translation of the Italian “Convenzione tra la Banca d’Italia e le controparti ammesse a partecipare alle operazioni per conto del Tesoro (OPTES)”. Only the Italian text of the Agreement is authentic. No official value is attributed or attributable to the English version.

AGREEMENT BETWEEN THE BANK OF ITALY AND COUNTERPARTIES ADMITTED TO THE OPERATIONS ON BEHALF OF THE TREASURY (OPTES)

Given that

with the decree of the Italian Ministry of Economy and Finance (MEF) as of October 25th 2011 governing financial transactions to bear on the Treasury availability account for treasury purposes (“General Decree”) and other equivalents and for the selection of eligible counterparties taking part in the respective operations, and with the decree of the Treasury Department as of November 28th 2011 spelling out the directives for financial transactions borne by the Treasury’s availability account and other equivalents for treasury purposes (Technical decree):

- it has been established that the counterparties admitted to participate in the above mentioned financial transactions – to be carried out via tender system or bilateral procedures – regulated by the present decree should be: I) the Specialists in Government securities, as per art. 23 and 28 of the Ministerial Decree n. 216 as of December 22nd 2009 and its following amendments; II) counterparties belonging to the same corporate group as their Specialist; III) other counterparties selected by the Ministry on the basis of asset structure and credibility criteria, such as credit rating and financial holdings, and other possible criteria that can grant the operations’ efficiency;
- the Bank of Italy has been designed to execute and to settle the above mentioned financial transactions – to be carried out by tenders - and the settlement of the tenders and of the bilateral transactions directly conducted by the Treasury Department or carried out by the Bank of Italy on behalf of the Treasury Department;
- the Bank of Italy has been authorized to sign special agreements with intermediaries regulating the participation in the above mentioned financial transactions

the Bank of Italy and the counterparties signatories of this agreement (“Appointed Counterparty”) agree to the following.

Section A

General characteristics of the operations

Article 1

Glossary of terms used in the Agreement

- **“Application”**: set of bids contained in the electronic message or in the form (see annex 6 of this Agreement) sent by fax for the participation in the operations on behalf of the Treasury; every application may contain up to a maximum of three bids;
- **“Business day”**: any calendar day when the TARGET2 settlement system is operational;
- **“C.A.B.I.”**: Bank of Italy Application Centre;
- **“Collection transaction”**: it is an operation (carried out through an auction or a bilateral procedure) by which the MEF collects cash in the money market with settlement normally in the day in which the operation has been executed (starting date) and the MEF refunds the Counterparty in a future date (forward date);
- **“Counterparty”**: the signatory Counterparty of this Agreement;
- **“Credit limit”**: maximum amount that the MEF can lend to the Counterparties in the investment operations;
- **“Cut-off time”**: according to the article 4, paragraph 1 of the technical decree the time limit for the submission to the Bank of Italy of the applications by the counterparties;
- **“General decree”**: the decree of the Italian Ministry of the Economy and Finance as of October 25th 2011 governing financial transactions to bear on the Treasury availability account for treasury purposes (“General Decree”) and other equivalents and for the selection of eligible counterparties taking part in the respective operations, published on the Italian Republic Official Gazette n. 254 as of October 31st 2011;
- **“Incremental bid interval”**: the euro amount, expressed in eurocents, of which increments in the bid must be equal or multiples, with respect to the minimum amounts (according to the article 3, paragraph 3, of Technical decree);
- **“Investment transaction”**: it is an operation (carried out through an auction or a bilateral procedure) by which the MEF invests cash in the money market with settlement normally executed in the day in which the same operation as been executed (starting date) and the Counterparty refunds the MEF in a future date (forward date);

- **“Limit interest rate”**: according to article 5 of the Technical decree, the maximum/minimum rate below/above which bids of Counterparties admitted to the collection/investment tenders are automatically rejected by the OPTES procedure;
- **“MEF”** :: the Ministry of Economy and Finance;
- **“Money market”**: the market in which funds with short maturities are traded through financial intermediaries with a maturity maximum of a year;
- **“Minimum bid amount”**: minimum amount, expressed in eurocents, which each dealer may bid in the tender at each bid rate (according to the article 3, paragraph 2, of the Technical decree);
- **“National Interbank Network (hereby the Network; RNI in the Italian acronym)”**: the electronic data transmission Network connecting participants in the Italian payments system, operated by Società Interbancaria per l’automazione (S.I.A.);
- **“Normalization”**: correction of the bids transmitted by counterparties through the Network, carried out automatically by the OPTES procedure;
- **“Payments Module (PM)”**: it is the SSP’s (Single Shared Platform) mandatory module which allows the settlement of payments in the RTGS account. Each credit institution can hold several accounts which must be individually recognised by a specific SWIFT code;
- **“PM Account”**: the account held by a participant to the TARGET2 settlement system at its responsible central bank and used for the settlement in the TARGET2 system;
- **“Settlement agent”**: an intermediary used by the Counterparty to settle through TARGET 2 the operations on behalf of the Treasury;
- **“Single shared platform (SSP)”**: the integrated central technical infrastructure provided by the central banks. SSP is provided with mandatory modules (such as the *Payment Module*, the *Information and Control Module*, the *Static Data Module* and the *Contingency Module*) and with optional modules (such as the *Home Accounting Module*, the *Standing Facilities Module* and the *Reserve Management Module*);
- **“Specialists in government securities”**: category of primary dealers in the screen-based government securities market (MTS) defined by article 3 of Decree 219/1999, and following modifications and integrations;
- **“TARGET2”**: the European real-time gross settlement system. It is based on the Single Shared Platform (SSP) through which all the payment orders are submitted and processed and the payments are received through the same technical procedure. TARGET2 is legally structured as a plurality of RTGS systems;
- **“Technical decree”**: the decree of the Italian Ministry of the Economy and Finance as of November 28th 2011 spelling out the directives for financial transactions borne by the

Treasury's availability account and other equivalents for treasury purposes, published on the Italian Republic Official Gazette n. 279 as of November 30th 2011;

- **"Tender"**: an allotment procedure carried out through an auction in which Counterparties indicate in their bids both the amount and the interest rate. In this Agreement only multiple rate auctions (American auctions) will be used;
- **"Tender validation"**: the agreement on the transaction between the Bank of Italy and the Counterparty whose bids are successfully allotted. This agreement takes place after the announcement of tender results to the Counterparties;
- **"Treasury's availability account held at the Bank of Italy for treasury service"**: the account held at the Bank of Italy regulated by the law 26 November 1993, no. 483, where payments and receipts referred to the Treasury service are registered.
- **"UDFS"**: the User Detailed Functional Specifications of the TARGET2 system;

Article 2

Subject of the Agreement

1. This Agreement regulates the relationships between the Bank of Italy and the Counterparties admitted to participate in the collection/investment transactions in the money market to bear on the Treasury's availability account held at the Bank of Italy for treasury service, to be carried out via tender or bilateral procedures.

Article 3

Technical and administrative requirements for the participation and technical modalities for tender procedures

1. The requirements for the participation to the operations on behalf of the Treasury are summarized in the document "Technical and administrative requirements for the participation to Operations on behalf of the Treasury", which is annexed to this Agreement and constitutes an integral part thereof (annex 1).

2. The Bank of Italy will carry out the OPTES tender transactions according to the technical procedures established by the document "OPTES – Operations on behalf of the Treasury – Instructions for Counterparties",

(hereafter the “Technical specifications”), which is annexed to this Agreement and constitutes an integral part thereof (annex 2).

Article 4

Tender operations announcement

1. The Bank of Italy will notify the Appointed Counterparty promptly of the financial features and operational timetable of each operation, with a message transmitted over the Network according to the procedure described in the “Technical specifications”.
2. The same information will also be disseminated by the Bank of Italy through at least one leading electronic economic and financial information provider.

Article 5

Submission of applications

1. The applications to participate must be submitted to the Bank of Italy within the cut-off time, that is notified by the Bank of Italy to the Counterparty in the ways established in the previous Article 4. The application must be transmitted by electronic message over the Network, according to the procedure described in the “Technical specifications”. Applications received after the time-limit (cut-off time) will not be taken into consideration.
2. The time of the day provided by the computer of the Bank of Italy Application Centre (C.A.B.I), upon reception of the electronic messages by the OPTES procedure, will constitute the proof for the purpose of compliance to the cut-off time.
3. The Bank of Italy immediately confirms to the Counterparty through Network the reception of the application. In addition, the Bank of Italy confirms through Network to the Counterparty in relation the applications not admitted according to article 13 of this Agreement.
4. The applications can be modified or revoked before the cut-off time according to the procedures established in the “Technical specifications”. The applications cannot be revoked after the cut-off time.

5. For operations governed by this Agreement the Appointed Counterparty undertakes to verify with utmost care, possibly using automatic checking procedures, the accuracy of the data contained in its bids application (Counterparty denomination, ABI code, bids, etc.) before entering them in the Network.

Article 6

Announcement of results

1. The Bank of Italy will make known the results of the tender to all the Counterparties that have participated in the tender through Network, as well as the data concerning the allotment of the bids to the relevant Counterparties. For investment transactions, in line with the technical decree, the allotment mechanism of the tender will consider the credit limits that might have been applied by the MEF.

2. The Bank of Italy will notify the results of the tender with an announcement through the electronic economic and financial information providers referred to in Article 4, paragraph 2, as soon as allotment operations are completed.

3. The Bank of Italy, with the agreement of the MEF, has the right to revoke the tender, in exceptional cases and for technical reasons, up to the time preceding the public announcement of the tender result. The decision is notified according to the procedure described in the “Technical specifications”.

Article 7

Confirmation

1. After the notification of the tender result, the Bank of Italy sends to the relevant Counterparties, according to the procedure described in the “Technical specifications”, the detailed information concerning the bids to be settled.

2. The Counterparties and the possible settlement agent as of the following Article 9, will send promptly to the Bank of Italy two separate answer messages containing the confirmation of the mentioned detailed data.

Article 8

Settlement of tender operations

1. After the confirmations mentioned in the previous Article 7, paragraph 2, for the purposes of the settlement of the tender operations, the Bank of Italy automatically sends to the TARGET2 settlement system:

- during the course of the business day of the allotment of the tender operation the amounts that the counterparty must pay out, with a value date equal to the spot settlement date of the tender;
- at the end of the allotment day of the tender operation, the information regarding the amounts that the counterparty must pay out, with a value date equal to the maturity date of the operation (“forward settlement date”); the above mentioned amounts will include the interests calculated according to the procedure described in annex 3 of this Agreement (“Methodological note”) which constitutes an integral part thereof (annex 3).

2. The amounts mentioned in the previous paragraph, are automatically inputted in the PM account held in the TARGET2 settlement system by the Counterparty or by the Settlement Agents mentioned in the Article 9, paragraph 1 of this Agreement.

3. If the PM account defined in paragraph 2 is held in a component part of the TARGET2 system different from TARGET2-Banca d’Italia, the account owner has to submit the direct debit authorization forms, as defined in the “Harmonised Conditions for Participation in TARGET2”, to its Central Bank, in order to authorize and allow Bank of Italy to settle:

- the principal amount on start value date, in case of collection operations;
- the principal amount together with interests on maturity value date, in case of investment operations.

4. If the PM account owner defined in paragraph 2 is the settlement agent defined in Article 9, paragraph 1 of the present Agreement, the Counterparty has to entitle the agent to submit the forms defined in previous paragraph 3, in order to authorize Bank of Italy.

5. In case the PM account owner defined in paragraph 2 were willing to change the direct debit authorization defined in previous paragraph 3, they should inform the Bank of Italy – at least 10 business days in advance – by sending a letter to the following address: Banca d’Italia – Servizio

Operazioni di Banca Centrale – Divisione Operazioni di Politica Monetaria e in Cambi, Via Nazionale 91, 00184 – Roma, Italy.

6. The Counterparty taking part in OPTES operations according to the procedure exposed in paragraph 3, has to authorize the Bank of Italy – or, should the case spelled in paragraph 4 occur, needs to make sure the settlement agent authorizes the Bank of Italy – to directly debit the PM account without limit amounts; otherwise, should the Bank of Italy be authorized to directly debit the PM account with amount limits, the Counterparty is required, under its own responsibility, to limit the amount of its own participation to OPTES auctions (inclusive of interests at maturity value date) in order not to exceed the direct debit limit of the PM account.

Article 9

Settlement through an intermediary

1. According to the technical decree, the Counterparty has the right to settle both the tender and bilateral transactions, using an intermediary (settlement agent); in this case, the Counterparty notifies to the Bank of Italy, through the appropriate form annexed to this Agreement (annex 4), the identity of the intermediary appointed for the settlement. Moreover, the Counterparty notifies to the Bank of Italy, using the mentioned form, the possible subsequent modifications concerning the settlement agent.

2. The notifications as of the above paragraph will be effective ten business days after the business day in which the Bank of Italy receives the notification; the Counterparty however has the right to ask for a longer time span.

3. The validity of the communications mentioned in paragraph 1 of this article, is in any case subject to the reception by the Bank of Italy of the written acceptance form (annex 5 of this Agreement) of the settlement agent; the validity, except a different indication of the Counterparty according to the last sentence of paragraph 1 of this Article will remain up to the tenders carried out by the Bank of Italy within the ninth business day subsequent the business day in which the Bank of Italy receives a written communication containing the cancellation of the settlement agent's commitment to settle the transactions.

4. In case the Counterparty makes use of the right mentioned in paragraph 1 of this article, the book-keeping of the transactions will take place in the

PM account of the settlement agent. For this purpose the communications regarding the detailed data of the amounts mentioned in the paragraph 1 of the article 7 that the Counterparty must pay off on the starting settlement date and on the forward settlement date, will be sent also to the settlement agent.

5. The structure and the content of the payment and notification messages sent to the settlement agents, are those described in the document “UDFS - User Detailed Functional Specifications” book 1, chap. 9, available on the ECB’s web site.

6. Taken for granted the responsibilities of the settlement agent mentioned above, the Counterparty is ultimately responsible for its commitments and liabilities, also with reference to all the activities necessary for the settlement of the transactions.

7. The retraction of the settlement agent, unrelated to the appointment of a new settlement agent, must be addressed by mail to the Banca d’Italia at least 10 working days before the day in which the retraction will take effect.

Article 10

Cases of failed settlement

1. Should the Counterparty, at the settlement date for the transactions, not fulfil the payment obligations as per Articles 8 and 9 of this agreement, the Bank of Italy apply the penalties defined in the technical decree, according to the modalities established in the same decree.

2. The above mentioned legal sanctions will be directly debited to the PM account according to article 8, paragraph 2.

Article 11

Operations through bilateral transactions

1. The transactions carried out by the Bank of Italy on behalf of the MEF through bilateral transactions, are regulated by the general decree, by the technical decree, by the dispositions of this Agreement mentioned in the subsequent paragraph of this article, by what agreed between the parties, as

well as, in the absence of other possible arrangements, by market practices, if existing and applicable.

2. The confirmation and the settlement of the mentioned operations and of the bilateral transactions carried out by the MEF, will take place according to the modalities described in the articles 7, 8 and 9. For the operations carried out through bilateral transactions, the articles 1,2,3,10,17 18, 19, 20 and 21 are also to be applied.

Section B

Particular cases

Article 12

Applications containing errors sent over the Network

1. If an application transmitted over the Network by the Counterpart contains one or more errors, it will be excluded from participation in the tender or alternatively corrected and admitted, in accordance with the provisions of the Technical decree and of Article 13 of this Agreement.
2. The decisions taken of exclusion and correction of bids referred in Article 13 are irrevocable.

Article 13

Handling of applications containing errors

1. The application bids sent over the NETWORK will not be admitted to participate in tender operations when:
 - the intermediary code is lacking;
 - the interest rate, the quantity or the intermediary identification codes are illegible owing to cryptographic problems or other causes;
 - other errors referred to the “Technical specifications” are found.
2. The applications will be admitted to participate in tenders, subject to appropriate correction, if bids contain correctable errors. In accordance with the provisions of the technical decree the only acceptable cases and the related correction procedures are the following:
 - a) total amount of the bids making up the application greater than the total tender amount; the individual bids will be admitted in the case of investment transactions, starting from that with the highest rate and up to an amount equal to the total tender amount. In the case of collection transactions, the individual bids will be admitted starting from that with the lowest rate and up to an amount equal to the total tender amount;
 - b) the bid amount is not a multiple of the minimum bid denomination: the bid amount will be rounded down to the nearest minimum denomination;

- c) interest rate with three decimals or more: the rate is rounded to three decimals; upward in case of investment operations, downward in case of collection operations.

3. If an application contains a number of bids greater than the maximum number allowed by the Technical decree, the application is admitted to participate to the tender with a number of bids equal to the maximum number, starting from the bid with the highest rate (in the case of investment transactions) or the lowest rate (in the case of collection transactions).

4. In the case of a reception over the Network of applications containing bids with the following errors:

- bid amount smaller than the minimum bid amount;
- interest rate greater than the limit interest rate in the case of collection transactions;
- interest rate smaller than the limit interest rate in the case of investment transactions;
- lack of rate or/and quantity

are admitted to participate to the tender only the bids that don't have the mentioned errors.

Article 14

Recovery procedure

1. If, for technical reasons attributable to the Counterparty, it is impossible to send messages over the Network, Counterparty may submit the tender application to the Bank of Italy by telephone. The tender application will have to be confirmed on a specific written form via fax. More specifically the Counterparty will:

- promptly inform the Bank of Italy of the problem by telephoning one of the numbers indicated on the electronic economic and financial information provider page referred to in Article 4, paragraph 2, of this Agreement. The Bank of Italy reserves its right to verify at a later stage the actual lack of connection with the Network;
- ask for the Bank of Italy's consent to submit the application in paper form. The Bank of Italy reserves its right to voice record the telephone call between the Counterparty and the Bank;
- submit the application by using exclusively the special form (mod. Asta OPTES – annex 6) which is an integral part of this Agreement. Such

application must be signed by a person authorized to represent the Counterparty in the tender procedure;

- send the form by fax to the number communicated by the official of the Bank of Italy at the time of consent. The application must reach the Bank of Italy within the cut-off time;

2. Applications sent by fax are subjected to article 13 paragraphs 2 and 4. The applications sent by fax are not accepted by the Bank of Italy if:

- they do not respect the provisions established in the general decree and in the technical decree;

- prior consent is not given (see paragraph 1, second sentence);

- they are drawn up on forms different from the one contained in annex 6 of this Agreement;

- they are not drawn up or if errors in the following spaces of the mentioned form are found: intermediary code, reference number, starting date and maturity date, operation type, tender type;

- the signature of a legal representative of the Counterparty or of another person duly authorized to represent the Counterparty is lacking;

- they are received by the Bank of Italy after the cut-off time.

3. The relevant time stamp that will be taken into account for the purposes of evaluating compliance with the cut-off time will be the one, automatically printed by the Bank of Italy's fax machine on the form received. In case of several paper applications sent by a Counterparty relating to the same tender, only those applications received via fax within the cut-off time will be accepted.

4. If an application sent by fax cannot be accepted for the reasons indicated in paragraph 2, last sentence, applications, if any, received over the Network before the cut-off time will be accepted and admitted for participation to the tender.

5. If the Counterparty sends a paper application by fax in accordance with the procedures established in the first paragraph of this article, the application will be accepted for participation to the tender; in this case applications, if any, received over the Network before or after the transmission of the paper application will be discarded.

6. In case of paper applications, any further communications between the Bank of Italy and the Counterparties that have successfully participated in the tender, concerning the detailed allotment data could still use over the Network. If technical problems persist exchange of information could occur by phone and confirmed by fax.

7. If the Counterparty frequently asks to participate by means of paper applications owing to technical reasons attributable to the Counterparty, the Bank of Italy reserves its right to deny to the Counterparty the right to participate in tenders until it has successfully passed technical testing activity.

8. Applications sent by systems other than Network or fax will not be admitted.

Article 15

Applications submitted by fax that are illegible

1. If the paper application, correctly sent in accordance with the first paragraph of article 14, is illegible, and no subsequent messages are received over the Network, it will be accepted; therefore, any earlier messages received over the Network will be disregarded. In case additional applications are received over the Network after the time of the paper application, the illegible paper application will be disregarded. The last application sent over the Network within the cut-off time will be considered and accepted.

Article 16

Malfunction of the Network or the C.A.B.I

1. If a malfunction of the Network or the Bank of Italy Application Centre (C.A.B.I.) takes place in the morning of the day of the tender and in the opinion of the Bank of Italy and the Ministry for the Economy and Finance it could be prejudicial to the regular carrying out of the operations, the cut-off time could be extended.

2. The decision to extend the cut-off time will be promptly notified to the Counterparties with an announcement through the electronic and financial information provider referred to in article 4, paragraph 2, of this Agreement;

the new cut-off time will be announced in the same manner as soon as the return of normal operations of the Network or of the C.A.B.I. so permits.

3. The extension will be valid for all the participants in the tender, including these Counterparties that may have already transmitted applications over the Network or that may intend to submit paper applications.

4. In the event that the malfunction of the Network or the C.A.B.I. is not addressed by 5 p.m. of the day of the mentioned tender operation, the Bank of Italy undertakes to inform the Counterparties promptly of any relevant decision of the Ministry for the Economy and Finance by means of the same channels referred to in the second paragraph of this Article.

Section C

Other provisions

Article 17

Notifications to the Bank of Italy

1. The Counterparty undertakes to notify the Bank of Italy of any corporate change concerning the address, the legal name, the purpose, the ownership, participations and governance that could affect the relationship governed by this Agreement.
2. The Counterparty undertakes to promptly notify the Bank of Italy if it ceases to fulfil the legal or technical requirements referred to in annex 1 of this Agreement.
3. Every piece of communication concerning the relationships set (drawn up) under this Agreement must be addressed to: Banca d'Italia, Amministrazione Centrale – Servizio Operazioni di banca centrale – Divisione Operazioni di politica monetaria e in cambi, Via Nazionale 91, 00184, ROMA.

Article 18

Liability restriction

1. The Counterparty holds the Bank of Italy and the MEF harmless for any loss or liability relating to the operations governed by this Agreement, not due to its wilful misconduct or gross negligence that might result:
 - from the use of the Network for the reception and/or transmission of messages, as well as from the use of equipment for facsimile reproduction;
 - from non-compliance with the provisions of article 5, paragraph 4, of this Agreement.

Article 19

Updating of the Agreement

1. The Counterparty authorizes the Bank of Italy to update this Agreement in relation to changes in the general decree and technical decree.
2. The Bank of Italy informs the Counterparty of the changes mentioned in the previous paragraph 1, by registered letter with return receipt.
3. The Bank of Italy informs the Counterparty of the changes mentioned in the previous paragraph 1, via a letter sent through a courier with a proof of occurred delivery.

Article 20

Non transferability. Withdrawal from the Agreement

1. This agreement is not transferable nor assignable, neither the rights, powers, faculties, duties and obligations that are related to it or that are provided for in it are transferable or assignable in any way.
2. Each of the signatories may withdraw from this Agreement, by means of a written notice, with effect from the tenth business day following that of its reception or from a later date indicated in the written notice.

Article 21

Final provisions

1. Annexes to this Agreement are considered integral part of it.
2. This Agreement is subjected to Italian law.
3. Any disputes arising out of or in connection with this Agreement shall be decided solely by the Court of Rome.

This Agreement is drawn up in 2 original copies: one copy is signed by the Bank of Italy's legal representative. The legal representative of the Counterparty will sign one copy of the Agreement and will post it to "Banca d'Italia – Servizio Operazioni di banca centrale – Divisione Operazioni di politica monetaria e in cambi, Via Nazionale 91 - 00184, Roma".

THE BANK OF ITALY

THE COUNTERPARTY

Pursuant to and for the purposes of article 1341 of the Civil Code, the Counterparty expressly declares it approves the clauses of Articles 1 seventh sentence and 5 (cut-off time for the applications), 6 paragraph 3 (tender retraction), 10 (Cases of failed settlement), 14 paragraph 2 last sentence (cut-off time for the tender applications submitted by fax) 16 paragraph 4 (MEF decisions in case of malfunction of the Network or of the C.A.B.I), 18 (liability restriction), 19 (updating of agreement), 20 (not transferability; withdrawal from the Agreement), 21 paragraph 3 (place of jurisdiction) .

THE COUNTERPARTY

A N N E X E S

TECHNICAL AND ADMINISTRATIVE REQUIREMENTS FOR THE PARTICIPATION TO THE OPERATIONS ON BEHALF OF THE TREASURY (OPTES)

1. Participation in OPTES: general information

The General decree, Article 3, point 2, mandates the Bank of Italy to organize operations for the carrying out of financial transactions on behalf of the Treasury through tender operations. The Bank can decide the procedures to be followed for the submission of bids through the National Interbank Network (NIN). In order to participate to the tender operations, the counterparties must abide by some other conditions, explained in the following sections.

In addition, Article 3, paragraph 3 of the General Decree states that the Treasury Department can directly conduct bilateral transactions with Counterparties. In both cases, the Bank of Italy is responsible for checking the amounts of their bilateral transactions and the settlement in the TARGET2 payment system.

2. Legal requirements for the admission to tenders

In compliance with Article 4, paragraphs 1 and 2 of the General Decree, the counterparties admitted to participate to tenders are:

- a) Government bond Specialists, as defined in Articles 23 and 28 of the Ministerial Decree n. 216 as of December 22nd 2009 and its following amendments, together with counterparties belonging to the same corporate group of their Specialist;
- b) other counterparties selected by the Ministry on the basis of asset structure and credibility criteria, such as credit rating and financial holdings.

For the admission to operations of the counterparties defined in previous letter b), the Treasury takes into account the principles outlined in Article 3, paragraph 4 of the Technical Decree:

- a) the counterparties' credit rating assigned by the main rating Agencies, among those which rate companies' credit in compliance with the EC Regulation n. 1060 as of September 16th 2009 and its later amendments;
- b) the main solvency indexes of the counterparty's banking group, such as the recognized financial holdings for supervision purposes and the solvency coefficients.

3. Technical and operational requirements for sending applications

In order to participate to the OPTES procedure, the Counterparty must be able to send and receive messages over the Network (see Annex 8). Therefore, it must satisfy the following technical-operational requirements:

3.1 Participation in the NIN ("Message Switching" service).

Once the connection to Network has been implemented, the Counterparty must be able to send and receive messages to and from the Bank of Italy. For the technical specifications of messages over the Network and for the send/receive operational procedures, reference is to be made to the Annex 2 of this Agreement.

3.2 Availability of the bilateral keys for authentication and cryptography of electronic messages.

In order to ensure the integrity and confidentiality of data flows, messages over the RNI use cryptography and/or authentication functions, which require the utilization of bilateral keys exchanged between the Counterparties and the Bank of Italy.

Hence, a Counterparty preparing to participate in "electronic tenders" must request the Bank of Italy to exchange bilateral authentication and cryptography keys, in case it has not already done so for another procedure (in particular the "Central Credit Register"). This request is to be made on the specific form (Annex 9 and 10) to be sent to: Banca d'Italia – Servizio Elaborazioni e Infrastrutture, Divisione Assistenza agli Utenti e Qualità del Servizio, Largo Guido Carli 1, 00044 Frascati (Roma).

The authentication and cryptography keys are replaced automatically every six months. In order to avoid problems that might make it impossible to decrypt messages and thus cause the annulment of bids, on the semi-annual replacement a specific test must be executed in the production environment by sending the messages described in the Technical Specifications (6G1 with a predetermined content) and checking the results through the reply of the Bank of Italy (6G2 message). Key verification may also be performed whenever the counterparty considers it advisable.

4. Technical and operational requirements for settlement

For the purposes of the settlement of transactions on behalf of the Treasury, the Counterparty must satisfy the requirements set out at paragraph 4.1 below, or decide to settle the transactions through an intermediary (settlement agent) which fulfils the above mentioned requirements and which would be appointed under the procedure described at the following point 4.2.

4.1 Participation in the TARGET2 settlement system

For the purposes of settlement of the OPTES transactions, the technical decree, states that the amounts referring to the cash value of collection or investment operations carried out through tenders or bilateral transactions, are automatically settled through the TARGET2 settlement system.

4.2 Settlement by means of another intermediary

The technical decree, allows for the possibility of settling the amounts of the operations by means of a specially appointed intermediary. The Counterparty intending to avail itself of this right

must complete the form for the designation of the “settlement agent” and have the latter complete the form for acceptance the decision. Both forms (Annex 4 and 5), once compiled and signed, must be sent to: Banca d’Italia - Servizio Operazioni di banca centrale, Divisione Operazioni di politica monetaria e in cambi, via Nazionale 91, 00184 Roma.

5. Test with the Bank of Italy

In order to verify the correct management of the messages over the Network, each counterparty willing to participate in OPTES must perform tests, in a test environment, with the Bank of Italy. A successful competition of the test session is a prerequisite for the activation of the procedure in the production environment.

In order to take part in a test session, it is necessary to send a specific request (Annex 7) to: Banca d'Italia - Servizio Operazioni di banca centrale, Divisione Operazioni di politica monetaria e in cambi, via Nazionale 91 - 00184 Roma or (by e-mail) to BI.OPTES@Bancaditalia.it, specifying the telephone and fax numbers of the person responsible for the successful completion. The Bank of Italy will send the operational calendar of tests. The tests are repeated until their result is positive.

6. Signing of the Agreement with the Bank of Italy

Once the requirements listed at paragraphs 2, 3, 4 and 5 of this document are satisfied, the Counterparty interested in participating in OPTES operations must sign this Agreement with the Bank of Italy.



“OPTES - Operations on behalf of the Treasury”

**Instructions for Counterparties
(Technical specifications)**

february 2012

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1. INTRODUCTION

1.1 Premise

This document sets out in detail the procedures to be followed during transactions undertaken on behalf of the Treasury.

Activities undertaken by dealers in pursuit of these operations are illustrated below, along with a brief description of RNI messages that may appear at various stages.

1.2 Operation announcements by the Bank of Italy, and receipt of counterparty participation messages

The Bank of Italy sends out message 6G0 containing information on the nature of the tender to counterparties eligible to participate in the operation.

From the moment that the tender opens to the cut-off time specified in the tender announcement, counterparties may send the Bank of Italy requests to take part via message 6G1.

Counterparties may alter their participation status by sending a new participation message, provided that it is sent prior to the cut-off time. Data in the most recent message received replaces data submitted in preceding messages, as long as the correct temporal sequence has been followed; the *data/ora di riferimento* (**reference date/time**) pairing, sent by the sending counterparty, provides proof of this. When comparing the date/time pairing, if it is found that the last message received was in actual fact sent prior to the message received previously, it shall be handled as incorrect and rejected with a RE01 status, and duly be reported as such.

Counterparties may cancel their participation by sending a new participation message in which all parameters and amounts are set to zero. These messages are also subject to checks that the correct temporal sequence has been followed, as specified in the paragraph above.

Every 6G1 participation message correctly entered into the system triggers the sending of a 6G2 reception confirmation message. Counterparties should check in good time that they receive this message in order to ascertain that their participation request has been received correctly. Incorrect participation messages shall be returned to the sender with category RE01 status. Any messages received prior to the announcement of a tender or subsequent to the cut-off time will also receive a RE01 rejection.

It should be noted that if the system suffers a malfunction, it will be applied the provisions established in the Article 14, 15, and 16 of this Agreement.

1.3 Notification of participants regarding tender results

The Bank of Italy undertakes a number of activities following the closure of the operation in order to calculate the results and make allocations.

The Bank of Italy notifies all counterparties that have taken part in the tender with a 6G3 message, whether or not the counterparty has received an allocation. Counterparties that have not received an allocation will find the allocation amount set to zero.

If the tender is cancelled by the Bank of Italy, all counterparties who were sent the tender announcement will be notified by a 6G6 message.

1.4 Notification regarding check execution and execution acceptance receipts

The Bank of Italy proceeds to draw up the details of OPTES transactions (“contracts”) on the basis of the published operation results.

Any problems that may arise at this stage owing to incomplete data may require contact between dealers and the Bank of Italy.

Detailed data (execution) for “contracts” generated is sent by the Bank of Italy to counterparties and to possible settlement intermediaries in 6G7 messages. 6G7 and related 6G8 execution data acceptance and 6G9 acceptance reception confirmation messages, illustrated below, make it possible to use the online checking function, which is also adopted for “contracts” generated through bilateral operations.

For every 6G7 message, counterparties (and possible settlement agents) send a 6G8 message in which they specify whether or not they accept the calculations, and, in consequence, the associated contract, about which the Bank has notified them.

If any calculation is not accepted, the counterparty (or possible settlement agents) will have to contact the Bank of Italy (*Servizio Operazioni di banca centrale – Ufficio Contabilità e controllo*) and draw the attention to any discrepancy that has been found.

A 6G9 received confirmation message is sent to the counterparty (and to the possible settlement agent) regarding the 6G8 message notifying acceptance of execution.

1.5 Concise message descriptions

The following messages apply:

MSG	Sender	Addressee	Purpose
6G0	BI	CTRPRTY	Notification of tender and characteristics
6G1	CTRPRTY	BI	Participation in tender (bid)
6G2	BI	CTRPRTY	Confirmation of bid receipt
6G3	BI	CTRPRTY	Tender result
6G6	BI	CTRPRTY	Tender cancellation
6G7	BI	CTRPRTY SA	Execution data for check
6G8	CTRPRTY SA	BI	Execution data acceptance
6G9	BI	CTRPRTY	Confirmation of execution data acceptance

		SA	
--	--	----	--

The Bank of Italy notifies eligible counterparties about the operation characteristics in a **6G0 message**.

In order to bid in the tender, counterparties must send an encrypted **6G1 message** containing a maximum of 10 bids (including parameters and corresponding amount)¹.

This message must reach the Bank of Italy Applications Centre (C.A.B.I.) no later than the time stated in the 6G0 message (IDC 6G5). If it fails to do so, the message is returned to the sender with RE01 application status. If dealers send more than one 6G1 message for the same tender, the most recent message substitutes any previous bids.

The C.A.B.I. sends out a **6G2 message** confirming receipt for each 6G1 message received and not containing either formal or material errors nullifying the whole application. Conversely, 6G1 messages with errors are returned to the sender with RE01 application status.

Following the allocation, the Bank of Italy sends each bidding dealer a **6G3 message** with the tender results. Assignee dealers are informed of the amount allocated for each of the parameters stated in this message concerning valid bids. The assigned amount is set to zero in non-assignee counterparty messages.

The Bank of Italy reserves the right to cancel an operation. In such case, counterparties are notified by the Bank of Italy via a **6G6 message**.

The exchange of checking messages is undertaken by the Bank of Italy and counterparties with whom contracts have been drawn up, notably counterparties that are assignees in operations on behalf of the Treasury.

A **6G7 message** is sent for every contract generated, in which the calculation made is specified. In order to accept this notification, counterparties (and possible settlement agents) must send the Bank of Italy a **6G8 acceptance message**.

The C.A.B.I. sends a return **6G9 message** confirming receipt for each 6G8 message received that does not contain errors.

Online checking applies to contracts other than those generated through bid operations in the tender.

¹ According to the provisions of the Technical decree (article 3, paragraph 1), Counterparties can apply in the tender at most three bids for every application).

2. TECHNICAL MESSAGE CHARACTERISTICS

The technical characteristics of messages used in the OPTES procedure for exchanging information with counterparties are provided below.

2.1 6G0 message: announcement of public operation

A) LAYOUT

MESSAGE TYPE: **6G0**

BANKING APPLICATION SENDER

:01000BI014YY (1)

BANKING APPLICATION RECIPIENT

:XXXXXXBI014YY (1)

O F (2)	A C (3)	IDC	DESCRIPTION	FORMAT
O		01	Message type	“3”b
O		040	Sender (ABI/CAB/Office)	“5”n(/”5”n/”2”b)
O		050	Recipient (ABI/CAB/Office)	“5”n(/”5”n/”2”b)
O		020	CRO	“11”n
O		D31	Reference date (ddmmyyyy)	“8”n
O		601	Reference time (hhmmss)	“6”n
O		6G0	Operation identifier	
			Constant	“1”a
			Year	/”4”n
			Code	/”4”n
O		6G1	Operation type	
			Operation name	“2”a
			Transaction type	/”2”a
			Operation type	/”2”a
			Listing type	(/”1”a)
			Public operation	/”1”a
			Tender type	/”2”a
			Allocation method	/”2”a
O		6G2	Characteristics of operation	
			Execution date (ddmmyyyy)	“8”n
			Maximum no. of bids per counterparty	/”2”n
			Amount offered	(/15n)
			Minimum bid amount	(/15n)
			Incremental bid interval	(/15n)
			Max. bid amount	(/15n)
			Minimum allocation amount	(/15n)
			Value parameter	(/”8”n)
O		6G3	Spot settlement date (ddmmyyyy)	“8”n
F		6G4	Forward settlement date (ddmmyyyy)	“8”n
O		6G5	CUT OFF for bid submissions	“6”n

(1) - XXXXX = A.B.I. Code YY = environment identifier (00 for live environment).

(2) - may take the following values:

- **O** if field is compulsory
- **F** if field is optional

(3) - contains information about security functions that may apply to the field; may take the following values:

- **A** if the field is used for calculating the check digit

- **C** if the field is encrypted
- **AC** if the field is used for calculating the check digit and is encrypted

B) 6G0 MESSAGE COMPOSITION GUIDE

IDC 01 - MESSAGE TYPE

Takes value 6G0.

IDC 040 - SENDER

Bank of Italy identifier (01000).

IDC 050 - RECIPIENT

Recipient dealer identifier.

IDC 020 - CRO

Message reference code, assigned by sender.

IDC D31 - REFERENCE DATE

Message send date, ddmmyyyy format.

IDC 601 - REFERENCE TIME

Message send time, hhmmss format.

IDC 6G0 - OPERATION IDENTIFIER

Operation identifier; must be quoted in all messages associated with the operation.

Consists of the following sub-fields:

- constant "T"
- "year" - year in which operation takes place;
- "operation code" - unique ascending code for the year.

IDC 6G1 - OPERATION TYPE

Operation characteristics, consisting of the following fields:

- **"operation name"**
set to "NC" "not communicated";
- **"transaction type"**
may take the following values:
 - RT** *Reverse Transaction* - (NOT USED AT PRESENT)
 - FD** *Fixed Term Deposits*
 - OT** *Outright Transaction*
- **"operation type"**
may take the following values:
 - LA** *Liquidity absorbing*
 - LP** *Liquidity providing*
- **"listing type"**
may take the following values:
 - P** *Price (price)* - (NOT USED AT PRESENT)
 - R** *Rate (rate)*
- **"public operation"**
may take the following values:
 - Y** *Public operation*
 - N** *Operation not public*
- **"tender type"**

may take the following values:

FR *Fixed rate tender*
VR *Variable rate tender*

- **“allocation method”**, used only in VR type tenders, when it may take the following values:

SR *Single rate*
MR *Multiple rate*

IDC 6G2 - OPERATION CHARACTERISTICS.

States the characteristics of the announced operation.

Consists of the following fields:

- **“execution date”**
the date when the operation takes place, ddmmyyyy format.
- **“maximum number of bids per counterparty”**
the maximum number (between 1 and 10) of bids (different parameter values and associated amounts) which may be entered by a dealer for each tender.
- **“amount offered”**
amount offered in the operation, expressed in eurocents.
- **“minimum bid amount”**
minimum amount, expressed in eurocents, which each dealer may bid in the tender at each bid rate.
- **“incremental bid interval”**
the amount, expressed in eurocents, of which increments in the bid must be equal or multiples, with respect to the minimum amounts.
- **“maximum bid amount”**
the maximum aggregate amount, expressed in eurocents, which each dealer may bid in the aggregate tender.
- **“minimum allocation amount”**
the minimum amount, expressed in eurocents, which may be assigned to each assignee bid.
- **“value parameter”**
depending on the tender type, the value of the interest rate set as the “limit”, or the fixed rate; the first three digits are whole numbers; the last five digits are decimal places.

IDC 6G3 – SPOT SETTLEMENT DATE

The date on which **spot** operations must be settled or, in the case of final operations, the sole contract operation settlement date. This field has a “ddmmyyyy” format.

IDC 6G4 – FORWARD SETTLEMENT DATE

For temporary contracts, the date on which **forward** operations must be settled. This field has a “ddmmyyyy” format.

IDC 6G5 – BID PRESENTATION CUT-OFF TIME

The cut-off time by and no later than which the C.A.B.I. must receive counterparty bid messages, in an “hhmmss” format. The time regards the tender execution date (IDC 6G2, “execution date” field). Messages received after this time are returned to senders with an error code.

2.2 6G1 Message: participation in tender

A) LAYOUT

MESSAGE TYPE: **6G1**

BANKING APPLICATION SENDER

: XXXXXBI014YY (1)

BANKING APPLICATION RECIPIENT

: 01000BI014YY (1)

O / F (2)	A / C (3)	IDC	DESCRIPTION	FORMAT
O		01	Message type	"3"b
O		040	Sender (ABI/CAB/Office)	"5"n("/"5"n/"2"b)
O		050	Recipient (ABI/CAB/Office)	"5"n("/"5"n/"2"b)
O		020	CRO	"11"n
O		D31	Reference date (ddmmyyyy)	"8"n
O		601	Reference time (hhmmss)	"6"n
O		010	Check digit	"5"n
O		6G0	Operation identifier	
			Constant	"1"a
			Year	/"4"n
			Operation code	/"4"n
O	AC	6G6	Bids	10 instances
			Value parameter	"8"n
			Amount	/"15"n
O		6GG	Reference name	"15"x

(1) - XXXXX = A.B.I. Code YY = environment identifier (00 for live environment).

(2) - may take the following values:

- O if field is compulsory
- F if field is optional

(3) - contains information about security functions that may apply to the field; may take the following values:

- A if the field is used for calculating the check digit
- C if the field is encrypted
- AC if the field is used for calculating the check digit and is encrypted

B) 6G1 MESSAGE COMPOSITION GUIDE

IDC 01 - MESSAGE TYPE

Takes value 6G1.

IDC 040 - SENDER

Sender identifier.

IDC 050 - RECIPIENT

Bank of Italy identifier.

IDC 020 - CRO

Message reference code assigned by sender.

IDC D31 - REFERENCE DATE

Message send date, ddmmyyyy format.

IDC 601 - REFERENCE TIME

Message send time, hhmmss format.

IDC 010 - CHECK DIGIT

Control code calculated using an algorithm and a bilateral key exchanged by SENDER and RECIPIENT.

IDC 6G0 - OPERATION IDENTIFIER

Identifies the operation announced in message 6G0 - IDC 6G0.

IDC 6G6 - BIDS

This compulsory IDC must be given a value for all instances, as it is subject to authentication and encryption.

Instances not required must be filled with zeros (00000000/0000000000000000).

If three bids are sent in, they must occupy the first three elements (lines) in the table; the next seven elements must be filled with zeros. Valid elements must not be inserted between instances set to zero.

For a description of how IDCs are subject to cryptography and authentication, please see Section 3, "CRYPTOGRAPHY AND AUTHENTICATION".

The IDC contains the following sub-fields:

- **“value parameter”**

The interest rate value offered by the dealer in its tender bid. The first three digits refer to whole numbers; the last five digits are decimals. When stating a rate, dealers must only enter values to the first two decimal places, and fill the remaining places with zeros.

If the operation is at a fixed rate, this item must be filled with the rate stated in the announcement, or else filled with zeros.

- **“amount”**

The amount, expressed in eurocents, requested/offered by the dealer (depending upon whether the MEF is providing or absorbing funds) for the associated parameter. This must be equal to the *minimum amount* or the *minimum amount* plus the incremental interval or a multiple. It should be remembered that customarily the minimum bid amount is a multiple of the incremental interval; this means that all that is required is to verify that the bid amount is greater than the *minimum amount* and may be divided (without any remainder) by the *incremental interval*.

The aggregate amounts at each rate must be lower than or equal to any *maximum bid amount* stated in the IDC 6G2 sub-field in the 6G0 public operation announcement message.

IDC 6GG - REFERENCE NAME

The reference name of the dealer who Bank of Italy staff may contact if necessary.

BID VARIATIONS

The contents of **IDC D31** and **601** are used to alter bids. The reference date/time of the message received is compared with the date/time of any recorded bids from that same dealer. If the date/time of the recently received message is more recent than the recorded figure, the bids in the new message substitute those already in the database. If this is not the case, the message is returned with RE01 status and error code 523.

Example: in a given tender, a dealer has sent a 6G1 message with the following values:

- IDC D31: “31032005”

- IDC 601: “113100”

- IDC 6G6: three rates and corresponding amounts:

rate 1 2.25 amount €100,000

rate 2 2.15 amount €250,000
rate 3 2.05 amount €1,125,000

The three rates and amounts are recorded in the database with the reference date/time (31032005, 113100).

Subsequently, the C.A.B.I. receives a new 6G1 message from the same dealer for the same tender, with the following content:

- IDC D31: "31032005"
- IDC 601: "115025"
- IDC 6G6: two rates and corresponding amounts:
 - rate 1 2.25 amount €100,000
 - rate 2 2.00 amount €350,000

As the reference date/time of the new message is more recent than the reference date/time of the bids already in the database (31032005, 113100), the new message is interpreted as a change to the previously received bids; the bids received from the dealer and in the database are cancelled and substituted with the new rates and amounts, along with the new reference date/time.

If the new 6G1 message received by the C.A.B.I. from the dealer had contained the following data:

- IDC D31: "31032005"
- IDC 601: "112702"
- IDC 6G6: two rates and corresponding amounts:
 - rate 1 2.25 amount €100,000
 - rate 2 2.00 amount €350,000

as the reference date/time in the new message is not more recent than the reference date/time of the bids already in the database (31032005, 113100) the new message would have been classified as incorrect (IDC 601 - error code 523) and been returned to the sender with RE01 status.

Bid cancellations

Dealers wishing to cancel previously submitted bids must dispatch a 6G1 variation message (see the paragraph above) in which all IDC 6G6 message *value parameter* and *amount* sub-fields are set to zero.

C) - 6G1 message error codes

Err. cod.	Description
500	Ineligible sender
501	Cryptography error
502	Incorrect message reference date
503	Incorrect message reference time
515	Incorrect operation code format
516	Entry cancelled owing to the presence of manually-entered bids
517	Authentication error
518	Incorrect rate format
519	Incorrect amount format
520	Non-numeric sender
521	Non-numeric CRO
522	Reference date differs from tender date
523	More recent bids already recorded
524	Message received after cut-off time
525	No reference name value given

526	Not a trading day
527	Tender not open
528	No such tender
529	Sender not found in database
530	Multiple offers at the same rate
531	More than one amount for a fixed-rate tender
532	Rates not as stipulated for a fixed-rate tender
533	More than one rate entered for a fixed-rate tender
534	Rates not stated for a multiple or single tender
535	Bid amount not entered: - for a multiple or single tender, means that a rate has been entered without a corresponding amount - for a fixed-rate tender, means that none of the ten amounts has been entered
536	Amount lower than the minimum bid amount
537	Number offered exceeds that available in the tender
538	Rate lower than the announced threshold rate
539	Rate higher than the announced threshold rate
540	Nullification of non-existent application
550	Rate/amount different from 999999999 9999999999999999(6G1 testing)
551	Reference name different from AAAAAAAAAAAAAAAAAA (6G1 testing)

2.3 6G2 message: confirmation of bid receipt

A) LAYOUT

MESSAGE TYPE: 6G2

BANKING APPLICATION SENDER

: 01000BI014YY (1)

BANKING APPLICATION RECIPIENT

: XXXXXBI014YY (1)

O / F (2)	A / C (3)	IDC	DESCRIPTION	FORMAT
O		01	Message type	“3”b
O		040	Sender (ABI/CAB/Office)	“5”n(“5”n”2”b)
O		050	Recipient (ABI/CAB/Office)	“5”n(“5”n”2”b)
O		020	CRO	“11”n
O		022	Original CRO	16x
O		D31	Reference date (ddmmyyyy)	“8”n
O		601	Reference time (hhmmss)	“6”n
O		6G0	Operation identifier	
			Constant	“1”a
			Year	/*4”n
			Operation code	/*4”n

(1) - XXXXX = A.B.I. Code YY = environment identifier (00 for live environment).

(2) - may take the following values:

- O if field is compulsory
- F if field is optional

(3) - contains information about security functions that may apply to the field; may take the following values:

- A if the field is used for calculating the check digit
- C if the field is encrypted
- AC if the field is used for calculating the check digit and is encrypted

B) 6G2 MESSAGE COMPOSITION GUIDE

IDC 01 - MESSAGE TYPE

Takes value 6G2.

IDC 040 - SENDER

Bank of Italy identifier.

IDC 050 - RECIPIENT

Recipient identifier.

IDC 020 - CRO

Message reference code assigned by sender.

IDC 022 - ORIGINAL CRO

Content from the IDC 020 in the 6G1 message referenced. In accordance with SIA standards, values are entered for the first eleven characters from the left.

IDC D31 - REFERENCE DATE

Message send date, ddmmyyyy format.

IDC 601 - REFERENCE TIME

Message send time, hhmmss format.

IDC 6G0 - OPERATION IDENTIFIER

Identifier of the operation notified in message 6G1 - IDC 6G0.

2.4 6G3 message: tender result notification

A) LAYOUT

MESSAGE TYPE: 6G3

BANKING APPLICATION SENDER

:01000BI014YY (1)

BANKING APPLICATION RECIPIENT

:XXXXXXBI014YY (1)

O / F (2)	A / C (3)	IDC	DESCRIPTION	FORMAT
O		01	Message type	"3"b
O		040	Sender (ABI/CAB/Office)	"5"n(/"5"n/"2"b)
O		050	Recipient (ABI/CAB/Office)	"5"n(/"5"n/"2"b)
O		020	CRO	"11"n
O		D31	Reference date (ddmmyyyy)	"8"n
O		601	Reference time (hhmmss)	"6"n
O		010	Check digit	"5"n
O		6G0	Operation identifier	
			Constant	"1"a
			Year	/"4"n
			Operation code	/"4"n
O		022	Original CRO	16x
O	AC	6G9	Tender results	10 instances
			Value parameter	"8"n
			Amount assigned	/"15"n

(1) - XXXXXX = A.B.I. Code YY = environment identifier (00 for live environment).

(2) - may take the following values:

- **O** if field is compulsory
- **F** if field is optional

(3) - contains information about security functions that may apply to the field; may take the following values:

- **A** if the field is used for calculating the check digit
- **C** if the field is encrypted
- **AC** if the field is used for calculating the check digit and is encrypted

B) 6G3 MESSAGE COMPOSITION GUIDE

IDC 01 - MESSAGE TYPE

Takes value 6G3.

IDC 040 - SENDER

Bank of Italy identifier.

IDC 050 - RECIPIENT

Recipient identifier.

IDC 020 - CRO

Message reference code assigned by sender.

IDC D31 - REFERENCE DATE

Message send date, ddmmyyyy format.

IDC 601 - REFERENCE TIME

Message send time, hhmmss format.

IDC 010 - CHECK DIGIT

Control code calculated using an algorithm and a bilateral key exchanged by sender and recipient.

IDC 6G0 - OPERATION IDENTIFIER

Identifies the operation announced in message 6G0 - IDC 6G0.

IDC 022 - ORIGINAL CRO

Content from the IDC 020 in the last 6G1 message. In accordance with SIA standards, values are entered for the first eleven characters from the left.

If the tender bid has not been received via the RNI, all 11 characters should be filled with zeros.

IDC 6G9 - TENDER RESULTS

The amount assigned for each of the parameters requested. If no assignment is made, the amount is set to zero.

This consists of the following sub-fields:

- **“value parameter”**: the interest rate value indicated in the 6G1 message, standardized where necessary; the first three digits refer to the whole number, the last five digits refer to the decimal portion.
- **“amount assigned”**: the amount assigned expressed in eurocents; if no assignment is made, this is set to zero.

For a description of how the IDC is subject to cryptography and authentication, please see Section 3, “CRYPTOGRAPHY AND AUTHENTICATION”.

2.5 6G6 message: tender cancellation

A) LAYOUT

MESSAGE TYPE: 6G6

BANKING APPLICATION SENDER

: 01000BI014YY (1)

BANKING APPLICATION RECIPIENT

: XXXXXBI014YY (1)

O / F (2)	A / C (3)	IDC	DESCRIPTION	FORMAT
O		01	Message type	“3”b
O		040	Sender (ABI/CAB/Office)	“5”n(/’5”n/’2”b)
O		050	Recipient (ABI/CAB/Office)	“5”n(/’5”n/’2”b)
O		020	CRO	“11”n
O		D31	Reference date (ddmmyyyy)	“8”n
O		601	Reference time (hhmmss)	“6”n
O		6G0	Operation identifier	
			Constant	“1”a
			Year	/’4”n
			Operation code	/’4”n

(1) - XXXXX = A.B.I. Code YY = environment identifier (00 for live environment).

(2) - may take the following values:

- **O** if field is compulsory
- **F** if field is optional

(3) - contains information about security functions that may apply to the field; may take the following values:

- **A** if the field is used for calculating the check digit
- **C** if the field is encrypted
- **AC** if the field is used for calculating the check digit and is encrypted

B) 6G6 MESSAGE COMPOSITION GUIDE

This message is sent to bidding counterparties to notify them that an operation has been cancelled.

IDC 01 - MESSAGE TYPE

Takes value 6G6.

IDC 040 - SENDER

Bank of Italy identifier.

IDC 050 - RECIPIENT

Recipient identifier.

IDC 020 - CRO

Message reference code assigned by sender.

IDC D31 - REFERENCE DATE

Message send date, ddmmyyyy format.

IDC 601 - REFERENCE TIME

Message send time, hhmmss format.

IDC 6G0 - OPERATION IDENTIFIER

Identifies the operation announced in message 6G0 - IDC 6G0, regarding the operation that has been cancelled.

2.6 6G7 message: execution data for check

A) LAYOUT

MESSAGE TYPE: 6G7

BANKING APPLICATION SENDER

:01000BI014YY (1)

BANKING APPLICATION RECIPIENT

:XXXXXXBI014YY (1)

O / F (2)	A / C (3)	IDC	DESCRIPTION	FORMAT
O		01	Message type	"3"b
O		040	Sender (ABI/CAB/Office)	"5"n(/"5"n/"2"b)
O		050	Recipient (ABI/CAB/Office)	"5"n(/"5"n/"2"b)
O		020	CRO	"11"n
O		D31	Reference date (ddmmyyyy)	"8"n
O		601	Reference time (hhmmss)	"6"n
F		6G0	Operation identifier	
			Constant	"1"a
			Year	/"4"n
			Operation code	/"4"n
O		6G1	Operation type	
			Operation name	"2"a
			Transaction type	/"2"a
			Operation type	/"2"a
			Listing type	(/"1"a)
			Public operation	/"1"a
			Tender type	/"2"a
			Allocation method	/"2"a
O		6H0	Counterparty	"5"n
O		6H1	Contract ID	"11"n
O		6G3	Spot settlement date (ddmmyyyy)	"8"n
F		6G4	Forward settlement date (ddmmyyyy)	"8"n
O		6H4	Operation rate	"8"n
F		6H5	Security ISIN code	"12"b
F		6H6	Authorized capital	"15"n
F		6H7	Price type	"3"x
F		6H8	Spot price	"12"n
F		6H9	Forward price	"12"n
F		6K1	Spot value	"15"n
F		6K2	Forward value	"15"n
O	C	6K3	Spot total	"15"n
O	C	6K4	Forward total	"15"n
F		6K5	Spot gross interest accrued	"15"n
F		6K6	Forward gross interest accrued	"15"n

(1) - XXXXXX = A.B.I. Code YY = environment identifier (00 for live environment).

(2) - may take the following values:

- O if field is compulsory
- F if field is optional

(3) - contains information about security functions that may apply to the field; may take the following values:

- A if the field is used for calculating the check digit
- C if the field is encrypted
- AC if the field is used for calculating the check digit and is encrypted

B) 6G7 MESSAGE COMPOSITION GUIDE.

This message is sent to counterparties to inform them of counts in stipulated contracts.
A 6G7 message is sent for each contract. A copy is also sent to the settling party if the contract is to be settled indirectly.

IDC 01 - MESSAGE TYPE

Takes value 6G7.

IDC 040 - SENDER

Bank of Italy identifier.

IDC 050 - RECIPIENT

Recipient identifier.

IDC 020 - CRO

Message reference code assigned by sender.

IDC D31 - REFERENCE DATE

Message send date, ddmmYYYY format.

IDC 601 - REFERENCE TIME

Message send time, hhmmss format.

IDC 6G0 - OPERATION IDENTIFIER

The tender identifier stated in the 6G0 message, in which the contract being checked originated. This is configured for contracts that originated through a tender; this IDC does not feature for bilateral contracts.

IDC 6G1 - OPERATION TYPE

Operation characteristics, consisting of the following fields:

- **“operation name”**
set to “NC” “not communicated”;
- **“transaction type”**
may take the following values:
 - RT** *Reverse Transaction* - (NOT USED AT PRESENT)
 - FD** *Fixed Term Deposits* (always FD for bilateral transactions)
 - OT** *Outright Transaction*
- **“operation type”**
may take the following values:
 - LA** *Liquidity absorbing*
 - LP** *Liquidity providing*
- **“listing type”**
may take the following values:
 - P** *Price* (price) - (NOT USED AT PRESENT)
 - R** *Rate* (rate) (always R for bilateral contracts)
- **“public operation”**
may take the following values:
 - Y** *Public operation*
 - N** *Operation not public* (always N for bilateral contracts)

- “**tender type**”
may take the following values:
 - FR** *Fixed rate tender*
 - VR** *Variable rate tender*
- “**allocation method**”, used only in VR type tenders, when it may take the following values:
 - SR** *Single rate*
 - MR** *Multiple rate*

IDC 6H0 - COUNTERPARTY

The counterparty with which the contract has been drawn up. If the contract is settled directly, IDC 6H0 content matches IDC 050 (recipient).

If the contract is settled indirectly, a copy of the 6G7 message is also sent to the settling party; in such cases, the IDC 6H0 (counterparty) message differs from the IDC 050 (recipient) content.

Settling parties for counterparties that receive a copy of this message must send back a 6G8 checking message.

IDC 6H1 - CONTRACT IDENTIFIER

Contract code assigned by the Bank of Italy.

IDC 6G3 - SPOT SETTLEMENT DATE

The date on which spot operations must be settled or, in the case of final operations, the sole contract transaction date. This field has a “ddmmyyyy” format.

IDC 6G4 - FORWARD SETTLEMENT DATE

For temporary contracts, this field contains the date on which the temporary forward contract must be settled. This field has a “ddmmyyyy” format.

IDC 6H4 - OPERATION RATE

The temporary operation or forward deposit rate for which the contract has been generated. The field format consists of three integers and five decimals. If this field isn’t filled its value is zero.

IDC 6H5 - SECURITY ISIN CODE

Not required for non-collateralized operations; the security identifier in ISIN format.

IDC 6H6 - AUTHORIZED CAPITAL

Not required for non-collateralized operations; the authorized capital expressed in eurocents. The field format is 15 integers. For equities, the number of shares traded is inserted into this field, in the same format.

IDC 6H7 - PRICE TYPE

Not required for non-collateralized operations; the type of price used to trade the security. The following values are valid:

- **PSE** *ex interest price*
- **PTL** *gross tel-quel price*
- **PTN** *net tel-quel price*

IDC 6H8 - SPOT PRICE

Not required for non-collateralized operations; the price used in calculating spot contracts, inclusive of the initial margin and the collateral security margin, if required for the type of operation undertaken. In order to enable the proper insertion of equity prices, the field format is seven integers and five decimals.

IDC 6H9 - FORWARD PRICE

Not required for non-collateralized operations; the price used in calculating forward contracts, inclusive of the initial margin and the collateral security margin, if required for the type of operation undertaken. In order to enable the proper insertion of equity prices, the field format is seven integers and five decimals.

IDC 6K1 - SPOT VALUE

Not required for non-collateralized operations; the spot value of the contract expressed in eurocents. The field format is 15 integers. For equities, the field contains the product of the number of shares (in the “authorized capital” sub-field) and the “trading price”, having taken exchange rates into account.

IDC 6K2 - FORWARD VALUE

Not required for non-collateralized operations; the forward value of the contract expressed in eurocents. The field format is 15 integers. For equities, the field contains the product of the number of shares (in the “authorized capital” sub-field) and the “trading price”, having taken exchange rates into account.

IDC 6K3 - SPOT TOTAL

Cash flow from spot transactions expressed in eurocents. Where applicable, includes: commission, accrued interest/interest and withholding tax. The field format is 15 integers.

IDC 6K4 - FORWARD TOTAL

Cash flow from forward transactions expressed in eurocents. Where applicable, includes: commission, accrued interest/interest and withholding tax. The field format is 15 integers.

IDC 6K5 - SPOT GROSS INTEREST ACCRUED

Not required for non-collateralized operations; the amount of spot gross interest accrued, expressed in eurocents. The field format is 15 integers. Not applicable to equities.

IDC 6K6 - FORWARD GROSS INTEREST ACCRUED

Not required for non-collateralized operations; the amount of forward gross interest accrued, expressed in eurocents. The field format is 15 integers. Not applicable to equities.

2.7 6G8 message: execution data acceptance

A) LAYOUT

MESSAGE TYPE: 6G8

BANKING APPLICATION SENDER

:XXXXXXBI014YY (1)

BANKING APPLICATION RECIPIENT

:01000BI014YY (1)

O / F (2)	A / C (3)	IDC	DESCRIPTION	FORMAT
O		01	Message type	"3"b
O		040	Sender (ABI/CAB/Office)	"5"n("/"5"n/"2"b)
O		050	Recipient (ABI/CAB/Office)	"5"n("/"5"n/"2"b)
O		020	CRO	"11"n
O		D31	Reference date (ddmmyyyy)	"8"n
O		601	Reference time (hhmmss)	"6"n
O		6GC	Check outcome	
			Contract ID	"11"n
			Confirmation of check data	/"2"a

(1) - XXXXX = A.B.I. Code YY = environment identifier (00 for live environment).

(2) - may take the following values:

- O if field is compulsory
- F if field is optional

(3) - contains information about security functions that may apply to the field; may take the following values:

- A if the field is used for calculating the check digit
- C if the field is encrypted
- AC if the field is used for calculating the check digit and is encrypted

B) 6G8 MESSAGE COMPOSITION GUIDE

Counterparties and possible settlement agents must send back a 6G8 message regarding the data for each contract sent out by the Bank of Italy in a 6G7 message.

IDC 01 - MESSAGE TYPE

Takes value 6G8.

IDC 040 - SENDER

Sender identifier.

IDC 050 - RECIPIENT

Bank of Italy identifier.

IDC 020 - CRO

Message reference code assigned by sender.

IDC D31 - REFERENCE DATE

Message send date, ddmmyyyy format.

IDC 601 - REFERENCE TIME

Message send time, hhmmss format.

IDC 6GC - CHECK OUTCOME

Consists of the following sub-fields:

- **“Contract ID”**: identifies the contract for which the check outcome data must be sent; must include the value contained in the IDC 6H1 sub-field in the 6G7 message.
- **“Confirmation of check data”**: may take the following values:
 - SI** if the check data is correct
 - NO** if the check data is incorrect; in this case, the counterparty should immediately contact the Bank of Italy in order to report the errors.

C) - 6G8 message error codes

Err. code	Description
502	Incorrect message reference date
503	Incorrect message reference time
504	Sender different from the Counterparty that stipulated the contract and from the settlement agent
512	Contract identifier not numeric
513	Operation may not be performed on the specified contract
514	Confirmation of data after incorrect check (not YES/NO)
521	CRO not numeric
522	Reference date different from tender date
526	Operational day not open
598	Tender not validated
599	Recipient different from 01000 Banca d'Italia

2.8 6G9 message: confirmation of execution data acceptance

A) LAYOUT

MESSAGE TYPE: **6G9**

BANKING APPLICATION SENDER

: 01000BI014YY (1)

BANKING APPLICATION RECIPIENT

: XXXXXBI014YY (1)

O / F (2)	A / C (3)	IDC	DESCRIPTION	FORMAT
O		01	Message type	“3”b
O		040	Sender (ABI/CAB/Office)	“5”n(“5”n“2”b)
O		050	Recipient (ABI/CAB/Office)	“5”n(“5”n“2”b)
O		020	CRO	“11”n
O		022	Original CRO	16x
O		6H1	Contract ID	“11”n
O		D31	Reference date (ddmmyyyy)	“8”n
O		601	Reference time (hhmmss)	“6”n

(1) - XXXXX = A.B.I. Code YY = environment identifier (00 for live environment).

(2) - may take the following values:

- **O** if field is compulsory
- **F** if field is optional

(3) - contains information about security functions that may apply to the field; may take the following values:

- **A** if the field is used for calculating the check digit
- **C** if the field is encrypted
- **AC** if the field is used for calculating the check digit and is encrypted

B) 6G9 MESSAGE COMPOSITION GUIDE

This message is used to confirm receipt of the 6G8 execution data acceptance message.

IDC 01 - MESSAGE TYPE

Takes value 6G9.

IDC 040 - SENDER

Bank of Italy identifier.

IDC 050 - RECIPIENT

Recipient identifier.

IDC 020 - CRO

Message reference code assigned by sender.

IDC 022 - ORIGINAL CRO

Contains the IDC 020 in the 6G8 message referenced: in accordance with SIA standards, requires the first 11 characters from the left.

IDC 6H1 - CONTRACT IDENTIFIER

Contract code assigned by the Bank of Italy.

IDC D31 - REFERENCE DATE

Message send date, ddmmyyyy format.

IDC 601 - REFERENCE TIME

Message send time, hhmmss format.

3. Cryptography and authentication

The C.A.B.I. handles messages requiring cryptography and authentication in the following order:

- outgoing messages are first encrypted and then authenticated;
- incoming messages are first authenticated and then decrypted.

The order in which individual IDCs and associated sub-fields are processed using cryptography and authentication algorithms is the same order in which the fields are listed under their message descriptions.

All IDC fields for which cryptography and authentication are required are compulsory and of a fixed length.

3.1 Cryptography

The encryption/decryption application uses the BYCRIPT algorithm, which, technically and operationally, is identical to the system used for the encryption of messages on the RNI.

The following rules apply to the composition of strings for encryption or decryption in each message:

- the encryption/decryption process must be applied to application data in fields that do not contain typical RNI transmission characters (IDCs, delimiters or sub-field separators);
- encryption/decryption must be carried out simultaneously. This requires that all fields in the string must be compiled, as they are all processed at the same time;
- for IDCs with separate instances, unused instances must be filled with zeros.

Bilateral cryptography keys should be replaced from time to time in the live environment. Incorrect or delayed updates will result in applications being excluded from the tender. It is therefore advisable to verify new keys every time that they are replaced.

For this purpose, after the application of new keys, it is good practice to send a 6G1 test message configured with the following data values:

IDC 6G0 - Operation identifier

Constant	set to	“T”
Year	set to	9999
Operation code	set to	9999

IDC 6G6 - Bids

Value parameter	set to	99999999
Amount set to		9999999999999999
		for all 10 instances

IDC 6GG - Reference name

set to AAAAAAAAAAAAAAAAAA

If decryption is successful the Applications Centre sends out a 6G2 bid received confirmation message. If there are any errors, the 6G1 test message is returned to sender with RE01 status and a reference to the error (error code 501 - Cryptography error).

3.2 Authentication

Authentication is undertaken using the MODSIA algorithm, which, technically and operationally, is identical to the system used for the encryption of messages on the RNI; in such cases, messages are labelled IDC 010.

The following rules apply to the composition of strings for authentication in each message:

- all sub-fields must include the “/” separator character;
- strings for authentication must be 160 bytes long; if a string is not this long, it must be extended up to a length of 160 bytes using zeros;
- for IDCs with instances, unused instances must be filled in with zeros;
- for IDCs with instances, the number of instances subject to the authentication process is calculated as the maximum whole number of instances whose overall length is less than or equal to 160 bytes; if the length is less than this, the string needed to pass through the authentication routine must be extended to reach a length of 160 bytes using zeros as a filler (i.e. if an IDC contains five instances, each of which is 50 characters long, the first three instances, totalling 150 characters, plus a filler consisting of 10 zeros, will be subject to the authentication process).

3.3 Example

The following is an example of how data is passed through the encryption and authentication process.

IDC 6G6 in a 6G1 message

In this case, three different rates have been entered, along with associated amounts:

rate 1	2.25	amount	€100,000
rate 2	2.15	amount	€250,000
rate 3	2.75	amount	€1,125,000

The format in which this data is passed to the encryption routine, taking into account that the amounts in the messages are expressed in cents, and that unused IDC instances must be set to zero, is as follow:

```
002250000000000010000000
002150000000000025000000
0027500000000000112500000
000000000000000000000000 +-
..... |-> 7 instances
000000000000000000000000 +-
```

The format in which this data is passed to the authentication routine, taking into account that the amounts in the messages are expressed in cents, is as follows:

```
00225000/000000010000000
00215000/000000025000000
00275000/000000112500000
00000000/000000000000000
00000000/000000000000000
```

00000000/0000000000000000 (144 characters in total)
0000000000000000 (16 characters of filler)

The final 16 characters are set to zero so that the data dispatched to the authentication routine is 160 bytes long.

METHODOLOGICAL NOTE

OPTES – FEATURES OF TENDER PROCEDURE WITH VARIABLE RATES

In the present annex are described the main technical features of the tender operations. These characteristics reflect the provisions established in the Technical decree.

1) TENDER PARAMETERS

1.a) Minimum bid amount

The amount of each bid may not be less than 10 million euros.

1.b) Number of bids

Applications may contain up to a maximum of 3 bids for both collection and investment tenders.

1.c) Incremental bid interval

The amount of each bid greater than the minimum bid amount has to be a multiple of one million euros of nominal amount. Bids which are not formulated in multiples of one million euros will be rounded downward to the multiple closest to the amount of the bid.

Example:

- bids from Counterparty A:
€ 150.005.000,00; € 250.300.000,00; € 200.080.000,00
will be rounded to:
€ 150.000.000,00; € 250.000.000,00; € 200.000.000,00
- bids from Counterparty B:
€ 100.003.000,00; € 210.400.000,00; € 180.045.000,00
will be rounded to:
€ 100.000.000,00; € 210.000.000,00; € 180.000.000,00

1.d) Interest rate

The interest rate indicated by the Counterparties, expressed in percentage term, may vary by one-thousandth of a percentage point for each bid. Any different amount variations will be rounded upward in the case of investment transactions and downward in the case of collection transactions.

Example:

- interest rates indicated by the Counterparty:
1,0046; 1,0002; 1,0037
will be rounded to:
collection tender: 1,004; 1,000; 1,003
investment tender: 1,005; 1,001; 1,004

2) TENDER ELABORATION

2.a) Ranking of the tender bids

Bids contained in each application are ranked according to the following criteria:

- for collection tenders, in ascending order starting from the bid at the lowest rate;
- for investment tenders, in descending order starting from the bid at the highest rate.

Example:

a) Collection tender:

- bids from Counterparty A:
rate 1,711 for € 10.000.000,00; rate 1,309 for € 500.000.000,00; rate 0,803 for € 10.000.000,00.
- bids from Counterparty B:
rate 1,309 for € 290.000.000,00; rate 1,118 for € 150.000.000,00; rate 1,055 for € 100.000.000,00.

Bids will be ordered as follows:

rate	Counterparty	amount
0,803	A	10.000.000,00
1,055	B	100.000.000,00
1,118	B	150.000.000,00
1,309	B	290.000.000,00
1,309	A	500.000.000,00
1,711	A	10.000.000,00

b) Investment tender:

- bids from Counterparty A:
rate 1,711 for € 10.000.000,00; rate 1,309 for € 500.000.000,00; rate 0,803 for € 10.000.000,00.
- bids from Counterparty B:
rate 1,309 for € 290.000.000,00; rate 1,118 for € 150.000.000,00; rate 1,055 for € 100.000.000,00.

Bids will be ordered as follows:

rate	Counterparty	amount
1,711	A	10.000.000,00
1,309	B	290.000.000,00
1,309	A	500.000.000,00
1,118	B	150.000.000,00
1,055	B	100.000.000,00
0,803	A	10.000.000,00

2.b) Exclusion mechanism of bids

2.b.1) Collection tenders: the bids formulated at rates of 50 basis points higher than the weighted average rate (cut-off rate) are excluded. The weighted average rate is calculated on the bids that, ranked in an increasing order starting from the one at the lowest rate, represent half of the total bid amount. If this amount is higher than the tender amount (communicated by the Bank of Italy), the weighted average rate is calculated on the bids that, ranked in an increasing order starting from the one at the lowest rate, represent half of the tender's amount.

Example:

If the tender amount is equal to 1 billion euros and the total bid amount offered by the Counterparties is 1,06 billion euros, the cut-off rate is calculated as follows:

- after ranking bids in an ascending order starting from the one at the lowest rate, the cumulated bid amount is calculated as follows:

rate	Counterparty	bid amount	cumulated bids
0,803	A	10.000.000,00	10.000.000,00
1,055	B	100.000.000,00	110.000.000,00
1,118	B	150.000.000,00	260.000.000,00
1,309	B	290.000.000,00	550.000.000,00
1,309	A	500.000.000,00	1.050.000.000,00
1,711	A	10.000.000,00	1.060.000.000,00

- the weighted average rate is calculated on the bids that represent 500 million euros (half of the tender's amount). In the example:

rate	considered bid
0,803	10.000.000,00
1,055	100.000.000,00
1,118	150.000.000,00
<u>1,309</u>	<u>240.000.000,00</u>
Total	500.000.000,00 (half of the tender's amount) (*)

The weighted average rate is equal to 1,19 and the cut-off rate is 1,69; bids higher than 1,69 are excluded (in the example the bid of 10 million euros at 1,711%).

(*) If the total bid amount is lower than the tender amount, the weighted average rate is calculated on the half of the bid amount.

2.b.2) Investment tenders: the bids formulated at rates of 50 basis points lower than the weighted average rate (cut-off rate) are excluded. The weighted average rate is calculated on the bids that, ranked in a descending order starting from the one at the highest rate, represent half of the total bid amount. If this amount is higher than the tender amount (communicated by the Bank of Italy), the weighted average rate is calculated on the bids that, ranked in a descending order starting from the one at the highest rate, represent the half of the tender's amount.

Example:

If the tender amount is equal to 1 billion euros and the total bid amount offered by the Counterparties is 1,06 billion euros, the cut-off rate is calculated as follows:

- after ranking bids in a descending order starting from the one at the highest rate, the cumulated bid amount is calculated as follows:

rate	Counterparty	bid amount	cumulated bids
1,711	A	10.000.000,00	10.000.000,00
1,309	B	290.000.000,00	300.000.000,00
1,309	A	500.000.000,00	800.000.000,00
1,118	B	150.000.000,00	950.000.000,00
1,055	B	100.000.000,00	1.050.000.000,00
0,803	A	10.000.000,00	1.060.000.000,00

- the weighted average rate is calculated on the bids that represent 500 million euros (half of the tender's amount); in the example:

rate	considered bid
1,711	10.000.000,00
<u>1,309</u>	<u>490.000.000,00</u>

Total 500.000.000,00 (half of the tender's amount) (*)

The weighted average rate is equal to 1,317 and the cut-off rate is 0,817; bids lower than 0,817 are excluded (in the example the bid of 10 million euros at 0,803%).

(*) If the total bid amount is lower than the tender amount, the weighted average rate is calculated on half of the bid amount.

2.c) Bid allotment

In order to determine the allotted bids, the marginal interest rate is defined as the rate where the tender's amount is fulfilled. In case of collection tenders, all bids with rates lower or equal to the marginal rate are allotted, while in case of investment tenders, all bids with rates higher or equal to the marginal rate are allotted. The allotted bids are settled at the interest rate offered by the Counterparties during the tender. For investment tenders, the allotment will take into account the credit limits established by the Ministry of the Economy and Finance.

If, after the application of the exclusion mechanism, the allotted bid amount is lower than the tender's amount, the marginal rate will be equal to the highest interest rate (collection tender) or to the lowest interest rate (investment tender) among the bids.

If the bids offered at marginal rate cannot be wholly satisfied, because their total amount exceeds the residual amount to be allotted, they will be satisfied according to the same proportion (**percentage of allotment at marginal rate**), given by the ratio between the residual amount to be allotted and the cumulated bids at marginal rate.

Example:

Collection tender:

In the example 2.b.1, the marginal rate is 1,309; the allotment is determined as follows:

rate	Counterparty	bid amount	allotted amount
0,803	A	10.000.000,00	10.000.000,00
1,055	B	100.000.000,00	100.000.000,00
1,118	B	150.000.000,00	150.000.000,00
1,309	A	500.000.000,00	468.354.431,00 (*)
1,309	B	290.000.000,00	271.645.569,00 (*)
1,711	A	10.000.000,00	0,00
Total allotted amount			1.000.000.000,00

(*) These bids are satisfied pro quota, according to the percentage rate of **93,67088%**.

Investment tender:

In the example 2.b.2, the marginal rate is 1,309; the allotment is determined as follows:

rate	Counterparty	bid amount	allotted amount
1,711	A	10.000.000,00	10.000.000,00
1,309	B	290.000.000,00	250.000.000,00 (*)
1,309	A	500.000.000,00	500.000.000,00
1,118	B	150.000.000,00	0,00 (*)
1,055	B	100.000.000,00	0,00 (*)
0,803	A	10.000.000,00	0,00
Total allotted amount			760.000.000,00

(*) In this case, the allotted amount is reduced, as the Counterparty B has a credit limit of 250 million euros.

3) FORWARD VALUE OF TRANSACTIONS SETTLED IN TARGET2

At the forward settlement date, the amount to be settled in TARGET2 (to the Counterparty's credit in the case of collection tender; to the Counterparty's debit in the case of investment tenders) is equal to:

$$FV = AA (1 + *INT*DR)$$

where

FV = amount to be settled at the forward settlement date

AA = allotted amount in the tender

INT = interest rate (in percentage terms)

DR = the ratio between the number of effective days (existing between the starting date and the forward settlement date and 36.000).

Example:

In the case of an allotted amount of 200.000.000 euros at the rate of 2%, the amount to be settled at the forward settlement date will be:

$$FV = 200.000.000 (1+0,02*1/36000)= 200.011.111,11$$

Annex 4

This is an unofficial English translation of the Italian form for the notification of the settlement agent. Only the Italian text of the form is valid. No official value is attributed or attributable to the English version.

BANCA D'ITALIA
Servizio Operazioni di banca centrale
Divisione Operazioni di politica monetaria ed in
cambi
Via Nazionale, 91
00184 ROMA

Subject: Settlement of OPTES operations: notification of the settlement agent.

The undersigned intermediary.....code (.....), signatory of the “Agreement between the Bank of Italy and the Counterparties admitted to operations on behalf of the Treasury (OPTES)”, to be carried out through tenders or bilateral operations, hereby declares that it intends to avail itself of the following agent for the settlement of the mentioned operation via TARGET2:

.....
Code

The mandate of the settlement agent will be considered effective when it will have delivered to the Bank of Italy the duly completed and signed letter of acceptance of the engagement.

In the event that the settlement agent fails to perform the obligations related to the settlement of transactions, the undersigned intermediary remains liable for the fulfilment of the undertaken obligations.

Date.....

.....
(signature of the legal representative by power of attorney)

Annex 5

This is an unofficial English translation of the Italian form for the notification of the settlement agent. Only the Italian text of the form is valid. No official value is attributed or attributable this English version.

BANCA D'ITALIA
Servizio Operazioni di banca centrale
Divisione Operazioni di politica monetaria ed in
cambi
Via Nazionale, 91
00184 ROMA

Subject: Settlement of OPTES operations: acceptance by the settlement agent.

The undersigned intermediary.....code (.....) legally incorporated in the city of (country)..... (address)..... and legally represented by hereby declares that it accepts the engagement to settle the transactions concluded in connection with the Government OPTES auction or bilateral transactions by the Counterparty.....code.....

The commitment is effective until terminated by written notice given to the Bank of Italy and to the Counterparty. Such termination shall not be effective before the tenth day following the reception by the Bank of Italy of the above mentioned notification. If the date on which the termination should become effective falls between an auction date and a settlement date, the termination will become effective on the first business day after the settlement date.

The undersigned intermediary also declares that it:

- a) has a PM account;
- b) undertakes to settle the euro countervalues awarded in the electronic tenders to the counterparty regardless of their amount. Any limits which might be provided for in the agreement signed by the undersigned intermediary and the Counterparty participating in the tenders shall not be enforceable against the Bank of Italy or the Ministry for the Economy and Finance;

c) Acknowledges and accepts that the obligation to settle the above mentioned transactions arises upon the conclusion of the contract between the Bank of Italy and the intermediary (tender validation); the obligation ceases in the event of the declaration of insolvency, including market insolvency, of the Counterparty; the cessation applies exclusively to the transactions for which the transfer order has not yet been settled in the TARGET2 settlement system.

Date.....

.....
(signature of the legal representative by power of attorney)

COUNTERPARTY:

ABI CODE	
----------	--

DATE, _____

BANCA D'ITALIA
Servizio Operazioni di banca centrale
Divisione Operazioni di politica
monetaria e in cambi
Via Nazionale, 91 - 00184 ROMA
Fax 00390647923715

O P T E S - PAPER APPLICATION FOR THE TENDER PROCEDURE

TENDER N. _____ / _____

STARTING DATE _____ MATURITY DATE _____

TYPE OF TENDER

SIGN (C-COLLECTION; I-INVESTMENT) _____
(ACO / AMA / ATF) _____

INTEREST RATE OFFERED
_____ ,
_____ ,
_____ ,

BID AMOUNT (in million euro)
_____ ,
_____ ,
_____ ,

Operator's
Name:

Signature

Position

N.B.:

This form has to be used by the Counterparty according to the provisions established in the articles 14 and 15 of the Agreement;

This form has to be in block letters;

Under no circumstances corrections and abrasions will be accepted.

O P T E S - request for the participation in the test

BANCA D'ITALIA
Servizio Operazioni di banca centrale
Divisione Operazioni di politica monetaria e in
cambi
Via Nazionale 91
00184 ROMA
(mail: bi.optes@bancaditalia.it)

PARTICIPANT COUNTERPARTY

_____ ABI CODE _____
(Bank) (contact name/s)

(address) (contact name/s)

(person responsible for the test) (phone contact)

(e-mail) (fax number)

Settlement intermediary: _____ ABI CODE (_____)

Possible starting date for test for the Counterparty: _____

(Date)

(Signature)

BANCA D'ITALIA
Servizio Operazioni di banca centrale
Divisione Operazioni di politica monetaria e in
cambi
Via Nazionale 91
00184 ROMA

Subject: Request for the use of electronic messages in the National Interbank Network (RNI.) for the Operations on behalf of the Treasury (“OPTES”).

The (from now onwards the Counterparty), participating in the National Interbank Network (RNI.), requires the possibility of using the Network for the electronic messages.

It states that they have completed a test session of the programs and of the technical supports transmitted from to

In addition, it states that they have required the “authentication” keys for the electronic messages and to exonerate the Bank of Italy for any damage or responsibility deriving from the use of the network for the sending of the messages.

Best regards.

.....

(legal signature)

.....

BANCA D'ITALIA
S.E.L.I.
Divisione Assistenza agli Utenti e
Qualità del Servizio
Largo Guido Carli 1
00044 FRASCATI (ROMA)

Subject: National Interbank Network (RNI) - "Operations on behalf of the Treasury" Application software – request for the assignment of (cryptography/authentication) keys.

With respect to the request of the usage of the Network for the OPTES application, we require the keys of (cryptography/authentication).

We inform you that the names of the persons responsible for the management of the keys will be:

- first part
- second part.....

Best regards.

.....,

On faith

(legal signature)

.....

BANCA D'ITALIA
S.E.L.I.
Divisione Assistenza agli Utenti e
Qualità del Servizio
Largo Guido Carli 1
00044 FRASCATI (ROMA)

Subject: National Interbank Network (RNI) - "Operations on behalf of the Treasury" Application software – request for the assignment of (cryptography/authentication) keys.

With respect to the request for the use of the Network for the OPTES application, the Counterparty..... confirms the names of the presently responsible persons for the management of the cryptography keys:

- first part
- second part.....

or

notifies the names of the persons in charge of the management of the cryptography keys replacing the persons notified previously:

- first part
- second part.....

Best regards.

.....,

On faith
(legal signature)

.....