



BANCA D'ITALIA  
EUROSISTEMA

*Agreement between the Bank of Italy  
and the Dealers admitted to participate  
in placements, buybacks and exchange offers  
of government securities*

*October 2018*



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## **Glossary**



## **Translation**

This is an unofficial English translation of the Italian ‘Convenzione tra la Banca d’Italia e gli Operatori ammessi a partecipare alle operazioni di collocamento, acquisto e concambio di titoli di Stato’. Only the Italian text of the Agreement is authentic. No official value is attributed or attributable to this English version.

### **Agreement between the Bank of Italy and the Dealers admitted to participate in placements, buybacks and exchange offers of government securities**

Subject to the condition that the Minister of Economy and Finance entrusts the Bank of Italy with carrying out placements, buybacks and exchange offers of government securities, either partially or in full, the Bank of Italy and the dealer signing this Agreement (the Dealer) agree to what follows.

## **Title I**

### **General provisions**

#### **Article 1**

##### *Definitions*

For the purposes of this Agreement, the following definitions apply:

- MEF: Ministry of Economy and Finance
- The Network: the National Interbank Network (*Rete Nazionale Interbancaria, RNI*).
- Transactions: placements, buybacks or exchange offers of government securities conducted on behalf of the MEF. Unless otherwise indicated, this refers to transactions conducted through auctions in which dealers submit their applications to participate directly to the Bank of Italy.
- Dealer: a financial intermediary meeting the legal and technical requirements listed in Annex 1 and which has signed this Agreement.
- Specialist dealer: a Dealer defined as a specialist in government securities under Article 23 of Ministerial Decree No. 216 of 22 December 2009.
- Electronic procedure: IT application used by the Bank of Italy for placements, buybacks and exchange offers of government securities.
- Decrees: unless otherwise specified, decrees issued by the MEF regulating the way in which transactions are to be carried out.
- Bid: combination of quantity and price (or yield) at which the Dealer is willing to buy or sell a government security.
- Application: the set of bids a Dealer may list in single electronic message sent over the Network, up to the maximum number laid down in the Decrees.

## **Article 2**

### *Purpose of the Agreement*

1. This Agreement regulates relationships between the Bank of Italy and Dealers admitted to participate in transactions of government securities on the basis of the MEF Decrees.
2. Unless otherwise indicated, the provisions of this Agreement apply to all Dealers.
3. The Annexes constitute an integral part of this Agreement.

## **Title II**

### **Transactions carried out by the Bank of Italy**

## **Article 3**

### *Requirements for participating in the transactions*

1. To participate in the transactions, Dealers must comply with the legal and technical requirements laid down in Annex 1.
2. Participation in non-competitive placements, buybacks and exchanges of government securities is reserved for Specialist dealers, pursuant to the Decrees.
3. The Dealer shall promptly notify the Bank of Italy of any changes in its compliance with the legal and technical requirements or any other changes that may alter the relationship governed by this Agreement.
4. The Bank of Italy shall carry out periodic checks on whether Dealers continue to comply with the technical requirements.
5. The suspension or exclusion of the Dealer as a result of failure to meet the technical and legal requirements is governed by Articles 19 and 20.

## **Article 4**

### *Announcement of the transactions*

1. The Bank of Italy promptly notifies Dealers of the financial features and the schedule of the transactions only after such information has been made known by the MEF. The notification shall be by electronic message over the Network.
2. The same information will also be published by the Bank of Italy through leading electronic financial information providers.

## **Article 5**

### *Submission of the application*

1. The Dealer shall submit the application to the Bank of Italy by electronic message over the Network, as described in Annex 2.

2. Applications received after the time fixed in the issue decree (cut-off time) and notified by the Bank of Italy will be rejected. Only the time stamp provided by the data processing centre of the Bank of Italy (CED-BI) will constitute proof for the purposes of compliance with the cut-off time.
3. The Bank of Italy shall confirm by electronic message sent over the Network whether it has received the application. It shall specify if the application was rejected owing to the presence of the errors described in Annex 2.
4. The Dealer may modify or cancel the application submitted by electronic message sent over the Network only before the cut-off time.
5. For exchange offers, the application must indicate the exchange securities that will be delivered in settlement.
6. The Bank of Italy shall not be held liable for any event arising from a malfunction of the Network, from Dealers' use of the Network, or from a malfunction of faxes, including in the cases laid down in Article 14.1.

## **Article 6**

### *Announcement of the results*

1. Following the completion of the allotment, the Bank of Italy notifies the Dealer about the outcome of the transaction, including the data relating to the Dealer's application.
2. The Bank of Italy shall announce the results of the auction in a press release and through the leading electronic financial information providers.

## **Article 7**

### *Commissions*

Where the Decrees grant dealers a placement commission, the Bank of Italy undertakes to pay such commission according to the procedure set out in the Decrees.

## **Article 8**

### *Non-competitive placements*

1. Participation in non-competitive placements is open to Specialist dealers that submitted at least one bid in the corresponding competitive placement.
2. Specialist dealers are barred from participating in non-competitive placements if in the corresponding competitive placement they did not submit at least one bid featuring a higher price/lower yield than the minimum price or maximum yield (if applicable pursuant to the Decrees).

## **Article 9**

### *Exchange offers*

1. In exchange transactions conducted by auction, the Bank of Italy undertakes to publish promptly, on the morning of the day of the operation and using at least

one leading electronic financial information provider, the buyback price fixed by the MEF as soon as it is announced.

2. On the basis of the amount allotted at the auction, the allotment price and the conversion ratio, the Specialist dealer undertakes to deliver to the MEF the corresponding amount of outstanding securities indicated in the message communicating the results of the transaction, pursuant to Article 17.4.

### **Title III**

#### **Exclusion or correction of the applications**

##### **Article 10**

###### *Applications containing errors sent over the Network*

1. Where an application transmitted by the Dealer over the Network contains one or more errors, it shall either be excluded from the auction or corrected and admitted, in accordance with the provisions of the Decrees and of Articles 11, 12 and 13 of this Agreement.
2. The exclusion or the correction shall take place after the cut-off time provided for in Article 5.2.

##### **Article 11**

###### *Exclusion of the application*

1. An application will be excluded if the dealer code or the security code are missing or illegible.
2. An application shall be excluded if all the bids listed in it are excluded pursuant to Article 12 of this Agreement.

##### **Article 12**

###### *Exclusion of a single bid*

A bid is excluded if it contains one or more of the following errors:

- a) Amount smaller than the minimum amount fixed by the Decrees;
- b) Missing or illegible price (or yield) or quantity;
- c) Price equal to zero for placements and buybacks (without prejudice to the provisions of Article 13, letter i);
- d) Indication of the exchange securities to be delivered in settlement in placements;
- e) Limited to exchange offers, the security codes of the securities to be delivered in exchange are missing or illegible;
- f) Limited to exchange offers, the securities to be delivered in exchange are non-existent or differ from those declared eligible by the MEF.

## **Article 13**

### *Correction of a single bid*

Bids that are found to contain correctable errors will be admitted to participate subject to appropriate correction. Such cases and the related correction procedures are the following:

- a) The indicated amount is not a multiple of the minimum issue denomination: the amount shall be rounded down to the nearest multiple.
- b) The number of submitted bids exceeds the maximum number set by the Decrees: the bids shall be accepted, up to the maximum number set by the Decrees, following the order in which they were listed in the electronic message sent over the Network.
- c) For placements and exchange offers, the price is not a multiple of the minimum change envisaged in the Decrees: the price shall be rounded up to the multiple of the nearest change.
- d) For placements and exchange offers, the yield is not a multiple of the minimum change envisaged in the Decrees: the yield shall be rounded down to the multiple of the nearest change.
- e) For placements, buybacks and exchange offers expressed in terms of price: in case of negative prices, the negative sign shall be ignored.
- f) For placements conducted by means of a uniform price-based auction, the amount of a single bid exceeds the maximum amount indicated in the Decrees: the bid is accepted up to the aforementioned maximum amount.
- g) For placements conducted by means of a multiple price-based auction, the total amount of the bids included in the application exceeds the maximum amount indicated in the Decrees: the bids shall be accepted starting with the one featuring the highest prices (or the lowest yield, if the auction is yield-based), until the aforementioned maximum amount is reached.
- h) For non-competitive placements, the amount of the bid exceeds that stated at issue: the bid shall be accepted up to the amount stated at issue.
- i) For non-competitive placements, the price or yields of the bid differs from the allotment price or yield in the corresponding competitive placements, or is nil: the allotment price or yield of the corresponding competitive placements shall be used.
- j) For non-competitive placements, the application contains more than one bid: only the first bid listed in the electronic message sent over the Network shall be considered.
- k) For buybacks, the price or yield is not a multiple of the minimum change indicated in the Decrees: the price shall be rounded down (or the yield shall be rounded up) to the multiple of the minimum change provided for in the Decrees.

**Title IV**  
**Technical malfunctions**

**Article 14**

*Malfunction of the Network, of the Bank of Italy's systems or of the Dealers' procedures*

1. In case of malfunction of the Network, the Bank of Italy's systems or of the procedures of a significant number of Dealers that could potentially hinder the orderly execution of a transaction, the MEF, after having consulted with the Bank of Italy, may extend the cut-off time for the submission of the applications provided for by the Decrees or may take other measures to facilitate the execution of the transaction.
2. The Bank of Italy shall promptly communicate the extension of the cut-off time through electronic financial information providers.
3. Through the same channel, the Bank of Italy shall communicate the new cut-off time for the submission of the applications or any other decision taken by the MEF.

**Article 15**

*Submission of the applications through the recovery procedure*

1. Where it is impossible to send messages over the Network owing to technical issues ascribable to the Dealer, the same Dealer may send the application by fax ('recovery procedure').
2. In order to use the recovery procedure the Dealer must:
  - a) Promptly inform the Bank of Italy of the problem by telephoning one of the numbers listed by the leading electronic financial information providers;
  - b) Obtain consent by telephone to submit the application by fax. The Bank of Italy reserves the right to record telephone calls;
  - c) Before the cut-off time established in the Decrees, send the form by fax to the number provided by the Bank of Italy during the telephone call. The time stamp on the fax received by the Bank of Italy will constitute proof for the purposes of compliance with the cut-off time;
  - d) The application must be drawn up using the forms provided for that purpose in Annexes 8 and 9. The forms must be signed by a person authorized to represent the Dealer at the auction according to the list of names provided by the Dealer in the form provided for that purpose in Annex 10.
3. Applications sent using the recovery procedure in accordance with the conditions laid down in Article 15.2 are definitive and supersede any other previous or subsequent application sent by electronic message over the Network.
4. If the signature of the person representing the Dealer at the auction or the security code are missing or cannot be identified unequivocally, the application

sent by fax is considered as ‘not received’; therefore, the last message sent over the Network before the cut-off time established by the Decrees will be accepted for the purposes of participating in the auction.

5. Where more than one application for the same security is sent by fax by the Dealer, only the last one received by fax before the cut-off time will be accepted.
6. An application sent using the recovery procedure and not excluded pursuant to Article 11.1 is entered into the electronic procedure. Any errors described under Articles 12 and 13 will be handled according to the provisions of those articles.
7. If all the bids listed in an application submitted using the recovery procedure are excluded pursuant to Article 12, no application previously or subsequently sent by electronic message over the Network will be accepted in the auction.
8. If the cut-off time for applications is extended pursuant to Article 14, any messages already sent by fax will be considered no longer valid. Therefore, an application sent by electronic message over the Network, submitted either before or after the application sent by fax, will be accepted in the auction. If a Dealer wishes to continue using the recovery procedure because the technical issues preventing it from sending electronic message over the Network persist, such Dealer must send a new message by fax.
9. Where the recovery procedure is used, the data considered valid are those inputted by the Bank of Italy in the electronic procedure. The Bank of Italy shall not be held liable for any discrepancies between the inputted data and those submitted by the Dealers using the recovery procedure that are attributable to unclear information in the applications submitted via fax.
10. A Dealer using the recovery procedure for four consecutive transaction days is suspended pursuant to Article 19.

## **Title V**

### **Miscellaneous and final provisions**

#### **Article 16**

##### *Effective date for participation in the transactions*

1. After signing the Agreement, the Dealer may participate in the transactions once the Bank of Italy has communicated to the Dealer that it has entered it in the electronic procedure.
2. Once the Bank of Italy has received from the MEF a report stating that the Dealer has been recognized as a Specialist dealer, the Bank of Italy shall change the Dealer’s status in the electronic procedure and send a notification to that effect to the Dealer.

## **Article 17**

### *Settlement*

1. The Bank of Italy shall deliver to the settlement system for transactions in financial instruments the securities and their cash value with value date equal to the established settlement date, in accordance with the provisions of the Decrees.
2. The Dealer may ask the Bank of Italy to go through a settlement agent, pursuant to the Decrees and in accordance with the instructions contained in Annexes 1, 5 and 6. The date starting from which this will be possible shall be communicated to the Dealer by the Bank of Italy.
3. The Dealer may request to change its settlement agent in accordance with the provisions of Annexes 5 and 6. The date starting from which these changes will take effect shall be communicated to the Dealer by the Bank of Italy. In any case, such date shall not fall between an auction date and its settlement date.
4. The settlement of exchange offers consists of the settlement of the placement and buyback transactions of which it is composed.
5. The provisions of this Article shall also apply to transactions in which Dealers do not submit their application directly to the Bank of Italy but for which the Bank of Italy manages the settlement pursuant to the Decrees (transactions not conducted through auctions).

## **Article 18**

### *Test sessions*

1. The Bank of Italy shall organize periodic test sessions with Dealers. The Bank of Italy may request the mandatory participation in a test session for Dealers which, in the previous twelve months, did not submit any applications by electronic message over the Network, to ensure that they still meet the technical requirements.
2. Following regulatory or procedural changes, the Bank of Italy may conduct dedicated test sessions that shall be mandatory for all Dealers.

## **Article 19**

### *Suspension from participation in the transactions*

1. A Dealer may be suspended from participation in the transactions in the following cases:
  - a) The Dealer failed to attend the mandatory test sessions;
  - b) The Dealer obtained a negative score in three consecutive mandatory test sessions;
  - c) The case described in Article 15.10;
  - d) The Dealer failed to communicate a change in the choice of the settlement agent, as laid down in Article 17.3.

2. The Bank of Italy shall notify the Dealer of the suspension, indicating its effective date.
3. The time frames governing the suspension are:
  - Cases (a) and (b): no later than 10 calendar days after the effective date of the suspension, the Bank of Italy shall contact the Dealer to schedule a test session, which shall take place within the following 30 days. A successful outcome of the test session shall rescind the suspension.
  - Case (c): no later than 10 calendar days after the effective date of the suspension, the Bank of Italy shall contact the Dealer to schedule a test session, which shall take place within the following 10 calendar days. A successful outcome of the test session shall rescind the suspension.
  - Case (d): the suspension shall be effective up to the date on which the Bank of Italy communicates that the new settlement method has been entered into the electronic procedure.
4. In an emergency situation, the Bank of Italy may suspend a Dealer with immediate effect and send a communication to that effect at a later time.

## **Article 20**

### *Exclusion from participation in the transactions*

1. Dealers that no longer meet the legal requirements laid down in Annex 1, paragraph 1 shall be excluded with immediate effect.
2. Once twelve months have elapsed since a suspension notification, the Dealer shall be excluded if the causes that led to the suspension have not been solved.
3. The Bank of Italy shall notify the Dealer of the exclusion, indicating its effective date.

## **Article 21**

### *Updating of the Agreement*

Any updates to the Agreement, including those limited to one or more Annexes, that are not envisaged or otherwise determined by the Decrees, shall be notified to the Dealer in accordance with the provisions of Annex 4. In such event, the updating of the Agreement shall be effective from the time indicated in the notification, which the Bank of Italy shall send promptly to the Dealer.

## **Article 22**

### *Withdrawal from the Agreement*

Either party may withdraw from this Agreement by means of written notice effective from the tenth day following its reception. Dealers shall use the form provided in Annex 7. In any case, if the date on which withdrawal would take effect falls between an auction date and its settlement date, the withdrawal shall take effect on the first calendar day after the settlement date.

### **Article 23**

#### *Communication between the Bank of Italy and the Dealer*

1. In accordance with the provisions laid down in Annex 4, the Dealer shall indicate whether it intends to send its communications to the Bank of Italy by regular mail or by certified email (PEC).
2. The Bank of Italy shall send its communications to the authorized Dealer through the same channel as that indicated by the Dealer. If the chosen method of communication is regular mail, the Bank of Italy shall rely on registered letters with return receipt.

### **Article 24**

#### *Data verification prior to the inputting of the data into the Network*

The Dealer shall undertake to verify carefully, if possible using automatic checking programs, the accuracy of the data in its application (prices, quantities, etc.) before inputting them in the Network. The objective is to avoid errors that could cause market disturbances for which the Dealer would be responsible inasmuch as no intervention by the Bank of Italy is permitted.

### **Article 25**

#### *Liabilities arising from the execution of the transactions*

The Bank of Italy shall be held harmless for any liability relating to the results of the transactions governed by this Agreement arising from non-compliance with the provisions of Articles 3.3 and 24.

**The Bank of Italy**

**The Dealer**

Pursuant to and for the purposes of Article 1341 of the Civil Code, the Dealer expressly declares that it accepts the provisions of Articles 5.6-10-11-12-13-14-15-19-20-21-24-25.

**The Dealer**

## **Annexes**



## Annex 1

### Legal and technical requirements

#### 1. Legal requirements

The legal requirements that must be possessed by dealers for their admission to auctions for the placement of government securities are laid down in decrees published by the Ministry for the Economy and Finance.

The following dealers are admitted to participate in auctions of government securities, provided they are authorized to engage in at least one of the activities listed in Article 1.5 of the Consolidated Law on Finance (Legislative Decree 58/1998, as amended):

- a) Italian, EU and non-EU banks entered in the register set up under Article 13(1) of the Consolidated Law on Banking (Legislative Decree 385/1993 as amended). EU and non-EU banks may also take part in auctions if they are authorized to provide services in Italy without establishing branches there, pursuant to Article 16 of the Consolidated Law on Banking;
- b) Italian investment firms (*società di intermediazione mobiliare*) and non-EU investment firms entered in the register maintained by Consob, as provided for by Article 20(1) of the Consolidated Law on Finance (Legislative Decree 58/1998 as amended), or EU investment firms entered in the special list annexed thereto.

The Ministry of Economy and Finance selects from among the market makers on the MTS electronic market for government securities the government securities specialists referred to in Article 23 of Ministerial Decree 216 of 22 December 2009, who are also permitted to take part in non-competitive placements, buybacks and exchange auctions reserved to them.

#### 2. Technical requirements

In order to participate in auctions, dealers must be able to send and receive messages over the National Interbank Network (the Network). The following requirements must therefore be met:

##### 2.1 Registering with the National Interbank Network (message switching service)

Once connected to the Network, the dealer must be able to receive and send messages meeting the technical requirements specified by the Bank of Italy. The technical specifications of the messages and the procedures for sending and receiving them are set out in Annex 2.

## 2.2 Bilateral keys for authenticating and encrypting electronic messages

In order to ensure the integrity and confidentiality of data flows, messages carried over the Network are subjected to encryption and/or data authentication using bilateral keys exchanged between the dealers and the Bank of Italy. A dealer preparing to participate in auctions must therefore ask the Bank of Italy to exchange bilateral authentication and encryption keys if this has not already been done for another procedure (e.g. for the Central Credit Register). The request must be sent by certified email (PEC) to [chiavi.sitrad@pec.bancaditalia.it](mailto:chiavi.sitrad@pec.bancaditalia.it) or by regular mail to: Banca d'Italia - Servizio Gestione Sistemi Informatici - Divisione Assistenza agli Utenti e Qualità del Servizio, Largo Guido Carli 1, 00044 Frascati (Rome), Italy.

The encryption and authentication keys are replaced automatically every six months. To avoid errors that might render the decryption of messages impossible and, therefore, invalidate the application, when the keys are replaced a specific test may be performed in a production environment by sending the messages listed in the Technical Specifications provided in Annex 2 (6X1 message, which has a predetermined content) and ensuring that the Bank of Italy's response is received (6X2 message). Keys may also be verified whenever a dealer deems it necessary.

## **3. Settlement**

For the purposes of settlement, dealers must hold a Securities Account (SAC) with Monte Titoli S.p.A. and be a member of the settlement system for transactions in financial instruments in which the amounts to be settled and the securities to be assigned are entered and automatically settled.

It is possible to settle transactions through a specially appointed agent. In this case, the settlement agent must hold a Securities Account (SAC) with Monte Titoli S.p.A. and be a member of the settlement system for transactions in financial instruments in which the amounts to be settled and the securities to be assigned are entered and automatically settled.

Settlements in cash are carried out in accordance with the agreement reached between dealers and settlements agents and communicated to Monte Titoli S.p.A.

Dealers intending to use this facility must complete a form appointing a settlement agent (*Designazione dell'intermediario regolante* – Annex 5) and ensure the latter completes an acceptance form (*Accettazione dell'incarico di intermediario regolante* – Annex 6). Signed original copies of both forms must be sent to Banca d'Italia - Servizio Operazioni sui Mercati - Divisione Debito Pubblico, Via Nazionale 91, 00184 Rome, Italy.

## **4. Performance testing with the Bank of Italy**

All dealers intending to take part in auctions must carry out performance tests with the Bank of Italy to ensure that messages over the Network are correctly

processed. The test session must be completed successfully before the procedure is activated in a production environment.

Dealers wishing to take part in a test session must send a written request to Banca d'Italia - Servizio Operazioni sui Mercati - Divisione Debito pubblico - Via Nazionale 91, 00184 Rome, Italy, or to [bi.aste@bancaditalia.it](mailto:bi.aste@bancaditalia.it), specifying the telephone and fax numbers of the person who will oversee the tests. The Bank of Italy will send a schedule of test sessions, which is also published by leading electronic information providers. The performance tests must be repeated until the result is positive.

#### **5. Agreement with the Bank of Italy**

Provided the requirements listed in points 1, 2, 3 and 4 of this Annex have been met, dealers wishing to take part in auctions must sign an Agreement with the Bank of Italy. Two copies of this Agreement will be sent to the dealer, whose own legal representative must sign (both copies) and return to: Banca d'Italia - Servizio Operazioni sui Mercati - Divisione Debito Pubblico, Via Nazionale 91, 00184 Rome, Italy. The Bank of Italy will send back one of the copies signed by its legal representative.



**Technical specifications relating to  
National Interbank Network messages**



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## INTRODUCTION

For placements, buybacks and exchange offers of government securities by means of auctions the National Interbank Network (Network) is used for information exchanges between the Bank of Italy and “appointed” dealers.

The following is a description of the messages used to announce buyback or placement auctions (6X0 message), to enable dealers to submit applications (6X1 message), to notify receipt of application messages (6X2 message), to announce results of auction (6X3 message), and to notify the percentage share to which the specialist is entitled (6X4 message). ID tables are used for message composition; none of the data in these tables can be recalculated.

The Network is used for the following purposes:

1. to notify dealers of the features of the new tranche of government securities for placement or buyback auction (6X0 message);
2. for dealers to send applications to take part in placement or buyback auctions or in non-competitive placements reserved for specialists (6X1 message); bids are authenticated and encrypted;
3. to notify dealers that the Bank of Italy has received applications to take part in auctions or non-competitive placements; this information is authenticated (6X2 message);
4. to notify dealers of the results of placements or buybacks; this information is authenticated (6X3 message);
5. to send specialists confidential information about percentage share to which they are entitled for non-competitive placements; this information is also authenticated (message 6X4).

## Technical requirements for use of messages

Membership of the Network and a request to the Bank of Italy are necessary in order to send/receive the messages. The messages, which are compiled according to the following scheme, are exchanged via the message-switching service of the Bank of Italy's data processing centre (CED-BI)

The Banking Application used by the Bank of Italy to switch messages is as follows:

01000BI01300 - in live environment.  
01000BI013PR – in test environment (A).  
01000BI013PI - in test environment (O).

The User Agents through which messages are switched with the Bank of Italy are the same as those used in test and production environments for “payment system” applications.

The applications categories are as follows:

BI00 – for messages without anomalies;  
RE01 – for messages with reports of error.

To guarantee the necessary integrity and confidentiality, the data in some messages are encrypted and/or authenticated. These functions require the utilization of the bilateral keys exchanged between the dealers and the Bank of Italy, already in use for CED-BI applications.

Before using the banking application “placement, buyback and exchanges of government securities”, banks not dialoguing with the Bank of Italy regarding other applications must request exchange of the bilateral authentication and encryption keys. Banks already holding the keys must confirm the names of the staff responsible for managing them or notify any changes.

The form of encryption BICRYPT is provided by Bank of Italy. The technical documentation can be requested from the Servizio Gestione Sistemi Informatici, Divisione Assistenza agli utenti e qualità del servizio.

The authentication form MODSIA is created and provided by Società Interbancaria per l'Automazione (SIA)).

**6X0 MESSAGE:**  
**PLACEMENT/BUYBACK ANNOUNCEMENT TO DEALERS**

**A) RECORD LAYOUT**

| O/F | Aut. | IDC | FIELD                                     | FORMAT           |
|-----|------|-----|---|------------------|
| O   |      | 1   | Message type                              | "3"b             |
| O   |      | 40  | Sender (abi/cab/uff)                      | "5"n(/"5"n/"2"b) |
| O   |      | 50  | Recipient (abi/cab/uff)                   | "5"n(/"5"n/"2"b) |
| O   |      | 20  | C.R.O.                                    | "11"n            |
| O   |      | 31  | Date (ddmmyy)                             | "6"n             |
| O   |      | 601 | Time (hhmmss)                             | "6"n             |
|     |      |     |   |                  |
| O   |      | 6C0 | SECURITY I.D.                             |                  |
|     |      |     | Security code                             | "12"b            |
|     |      |     | Tranche or quota serial number            | /"5"n            |
|     |      |     | Quota                                     | /"1"a            |
|     |      |     | Transaction direction                     | /"1"a            |
|     |      |     |   |                  |
| O   |      | 6C1 | CHARACTERISTICS OF THE SECURITY           |                  |
|     |      |     | Security description                      | "30"b            |
|     |      |     | Security type                             | /"5"b            |
|     |      |     | Nominal coupon rate                       | /"7"n            |
|     |      |     | Short coupon                              | (/"1"a)          |
|     |      |     | First coupon due date                     | (/"8"n)          |
|     |      |     | Coupon frequency                          | (/"3"n)          |
|     |      |     | Indexation coefficient                    | (/"9"n)          |
|     |      |     | Settlement in securities                  | (/"1"a)          |
|     |      |     |   |                  |
| O   |      | 6C2 | SECURITY DURATION                         |                  |
|     |      |     | Issue date                                | "8"n             |
|     |      |     | Redemption date                           | /"8"n            |
|     |      |     |   |                  |
| O   |      | 6C4 | GENERAL DATA ON AUCTION                   |                  |
|     |      |     | Auction type                              | "5"b             |
|     |      |     | Max. number of bids                       | /"3"n            |
|     |      |     | Cut-off date for applications             | /"8"n            |
|     |      |     | Cut-off time for applications             | /"4"n            |
|     |      |     | Settlement date                           | /"8"n            |
|     |      |     |   |                  |
| F   |      | 6CI | EXCHANGE SECURITIES (10 instances)        |                  |
|     |      |     | Security accepted in settlement           | /"12"b           |
|     |      |     |   |                  |
| O   |      | 6C5 | OTHER INFORMATION                         |                  |
|     |      |     | Days of interest accrued                  | "3"n             |
|     |      |     | Amount of interest accrued                | /"9"n            |
|     |      |     | Basis for calculation of interest accrued | /"15"n           |
|     |      |     | Placement fee (%)                         | /"9"n            |

|   |  |     |                                      |          |
|---|--|-----|--------------------------------------|----------|
|   |  |     | Spread (%)                           | /"3"n    |
| O |  | 6C6 | BASIC FEATURES OF AUCTION – 1        |          |
|   |  |     | Total amount offered                 | "18"n    |
|   |  |     | Maximum amount offered               | (/"18"n) |
|   |  |     | Minimum amount offered               | (/"18"n) |
| O |  | 6C8 | BASIC FEATURES OF AUCTION – 2        |          |
|   |  |     | Price for tax purposes               | "6"n     |
|   |  |     | Minimum change of price/rate         | /"4"n    |
|   |  |     | Minimum change of quantity           | /"10"n   |
|   |  |     | Minimum amount that can be requested | /"18"n   |

| Legend |   |
|--------|---|
| a      | Letters                                 |
| b      | Alphanumeric                            |
| n      | Numbers                                 |
| O      | Obligatory                              |
| F      | Optional                                |
| A      | Field for calculation of control number |
| C      | Encrypted fields                        |
| D      | Encrypted and authenticated fields      |

## B) GUIDE FOR COMPOSITION OF 6X0 MESSAGE

The 6X0 message is sent to all specialists when a non-competitive placement is announced.

### IDC 01 – MESSAGE TYPE

6X0.

### IDC 040 - SENDER

Bank of Italy I.D. (01000).

### IDC 050 - RECIPIENT

Recipient's I.D.

### IDC 020 - CRO

Message reference code, assigned by sender.

### IDC 031 - DATE

Message send date (format ddmmyy)

### IDC 601 - TIME

Message send time (format hhmmss)

### IDC 6C0 – Security I.D.

**SECURITY CODE:** security identification by ISIN code (standard I.S.O. 6166);

**SERIAL NUMBER:** serial number of the tranche (or quota) of the security and the direction;

**QUOTA:** indicates whether this is a quota (value = “Q”), or a tranche (value = “T”)

**TRANSACTION DIRECTION:** indicates whether the transaction is a buyback (“A”) or placement (“E”).

### IDC 6C1 – Characteristics of the security

**DESCRIPTION:** full description of the security offered;

**SECURITY TYPE:** indicates the type of security to be placed and may contain the following values:

**BOT**  
**CCT**  
**BTP**  
**CTZ**  
**BTPI**  
**CCTEU**

**NOMINAL COUPON RATE:** consists of three integers and four decimals. The rate is not shown if the security is zero-coupon;

**COUPON FREQUENCY:** may contain the following values:

1 = monthly;  
2 = bi-monthly;  
3 = quarterly;  
4 = four-monthly;  
6 = six-monthly;  
12 = yearly;  
999 = single coupon;  
000 = zero-coupon;

**SHORT COUPON:** indicates whether the duration of the first coupon is shorter than the others (“S”) or not (“N”);

**FIRST COUPON DUE DATE:** for securities with a short coupon, indicates the date of the first coupon (yyyymmdd);

**INDEXATION COEFFICIENT:** the value of the indexation coefficient for the tranche/quota of indexed BTPs. Expressed as 3 integers and 6 decimals;

**SETTLEMENT IN SECURITIES:** indicates whether settlement is in securities (“S”) or not (“N”).

#### **IDC 6C2 – Security duration**

**ISSUE DATE:** the date of issue of security, from which entitlement begins (yyyymmdd);

**REDEMPTION DATE:** the date on which the matured security will be redeemed; the security duration is the difference between this and the issue date (yyyymmdd).

#### **IDC 6C4 – Auction data**

**MAXIMUM NUMBER OF BIDS:** the maximum number of bids that may be contained in the application to participate in the auction;

**TYPE OF AUCTION:** the characteristics of the placement/buyback auction and can take the following values:

*EMP Issue, uniform price-based auction*  
*EMR Issue, uniform yield-based auction*  
*ECP Issue, multiple price-based auction*  
*ECR Issue, multiple yield-based auction*  
*ESP Issue, Spanish price-based auction*  
*ESR Issue, Spanish yield-based auction*  
*ESUP Issue, non-competitive auction*  
*BMP uniform price-based auction*  
*BMR uniform yield-based auction*  
*BCP multiple price-based auction*  
*BCR multiple yield-based auction*

**APPLICATION CUT-OFF DATE:** the date by which messages concerning auction applications must reach the CED-BI. After that date, messages will be returned to the sender with an error report; format *yyyymmdd*;

**APPLICATION CUT-OFF TIME:** the time of day (in the format HHMM) on the cut-off date by which messages concerning auction applications must reach the CED-BI. After that time, messages will be returned to the sender with an error report;

**SETTLEMENT DATE:** the settlement date of the transaction (*yyyymmdd*).

#### **IDC 6CI – Exchange securities**

**SECURITY ACCEPTED IN SETTLEMENT:** indicates the codes of up to 10 exchange securities accepted when provision is made for settlement in securities. Entry shown only when the indicator “settlement in securities” shows “S”;

#### **IDC 6C5 – General data**

**NO. OF DAYS OF ACCRUED INTEREST:** the number of days to be used in calculating accrued interest. No entry in the case of zero-coupon securities;

**AMOUNT OF ACCRUED INTEREST:** the amount of accrued interest to be paid for each “accrued interest calculation basis” unit of face value. Composed of three integers and six decimals. No entry in the case of zero-coupon securities.

**ACCRUED INCOME CALCULATION BASIS:** the basis on which accrued interest is calculated. Normally takes the value of 100 or 1000. Must be composed only of integers.

**PLACEMENT COMMISSION:** the placement commission payable to auction participants, if due; expressed as a percentage, composed of three integers and six decimals.

**SPREAD:** percentage increase to be applied to the INDEXATION PARAMETER for CCTs and CCTEUs; composed of one integer and two decimals.

#### **IDC 6C6 – Basic features of the auction - 1**

**NOMINAL AMOUNT OFFERED:** the nominal amount of the tranche/quota expressed in euro cents;

**MAXIMUM NOMINAL AMOUNT OFFERED:** the maximum amount offered (optional) to be communicated to the market expressed in euro cents;

**MINIMUM NOMINAL AMOUNT OFFERED:** minimum amount offered (optional) to be communicated to the market in euro cents.

#### **IDC 6C8 – Basic features of the auction - 2**

**PRICE FOR TAX PURPOSES:** the allotment price of the first tranche of a security; no entry shown in the case of a first tranche placed by means of an auction. Composed of three integers and three decimals;

**MINIMUM CHANGE OF PRICE/YIELD:** the minimum change permitted in the price or yield; bids must be for a price or yield that is multiple of the minimum change. The minimum change is not indicated in non-competitive placements. Composed of one integer and three decimals;

**MINIMUM CHANGE OF QUANTITY:** the minimum change permitted in the quantity (or amount requested); bids must be for an amount that is a multiple of the minimum change. Expressed in euro cents;

**MINIMUM AMOUNT THAT CAN BE REQUESTED:** the minimum amount that a dealer may request; bids under that amount will be rejected. Expressed in euro cents.

## **6X1 MESSAGE: PARTICIPATION IN TENDER**

### **A) RECORD LAYOUT**

| <b>O/F</b> | <b>Aut.</b> | <b>IDC</b> | <b>FIELD</b>                   | <b>FORMAT</b>     |
|------------|-------------|------------|--------------------------------|-------------------|
| O          |             | 001        | Message type                   | "3"b              |
| O          |             | 040        | Sender (abi/cab/uff)           | "5"n("/"5"n/"2"b) |
| O          |             | 050        | Recipient (abi/cab/uff)        | "5"n("/"5"n/"2"b) |
| O          |             | 020        | C.R.O.                         | "11"n             |
| O          |             | 010        | Control number                 | "5"n              |
| O          |             | 031        | Date (ddmmyy)                  | "6"n              |
| O          |             | 601        | Time (hhmmss)                  | "6"n              |
|            |             |            |                                |                   |
| O          | A           | 6C0        | SECURITY I.D. DATA             |                   |
|            |             |            | Security code                  | "12"b             |
|            |             |            | Tranche or quota serial number | /"5"n             |
|            |             |            | Quota                          | /"1"a             |
|            |             |            | Transaction direction          | /"1"a             |
|            |             |            |                                |                   |
| O          | D           | 6C9        | BIDS (10 INSTANCES)            |                   |
|            |             |            | Price or yield                 | "7"n              |
|            |             |            | Yield sign                     | /"1"a             |
|            |             |            | Amount in euros                | /"18"n            |
|            |             |            | Exchange security              | /"12"b            |
|            |             |            |                                |                   |

| <b>Legend</b> |   |
|---------------|---|
| a             | Letters                                 |
| b             | Alphanumeric                            |
| n             | Numbers                                 |
| O             | Obligatory                              |
| F             | Optional                                |
| A             | Field for calculation of control number |
| C             | Encrypted fields                        |
| D             | Encrypted and authenticated fields      |

### **B) GUIDE FOR COMPOSITION OF MESSAGE 6X1**

#### **IDC 01 – MESSAGE TYPE**

Value: 6X1.

#### **IDC 040 - SENDER**

Sender I.D.

#### **IDC 050 - RECIPIENT**

Recipient's I.D. (Bank of Italy 01000).

#### **IDC 020 - CRO**

Message code, assigned by sender.

#### **IDC 010 – CONTROL NUMBER**

Control number calculated on the basis of an algorithm and a bilateral key exchanged between

SENDER and RECIPIENT.

**IDC 031 - DATE**

Date message is sent (format ddmmyy).

**IDC 601 - TIME**

Time message is sent (format hhmmss)

**IDC 6C0 – Security I.D.**

**SECURITY CODE:** data identifying the security according to the ISIN code (standard I.S.O. 6166)

**SERIAL NUMBER:** serial number of issue of the tranche (or quota) of the loan and of the direction;

**QUOTA:** indicates whether this is a quota (= “Q”) or a tranche (=“T”);

**TRANSACTION DIRECTION:** indicates whether the transaction is a buyback (“A”) or an issue (“E”).

**IDC 6C9 – BIDS (10 instances)**

The reception of a message where all the ten instances (prices/yields and quota) are equal to zero implies that the previous message will be cancelled. The cancellation takes place only if the message with all the ten instances equal to zero has day and hour subsequent to those of the message to be cancelled.

**PRICE (OR YIELD):** price (when the auction is price-based) or the yield (when the auction is yield-based) at which the bid is submitted. Must be composed of three integers and four decimals. For each type of auction, with the sole exception of non-competitive placements, the price/yield must be a multiple of the field "MINIMUM CHANGE OF PRICE/YIELD" present in IDC 6C8 of message 6X0. Must always be filled in; may be set to zero. In non-competitive placements the assignment will be made at the allotment price of the previous competitive placement, even if the message contains a numerical price/yield different or equal to zero and different from the aforesaid allotment price.

**YIELD SIGN:** yield sign. Must always be filled in only when the auction is yield-based. It is ignored when the auction is price-based. In yield-based auctions the yield must take the value “+” for positive or zero yields or “-” for negative yields.

**AMOUNT REQUESTED:** the amount requested (in euro cents) at auction with this bid. Must always be filled in, including for non-competitive placements;

**EXCHANGE SECURITY:** ISIN of the security accepted in exchange in the case of a exchange auction. May be set only if the indicator “Settlement in securities” of the announcement message (6X0) shows “S”. Otherwise, must be filled in with zeros because it undergoes encryption and authentication.

**C) CONTROLS ON 6X1 MESSAGES**

Messages concerning bids in auctions or non-competitive placements of securities (6X1), which reach the CED-BI encrypted in the IDCs containing the bids and associated data, are subjected to formal controls (obligatory fields, length, etc.) and authentication and are accepted only if they reach the CED-BI by the deadline which, for each operation, is established by the issue decree and communicated to operators by message 6X0 (IDC 6C4). The integrity of the bids is also verified with regard to the unencrypted data (ABI, ISIN, Tranche, date/time, control number) and the messages are decrypted for the sole purpose of a formal check on their encrypted part.

An application consists of a single 6X1 message containing all the bids up to a maximum specified in the placement announcement message and, in any case, not exceeding ten.

Applications with duplicate IDCs will be rejected. A sequence of IDCs different from that defined in the specifications does not generate errors. The correspondent message will be hence accepted.

For each application found to be free from formal errors and received within the time limit, the CED-BI sends a 6X2 reception confirmation message.

When a message contains an error, the Bank of Italy returns it (identical in its form and content) to the sender with application category RE01, adding at the end of IDC 098 the same error report standard adopted in the Network, that is to say:

1st part - 098:\*\*\* MESSAGE ERROR \*\*\*  
 2nd part - 098:XXX - NNN/XXX - NNN/ ... (max 5 times)

where:

XXX = incorrect IDC  
 NNN = error code.

When a message contains more than five errors, the fifth field of the second part is filled in with the fixed codes "999 - 999".

| <b>Error code</b> | Description  |
|-------------------|--|
| 300               | Dealer not authorized to participate in placements/buybacks  |
| 301               | Message received after the cut-off time  |
| 302               | Date and time out of sequence with the bid already entered   |
| 303               | No match between the security identification data and the applications data  |
| 304               | Authentication error   |
| 305               | Dealer not authorized to participate in the non-competitive placement  |
| 306               | Cryptography error   |
| 307               | Manual bids already acquired   |
| 308               | Formal error of security identification data (ISIN, tranche/quota number, tranche/quota flag, transaction direction) |
| 309               | Sender's ABI number non-numerical  |
| 310               | Dealer suspended from the non-competitive placement  |
| 311               | Date: formal error   |
| 312               | Time: formal error   |
| 313               | Dealer suspended from all transactions   |

## **6X2 MESSAGE: CONFIRMATION OF RECEPTION**

### **A) RECORD LAYOUT**

| <b>O/F</b> | <b>Authority.</b> | <b>IDC</b> | <b>FIELD</b>            | <b>FORMAT</b>     |
|------------|-------------------|------------|-------------------------|-------------------|
| O          |                   | 1          | Message type            | "3"b              |
| O          |                   | 40         | Sender (abi/cab/uff)    | "5"n("/"5"n/"2"b) |
| O          |                   | 50         | Recipient (abi/cab/uff) | "5"n("/"5"n/"2"b) |
| O          |                   | 20         | C.R.O.                  | "11"n             |
| O          |                   | 22         | original C.R.O.         | "16"b             |
| O          |                   | 10         | Control number          | "5"n              |
| O          | A                 | 6C0        | SECURITY I.D. DATA      |                   |
|            |                   |            | Security code           | "12"b             |
|            |                   |            | Tranche serial number   | /"5"n             |
|            |                   |            | QUOTA                   | /"1"a             |
|            |                   |            | Transaction direction   | /"1"a             |
|            |                   |            |                         |                   |
| O          | A                 | 31         | Date (ddmmyy)           | "6"n              |
| O          | A                 | 601        | Time (hhmmss)           | "6"n              |
|            |                   |            |                         |                   |

| <b>Legend</b> |   |
|---------------|---|
| a             | Letters                                 |
| b             | Alphanumeric                            |
| n             | Numbers                                 |
| O             | Obligatory                              |
| F             | Optional                                |
| A             | Field for calculation of control number |
| C             | Encrypted fields                        |
| D             | Encrypted and authenticated fields      |

### **B) GUIDE FOR COMPILING 6X2 MESSAGE**

#### **IDC 01 – MESSAGE TYPE**

Value: 6X2.

#### **IDC 040 - SENDER**

Banca d'Italia I.D.

#### **IDC 050 - RECIPIENT**

Recipient I.D. (Bank of Italy 01000).

#### **IDC 020 - CRO**

Message code, assigned by sender.

#### **IDC 022 – ORIGINAL CRO**

Gives the content of the IDC 020 of the 6X1 message referred to.

#### **IDC 010 – CONTROL NUMBER**

Control code calculated on the basis of an algorithm and a bilateral key exchanged between SENDER and RECIPIENT.

**IDC 6C0 – Security I.D. data**

**SECURITY CODE:** data identifying the security according to the ISIN code (I.S.O. standard 6166)

**SERIAL NO.:** Serial number of issue of the tranche (or quotas) of the security and the direction;

**QUOTA:** indicates whether this is a quota (= “Q”) or a tranche (= “T”);

**TRANSACTION DIRECTION:** indicates whether the transaction is a buyback (“A”) or an issue (“E”);

**IDC 031 - DATE**

Date on which CED-BI received the 6X1 message whose CRO is given in IDC 022. This date is recorded by the CED-BI computer upon reception;

**IDC 601 - TIME**

Time at which, on the reception day, the CED-BI received the auction application with the message whose CRO is given in IDC 022.

This time is recorded by the CED-BI computer upon reception.

## 6X3 MESSAGE: COMMUNICATION OF RESULTS

### A) RECORD LAYOUT

| O/F | Aut. | IDC | FIELD   | FORMAT           |
|-----|------|-----|---|------------------|
| O   |      | 1   | Message type  | "3"b             |
| O   |      | 40  | Sender (abi/cab/uff)                                    | "5"n(/"5"n/"2"b) |
| O   |      | 50  | Recipient (abi/cab/uff)                                 | "5"n(/"5"n/"2"b) |
| O   |      | 20  | C.R.O.  | "11"n            |
| O   |      | 10  | Control number  | "5"n             |
| O   |      | 31  | Date (ddmmyy)   | "6"n             |
| O   |      | 601 | Time (hhmmss)   | "6"n             |
| O   |      | 600 | SETTLEMENT DATE (yyyymmdd)                              | "8"n             |
| F   |      | 6CG | Participant's ABI number                                | "5"n             |
| O   | A    | 6C0 | SECURITY I.D. DATA                                      |                  |
|     |      |     | Security code   | "12"b            |
|     |      |     | Tranche serial number                                   | /"5"n            |
|     |      |     | Quota   | /"1"a            |
|     |      |     | Transaction direction                                   | /"1"a            |
| O   | A    | 6CD | DATE PLACEMENT/   |                  |
|     |      |     | Nominal amount  | "18"n            |
|     |      |     | Cash value to pay                                       | /"18"n           |
|     |      |     | Interest accrued  | /"18"n           |
| O   | A    | 6CH | DATE EXCHANGE OPERATION (10 INSTANCES)                  |                  |
|     |      |     | Exchange security                                       | "12"b            |
|     |      |     | Exchange ratio  | /"9"n            |
|     |      |     | Nominal amount of exchange security                     | /"18"n           |
| O   |      | 6CE | GENERAL DATA ON AUCTION                                 |                  |
|     |      |     | Total amount requested/offered                          | "18"n            |
|     |      |     | Total amount allotted/purchased                         | /"18"n           |
|     |      |     | Allotment price/yield (or Weighted average price/yield) | /"7"n            |
|     |      |     | Allotment yield (or Weighted average yield) sign        | /"1"a            |
| F   |      | 6D1 | OTHER INFORMATION                                       |                  |
|     |      |     | Cut-off price or rate                                   | "7"n             |
|     |      |     | Cut-off rate sign                                       | /"1"a            |
|     |      |     | Amounts excluded  | /"18"n           |
|     |      |     | Number bids excluded                                    | /"5"n            |
|     |      |     | Maximum price/minimum rate acceptable                   | /"7"n            |
|     |      |     | Minimum rate acceptable sign                            | /"1"a            |
|     |      |     | Amounts allotted off-auction                            | /"18"n           |
|     |      |     | No. bids allotted off-auction                           | /"5"n            |
|     |      |     | Maximum price/rate                                      | /"7"n            |
|     |      |     | Maximum rate sign                                       | /"1"a            |
|     |      |     | Minimum price/rate                                      | /"7"n            |
|     |      |     | Minimum rate sign                                       | /"1"a            |

|   |  |     |   |        |
|---|--|-----|---|--------|
|   |  |     | Allotment coefficient   | /"7"n  |
|   |  |     | Total volume outstanding  | /"18"n |
| F |  | 6E5 | BOT ALLOTMENT YIELD   |        |
|   |  |     | Simple weighted average yield on multiple price auction   | "7"n   |
|   |  |     | Simple weighted average yield sign on multiple price auction  | /"1"a  |
|   |  |     | Simple yield at allotment price in uniform price auction  | /"7"n  |
|   |  |     | Simple yield sign at allotment price in uniform price auction   | /"1"a  |
|   |  |     | Simple yield on minimum price in multiple price auction, or simple minimum yield in multiple yield auction      | /"7"n  |
|   |  |     | Simple yield sign on minimum price in multiple price auction, or simple minimum yield in multiple yield auction | /"1"a  |
|   |  |     | Simple yield on maximum price in multiple price auction or simple maximum yield in multiple yield auction       | /"7"n  |
|   |  |     | Simple yield sign on maximum price in multiple price auction or simple maximum yield in multiple yield auction  | /"1"a  |
| F |  | 6E6 | BOT/MLT SECURITY ALLOTMENT YIELD  |        |
|   |  |     | Gross compound yield to public in uniform price auction   | "7"n   |
|   |  |     | Gross compound yield sign to public in uniform price auction  | /"1"a  |
|   |  |     | Gross compound yield to banks in uniform price auction  | /"7"n  |
|   |  |     | Gross compound yield sign to banks in uniform price auction   | /"1"a  |
|   |  |     | Gross compound yield at weighted average price in multiple price-yield/Spanish auction                          | /"7"n  |
|   |  |     | Gross compound yield sign at weighted average price in multiple price-yield/Spanish auction                     | /"1"a  |
|   |  |     | Compound yield at minimum price in multiple price-yield/Spanish auction   | /"7"n  |
|   |  |     | Compound yield sign at minimum price in multiple price-yield/Spanish auction                                    | /"1"a  |
|   |  |     | Compound yield at maximum price in multiple price/yield auction   | /"7"n  |
|   |  |     | Compound yield sign at maximum price in multiple price/yield auction  | /"1"a  |

| <b>Legend</b> |   |
|---------------|---|
| a             | Letters                                 |
| b             | Alphanumeric                            |
| n             | Numbers                                 |
| O             | Obligatory                              |
| F             | Optional                                |
| A             | Field for calculation of control number |
| C             | Encrypted fields                        |
| D             | Encrypted and authenticated fields      |

## **B) GUIDE FOR COMPILING 6X3 MESSAGE**

This message, reporting the results of the auction, is sent to all participants in auctions, whether or not they are allottees.. If problems arise during the auctions, the Bank of Italy may send a new 6X3 message. In such case, the last 6X3 sent will be valid. The Bank of Italy will notify the market of the subsequent transmission by means of leading electronic providers of economic and financial information.

### **IDC 01 – MESSAGE TYPE**

Value: 6X3.

### **IDC 040 - SENDER**

I.D. of sender.

### **IDC 050 - RECIPIENT**

I.D. of recipient (Bank of Italy 01000).

### **IDC 020 - CRO**

Message code, assigned by sender.

### **IDC 010 – CONTROL NUMBER**

Control code calculated based on an algorithm and a bilateral key exchanged between SENDER and RECIPIENT

### **IDC 031 - DATE**

Date of transmission of message (format ddmmyy).

### **IDC 601 - TIME**

Time of transmission of message (format hhmmss).

### **IDC 600 – SETTLEMENT DATE**

Date of settlement (format yyymmdd) already notified by CED-BI via 6X0 message (IDC 6C4).

### **IDC 6CG – PARTICIPANT’S ABI CODE**

ABI code of participant, in message sent to settling dealer (in the case of indirect settlement).

### **IDC 6C0 – Security I.D. data**

**SECURITY CODE:** data identifying the security according to ISIN code (I.S.O. standard 6166)

**SERIAL NUMBER:** Serial number of issue of the tranche (or quota) of the security and the direction;

**QUOTA:** indicates whether this is a quota (= “Q”) or a tranche (= “T”);

**TRANSACTION DIRECTION:** indicates whether the transaction is a buyback (“A”) or an issue (“E”);

### **IDC 6CD – Characteristics of the security**

**AMOUNT ALLOTTED:** gives the nominal amount, in euro cents, allotted/purchased by the dealer at the auction;

**TOTAL AMOUNT:** gives the total cash amount of allotted securities to settle, net of fees and including accrued interest; in euro cents;

**INTEREST ACCRUED:** the portion of the total cash amount representing interest, in euro cents.

**IDC 6CH – Conversion data - 10 instances**

**EXCHANGE SECURITY:** security accepted in settlement for each new security being placed.

**CONVERSION RATIO:** ratio between the allotment price at auction and the buyback price set by the Ministry for the Economy and Finance. It must be composed of three integers and six decimals.

**NOMINAL VALUE OF EXCHANGE SECURITY:** the nominal value (in euro cents) of the exchange security; that is, the nominal amount of the security to deliver in settlement.

***Note:***

- If the auction does not have settlement in securities, only one instance of IDC 6CH will be sent, with every entry equal to zero; if the auction has settlement in securities, between 1 and 10 will be sent, depending on which securities are accepted in settlement, the received bids and the errors found.
- The authentication string of the 6X3 message must be composed of IDCs that have “A” in the column “Aut.” in the description of the record layout. The string will contain the first instance of the IDC 6CH, which will contain entries having significance or set equal to zero, depending on the case.

**IDC 6CE – General information on auction**

**TOTAL AMOUNT REQUESTED/OFFERED:** total (in euro cents) of bids submitted;

**TOTAL AMOUNT ALLOTTED/PURCHASED:** total amount of the tranche/quota placed/purchased at the auction (in euro cents);

**ALLOTMENT OR WEIGHTED AVERAGE PRICE/YIELD:** depending on the auction type, gives the following information:

- for uniform price auctions, allotment price or yield;
- for multiple price/yield or Spanish auctions, weighted average price/yield.

Three integers and four decimals.

**ALLOTMENT YIELD (OR WEIGHTED AVERAGE YIELD) SIGN:** sign of the previous item, it is always filled in with “+” or “-” no matter the type of auction.

**IDC 6D1 – Other information**

**CUT-OFF PRICE / RATE:** depending on the type of auction, this gives the minimum price or maximum yield set as the threshold for excluding bids. Three integers and four decimals;

**CUT-OFF PRICE / RATE SIGN:** sign of the previous item, it is always filled in with “+” or “-” no matter the type of auction.

**AMOUNTS EXCLUDED:** the sum (in euro cents) of the amounts of bids excluded by the cut-off price or yield;

**NUMBER OF BIDS EXCLUDED:** the total number of bids excluded by the cut-off price or yield;

**SAFEGUARD PRICE/YIELD – MAXIMUM PRICE/MINIMUM YIELD ACCEPTABLE:** depending on the type of auction, the maximum price or minimum yield, if calculated, set as the highest price or lowest yield for bids. Three integers and four decimals;

**SAFEGUARD PRICE / YIELD – MAXIMUM PRICE/MINIMUM YIELD ACCEPTABLE SIGN:** sign of the previous item, it is always filled in with “+” or “-” no matter the type of auction.

**AMOUNTS ALLOTTED OFF-AUCTION:** for multiple price/yield auctions only, the total amount (in euro) excluded because above the safeguard price or below the safeguard yield, allotted off-auction;

**NO. BIDS ALLOTTED OFF-AUCTION:** for multiple price/yield auctions only, total number of bids with allotment off-auction;

**MAXIMUM PRICE/YIELD:** depending on the type of auction, for multiple price/yield auctions the highest price/lowest yield offered by dealers allotted securities. Three integers and four decimals;

**MAXIMUM PRICE / YIELD SIGN:** sign of the previous item, it is always filled in with “+” or “-” no matter the type of auction.

**MINIMUM PRICE/YIELD:** depending on the type of auction, for multiple price/yield auctions the lowest price/highest yield offered by dealers allotted securities. Three integers and four decimals;

**MINIMUM PRICE/YIELD SIGN:** sign of the previous item, it is always filled in with “+” or “-” no matter the type of auction.

**ALLOTMENT PERCENTAGE AT UNIFORM-PRICE AUCTION PRICE/YIELD:** the percentage of the amounts request that is allotted. Three integers and four decimals;

**TOTAL VOLUME OUTSTANDING:** the total volume (in euro cents) of the security outstanding after the placement or buyback of the tranche/quota.

#### **IDC 6E5 – BOT allotment yields (notified only for placement auctions)**

**SIMPLE BOT YIELD ON THE WEIGHTED AVERAGE PRICE IN MULTIPLE-PRICE AUCTIONS:** corresponds to the gross simple interest rate, calculated on the weighted average auction price (format: 3 integers, 4 decimals);

**SIMPLE BOT YIELD SIGN ON THE WEIGHTED AVERAGE PRICE IN MULTIPLE-PRICE AUCTIONS:** sign of the previous item, it is always filled in with “+” or “-” no matter the type of auction.

**SIMPLE BOT YIELD ON THE MAXIMUM PRICE IN MULTIPLE-PRICE AUCTIONS:** corresponds to the gross simple interest rate, calculated on the maximum auction allotment price (format: 3 integers, 4 decimals);

**SIMPLE BOT YIELD SIGN ON THE MAXIMUM PRICE IN MULTIPLE-PRICE AUCTIONS:** sign of the previous item, it is always filled in with “+” or “-” no matter the type of auction.

**SIMPLE BOT YIELD ON THE MINIMUM PRICE IN MULTIPLE-PRICE AUCTIONS:** corresponds to the gross simple interest rate, calculated on the minimum auction allotment price (format: 3 integers, 4 decimals);

**SIMPLE BOT YIELD SIGN ON THE MINIMUM PRICE IN MULTIPLE-PRICE AUCTIONS:** sign of the previous item, it is always filled in with “+” or “-” no matter the type of auction.

**SIMPLE BOT YIELD ON THE MARGINAL PRICE IN MULTIPLE-PRICE AUCTIONS:** corresponds to the gross simple interest rate, calculated on the marginal auction allotment price (format: 3 integers, 4 decimals).

**SIMPLE BOT YIELD SIGN ON THE MARGINAL PRICE IN MULTIPLE-PRICE AUCTIONS:** sign of the previous item, it is always filled in with “+” or “-” no matter the type of auction.

#### **IDC 6E6 – BOT / MLT allotment yields (notified only for placement auctions)**

**GROSS COMPOUND YIELD FOR THE PUBLIC:** corresponds to the gross yield at the allotment price for the public in uniform-price auctions (format: 3 integers, 4 decimals);

**GROSS COMPOUND YIELD SIGN FOR THE PUBLIC:** sign of the previous item, it is always filled in with “+” or “-” no matter the type of auction.

**GROSS COMPOUND YIELD FOR DEALERS:** corresponds to the gross yield at the allotment price for dealers in uniform-price auctions (format: 3 integers, 4 decimals);

**GROSS COMPOUND YIELD SIGN FOR DEALERS:** sign of the previous item, it is always filled in with “+” or “-” no matter the type of auction.

**COMPOUND YIELD ON THE WEIGHTED AVERAGE PRICE IN SPANISH/MULTIPLE-PRICE AUCTIONS:** corresponds to the gross compound rate calculated on the weighted average auction price (format: 3 integers, 4 decimals);

**COMPOUND YIELD SIGN ON THE WEIGHTED AVERAGE PRICE IN**

**SPANISH/MULTIPLE-PRICE AUCTIONS:** sign of the previous item, it is always filled in with “+” or “-” no matter the type of auction.

**COMPOUND YIELD ON THE MINIMUM PRICE IN SPANISH/MULTIPLE-PRICE AUCTIONS:** corresponds to the gross compound rate calculated on the minimum auction price (format: 3 integers, 4 decimals);

**COMPOUND YIELD SIGN ON THE MINIMUM PRICE IN SPANISH/MULTIPLE-PRICE AUCTIONS:** sign of the previous item, it is always filled in with “+” or “-” no matter the type of auction.

**COMPOUND YIELD ON THE MAXIMUM PRICE IN MULTIPLE-PRICE AUCTIONS:** corresponds to the gross compound rate calculated on the maximum auction price (format: 3 integers, 4 decimals).

**COMPOUND YIELD SIGN ON THE MAXIMUM PRICE IN MULTIPLE-PRICE AUCTIONS:** sign of the previous item, it is always filled in with “+” or “-” no matter the type of auction.

## **6X4 MESSAGE: NOTIFICATION TO SPECIALISTS**

### **A) RECORD LAYOUT**

The record layout of the message is the same for MLT securities and BOTs. It is not used for buyback and exchange auctions.

| <b>O/F</b> | <b>Aut.</b> | <b>IDC</b> | <b>FIELD</b>                   | <b>FORMAT</b>    |
|------------|-------------|------------|--------------------------------|------------------|
| O          |             | 001        | Message type                   | "3"b             |
| O          |             | 040        | Sender (abi/cab/uff)           | "5"n(/"5"n/"2"b) |
| O          |             | 050        | Recipient (abi/cab/uff)        | "5"n(/"5"n/"2"b) |
| O          |             | 020        | C.R.O.                         | "11"n            |
| O          |             | 010        | Control number                 | "5"n             |
| O          |             | 031        | Date (ddmmyy)                  | "6"n             |
| O          |             | 601        | Time (hhmmss)                  | "6"n             |
|            |             |            |                                |                  |
| O          | A           | 6C0        | SECURITY I.D. DATA             |                  |
|            |             |            | Security code                  | "12"b            |
|            |             |            | Tranche serial no.             | /"5"n            |
|            |             |            | Quota                          | /"1"a            |
|            |             |            | Transaction direction          | /"1"a            |
| O          | A           | 6D3        | INFORMATION ON SPECIALISTS     |                  |
|            |             |            | Amount allotted to specialists | "18"n            |
|            |             |            | Percentage share due by right  | /"6"n            |

### **B) GUIDE FOR COMPILING THE 6X4 MESSAGE**

This message is sent only to specialists that have participated at least in one of the placements considered for computing the quotas to which specialists are entitled and that have matured a positive quota by right.

#### **IDC 001 – MESSAGE TYPE**

Value: 6X4.

#### **IDC 040 - SENDER**

I.D. of the sending operator.

#### **IDC 050 - RECIPIENT**

I.D. of the recipient (Bank of Italy 01000).

#### **IDC 020 - CRO**

Message code, assigned by sender.

#### **IDC 010 – CONTROL NUMBER**

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

#### **IDC 031 - DATE**

Date on which message sent (format ddmmyy).

#### **IDC 601 - TIME**

Time at which message sent in (format hh.mm.ss).

#### **IDC 6C0 – Security I.D. data**

**SECURITY CODE:** data identifying the security using the ISIN code system;

**SERIAL NUMBER:** issue serial number of the tranche in the context of the loan and the transaction direction;

**TRANSACTION DIRECTION:** indicates whether the transaction is a buyback (“A”) or an issue (“E”);

**IDC 6D3 – Information on specialists**

- **AMOUNT ALLOTTED TO SPECIALISTS:** the total amount (in euro cents) allotted to specialists in the last auctions of the same security, including the auction under way, on the basis of which the quota to which specialists are entitled by right must be calculated pursuant to the relevant decree;
- **QUOTA ALLOCATED TO SPECIALISTS:** the weighted average of the two percentage values described below, based on the figures communicated by the Ministry of Economy and Finance (MEF):
  - 1) the percentage ratio between the value of the securities allotted to the dealer in the latest auctions of the same security, including that of the tranche under way, and the total amount allotted in the same auctions to the specialists referred to in the previous point; and
  - 2) the percentage value, set by the MEF, assigned to a dealer on the basis of the quarterly assessment of its performance on the secondary market.

The figure consists of three integers and three decimals.

## **ENCRYPTION AND AUTHENTICATION**

The 6X1, 6X2, 6X3 and 6X4 messages contain authenticated entries. Only the 6X1 messages are encrypted.

The entries to authenticate are marked with the letter “A” in the column “Aut” found in the message record layout descriptions in this document; the entries to authenticate and encrypt are marked with the letter “D” in the same column.

Messages subject to encryption and authentication are treated by the CED-BI. in the following order:

- outgoing messages are first encrypted and then authenticated;
- incoming messages first have their authentication verified and are then decrypted.

The order in which the individual IDCs and the related subfields must be passed to the encryption and authentication algorithms is that in which the same fields are listed in the message descriptions.

All the fields of the IDCs subject to encryption and/or authentication are mandatory and of fixed length.

### **ENCRYPTION**

Encryption/decryption is carried out using the BYCRYPT algorithm, whose technical and operational features are identical to those already specified for the encoding of messages within the Network.

The following rules apply to the composition of the string to be encrypted or decrypted, in the context of a single message:

- the application data of the fields lacking the characters typical of transmission over the Network (IDCs, delimiters, separators between subfields) must undergo encryption/decryption;
- the encryption/decryption process must be carried out in one go. Accordingly, the string must be compiled with all the fields that have to be processed;
- in the case of IDCs with instances, the instances not used must be valued with zeros.

As regards the bilateral encryption keys, attention is drawn to their periodic replacement in the production environment. Their incorrect or late updating results in the exclusion of applications to participate in auctions. It is therefore recommended to verify the new keys whenever there is a replacement.

To this end, after new keys have entered into force, it is best to send a test 6X1 message, whose data content is to be set with the following values:

#### IDC 6C0 – Security I.D. data

SECURITY CODE: “IT1111111113”;

SERIAL NO.: “01”;

QUOTA: “T”;

TRANSACTION DIRECTION: “E”;

#### IDC 6C9 – Bids

The first occurrence must be filled in as shown:

PRICE (OR YIELD): 9999999;

YIELD SIGN : “+”;  
AMOUNT REQUESTED: 999999999999999999;  
CONVERSION SECURITY: “IT1111111113”;

The other instances can be filled in with no restrictions.

If the decryption has been carried out correctly, the applications centre sends a 6X2 message confirming reception of the participation; if there are errors, the test 6X1 message is sent back to the sender marked RE01 with an indication of the error (error code = Encryption error).

## AUTHENTICATION

Authentication is carried out using the MODSIA algorithm, whose technical and operational features are identical to those already specified for the encoding of messages within the Network ; in such cases the message has the IDC 010.

The following rules apply to the composition of the string to be authenticated, in the context of a single message:

- all the subfields must contain the separator “/”;
- the authentication string must be 160 bytes long; if it is shorter, it must be extended to 160 bytes by adding zeros;
- in the case of IDCs with instances, the instances not used must be valued by entering zeros;
- in the case of IDCs with instances, the number of instances to be passed to the authentication process is determined as the highest whole number of instances whose total length is less than or equal to 160 bytes; if the length is less than 160 bytes, the string to be passed to the authentication routine must be extended to 160 bytes by adding a filler made up of zeros (e.g. if an IDC provides for 5 instances, each of which is 50 characters long, the first three instances will be passed to the authentication process, with 150 characters and a filler made up of 10 zeros).

## EXAMPLE

The following is an example of how data are passed to the encryption and authentication routines.

### IDC 6C9 of the 6X1 message

All the instances of the IDC 6C9 must be passed to the encryption routines, even if they are not utilized.

#### Example 1: Price auction

Consider the case with three prices fixed with the relative amounts:

price 1 102.2500 sign “+” amount 10,000,000.00 euros  
price 2 102.1500 sign “+” amount 25,000,000.00 euros  
price 3 102.7500 sign “+” amount 11,000,000.00 euros

The format in which these data are passed to the encryption routine, bearing in mind that amounts in messages are expressed in euro cents and that unused instances of the IDC must be set equal to zero, is as follows:

1022500+000000001000000000IT1111111113  
1021500-000000002500000000IT2222222222



## Methodological note

### Auction parameters

#### Minimum bid amount

Under the current regulations of the Ministry for the Economy and Finance, the individual minimum bid amount may not be lower than:

- €500,000 for medium and long-term auctions
- €1,500,000 for BOT auctions
- €1,000,000 for buyback auctions
- €500,000 for exchange offers.

#### Minimum bid price difference

Under the current regulations of the Ministry for the Economy and Finance, bid prices must be a multiple of the minimum difference below:

- 0.01 for medium and long-term securities
- 0.001 for CTZs.

#### Minimum bid yield difference

Under the current regulations of the Ministry for the Economy and Finance, bid yields must be a multiple of the minimum difference below:

- 0.001 for BOTs

#### Number of bids

Under the current regulations of the Ministry for the Economy and Finance, applications may contain a maximum of:

- 5 bids in the case of competitive placements and buybacks;
- 1 bid in the case of non-competitive placements (re-openings).

For exchange offers the number of bids is established by the decree regulating each operation, up to a maximum of 10 bids.

### **GROSS ACCRUED INTEREST (IDC 6C5 IN 6X0 MESSAGES)**

The amount of gross accrued interest is calculated according to the following formula:

$$D_L = C * GG_A / GG_B * 1.000$$

where:

$D_L$  = gross accrued interest due per €1,000 nominal principal amount

$C$  = gross coupon

**GG<sub>A</sub>** = number of actual days between the interest accrual date and the settlement date, excluding one of the extremes (this number is indicated in the field “number of days of accrued interest” in IDC 6C5)

**GG<sub>B</sub>** = number of actual days of the coupon period.

The result is rounded to the sixth decimal place.

**GROSS YIELD FOR PRIVATE INVESTORS (IDC 6E5 and 6E6 OF MESSAGE 6X3)**

The algorithm for calculating yield uses an iterative process to solve an equation in which the unknown is the yield itself, i.e. the discount rate that equalizes the current value of the bond’s future payments and its price. The formulas used are the following:

a) COUPON BONDS

$$P + DL = \frac{C_1 * (gc_1 - gb) / (gc_1 - gc_0)}{(1+i_f)^{\frac{(gc_1 - re) / (gc_1 - gc_0) + ((ge_1 - gc_1) / (gc_2 - gc_1))}{f}}} + \frac{C_2}{(1+i_f)^{e_1 + \frac{(gc_2 - ge_1) / (gc_2 - gc_1) + ((ge_2 - gc_2) / (gc_3 - gc_2))}{f}}} + \dots + \frac{C_n + K}{(1+i_f)^{e_n}}$$

where:

**P** = allotment price at auction

**C** = gross annual coupon

**f** = number of periods per year in which coupon C is divided

**C<sub>i</sub>** = C / f, with i = 1, 2... n

**gc<sub>i</sub>** (for i = 1, 2... n) = contractual payment date of coupons C<sub>i</sub>

**ge<sub>i</sub>** (for i = 1, 2... n) = actual payment date of coupons C<sub>i</sub>

(the two payment dates, gc<sub>i</sub> and ge<sub>i</sub>, may not be the same if the contractual payment date falls on a non-business day according to the the TARGET2 calendar; in this case, payment will take place on the next business day of the TARGET2 calendar)

**gb** = initial interest accrual date of the security

**gc<sub>0</sub>** = interest accrual date of first coupon. This depends on the frequency of coupon payments and is always equal to [gc<sub>1</sub> – (year duration / f)]

**i** = gross effective annual yield at maturity

**i<sub>f</sub>** = (1 + i)<sup>1/f</sup> - 1

**K** = nominal redemption value of the security

**re** = settlement date (according to the Treasury’s calendar of issues)

**e<sub>i</sub>** = exponent of the discount factor (1+i<sub>f</sub>) of coupon C<sub>i</sub>.

Analytically:

$$e_1 = ((gc_1 - re) / (gc_1 - gc_0)) + ((ge_1 - gc_1) / (gc_2 - gc_1))$$

$$e_2 = e_1 + ((gc_2 - ge_1) / (gc_2 - gc_1)) + ((ge_2 - gc_2) / (gc_3 - gc_2))$$

....

$$e_n = e_{n-1} + ((gc_n - ge_{n-1}) / (gc_n - gc_{n-1})) + ((ge_n - gc_n) / (gc_{n+1} - gc_n))$$

b) CTZs

$$P = \frac{K}{(1+i)^{(gg/365)}}$$

where:

**i**= effective gross yield at maturity

**K**= nominal redemption value of the security

**gg**= difference in actual days between the maturity date and the settlement date

**P**= allotment price at auction.

c) BOTs

Simple capitalization

Compounding

$$P = \frac{K}{1 + (gg/360 * i)}$$

$$P = \frac{K}{(1+i)^{(gg/360)}}$$

where:

**i**= effective gross yield at maturity

**K**= nominal redemption value of the security

**gg**= difference in actual days between the maturity date and the settlement date

**P**= weighted average price at auction.

### **ALLOTMENT CYCLE AND PERCENTAGE (IDC 6D1 OF MESSAGE 6X3)**

If the amount of the bids submitted at the marginal price is greater than the residual amount for allocation, such bids will be accommodated on a pro-rata basis, according to the following procedure:

- 1) the allotment percentage is calculated as the ratio between the residual quantity for allocation and the cumulative quantity requested at the marginal price;
- 2) the allotment percentage is applied to each of the bids submitted at the marginal price;
- 3) each of said bids is assigned the amount at point 2) after rounding down to the

nearest multiple of the minimum denomination and keeping track of any balances;

- 4) if, after the operation at point 3), the cumulative quantity allocated is lower than the quantity issued, each bid accommodated is allocated, in decreasing order of balance, a further amount of €1,000. This cycle is repeated until the whole quantity issued has been allocated. Where there are several balances of equal amount that cannot all be accommodated, a further €1,000 will be allocated at random.

#### **AMOUNT AND QUOTA DUE TO SPECIALISTS (IDC 6D3 OF MESSAGES 6X4)**

Specialists may participate in non-competitive placements provided they have submitted at least one application at a valid price in the related competitive auction. The quota allocable by right to each specialist is calculated using the following formula:

$$Q_{i,t} = \frac{O_{i,t} \times R1\% + S_i \times R2\%}{R1\% + R2\%}$$

where:

$Q_{i,t}$  = quota allotted to the i-th specialist for the t-th Security

$O_{i,t}$  = percentage allotted to the i-th specialist in the last three competitive auctions of the same security or of securities of the same type and equal residual maturity, given by the ratio of the total allotted to the specialist and the total allotted to all specialists in the same three auctions, which include the auction just before the non-competitive placement to which the quota calculated refers. The ratio is calculated excluding any off-auction allotments due to the the safeguard price/yield being exceeded:

$S_i$  = second percentage fixed for each i-th specialist by the Ministry for the Economy and Finance on a quarterly basis.

R1 and R2 correspond to the percentages announced by the Ministry for the Economy and Finance for each non competitive placement.

Specialists are notified of the quota  $Q_1$  to which they are entitled by means of placement procedure electronic messages.

The values of  $S_i$  for all specialists are communicated by the Ministry for the Economy and Finance to the Bank of Italy on a quarterly basis.

The quotas  $Q_i$  are rounded to the second decimal place.

If the sum of all the values of  $Q_i$  does not equal 100, the difference is assigned to the highest  $Q_i$ .

Bids submitted in non-competitive placements will be accommodated first by allocating to each specialist the lesser between the amount requested and the amount to which the specialist is entitled.

If one or more specialists submit bids for less than the amount to which they are entitled or submit no bids at all, the difference is allocated to those who have bid for amounts greater than their entitlement. The additional allocation is proportionate to the entitlement quota.

## **CASH PAYMENT (IDC 6CH MESSAGE 6X3 - IDC 6CD MESSAGE 6X3)**

The cash amount that the dealer must pay on the settlement date for securities allocated at the auction is calculated using the following formula:

### a) NOMINAL SECURITIES

$$CV = \frac{IN*(P - PROV) + IN*DL}{100}$$

where:

**CV** = cash amount

**IN** = nominal amount of securities allocated

**P** = allotment price

**PROV** = fee, if any, due to dealer

**DL** = gross accrued interest per €100 nominal principal amount.

### b) SECURITIES LINKED TO EURO-AREA INFLATION, EXCLUDING TOBACCO

$$CV = \frac{IN*P*IC}{100} + \frac{IN*DL*IC}{1000} - \frac{PROV*IN}{100}$$

where:

**CV** = cash amount

**IN** = nominal amount of securities allocated

**P** = allotment price

**PROV** = fee, if any, due to dealer

**DL** = gross accrued interest per €1,000 nominal principal amount

**IC** = indexation coefficient on the settlement day.

## **PRICE TO NET TAXPAYERS**

$$PNETT = P - AF*RSL$$

where:

**PNETT** = price to net taxpayers

**P** = allotment price

**AF** = tax rate, currently 12.50%

**RSL** = gross interest accrued from issue date to settlement date, calculated using the following formula:

1) COUPON SECURITIES

$$\mathbf{RSL} = \frac{\mathbf{(100 - PF) * GG_A}}{\mathbf{GG_D}}$$

where:

**PF** = taxable price

**GG<sub>A</sub>** = number of actual days between settlement date and issue date

**GG<sub>D</sub>** = number of actual days to maturity of the security.

2) CTZ

$$\mathbf{PF * ((100/PF)^{GG_A/GG_D} - 1)}$$

where:

**PF**= taxable price

**GG<sub>A</sub>** = number of actual days between settlement date and issue date

**GG<sub>D</sub>** = number of actual days to maturity of the security.

**CONVERSION RATIO**

The conversion ratio is used to measure the quantity of securities in circulation of a given issue that must be delivered in order to settle the securities issued as part of an exchange offer by auction. It is calculated using the following formula:

$$\mathbf{RC = PA/PR}$$

where:

**RC** = conversion ratio

**PA** = flat auction allotment price\_of the newly issued securities

**PR** = flat buyback price of the securities in circulation fixed by the Ministry for the Economy and Finance.

The result is rounded to the fifth decimal place.

**AMOUNT OF SECURITIES IN CIRCULATION TO BE DELIVERED IN PAYMENT IN EXCHANGE OFFERS**

In exchange offers the nominal amount of the securities that the dealer must deliver to the Ministry for the Economy and Finance.

in payment for securities allocated at auction is calculated using the following formula:

$$\mathbf{IN} = \mathbf{AGG} * \mathbf{RC}$$

where:

**IN** = nominal value of securities in circulation for delivery to the Ministry for the Economy and Finance as payment

**AGG** = nominal amount of the new securities allocated to the dealer at the auction

**RC** = conversion ratio.

If IN is not a multiple of the minimum tranche of the loan (currently €1,000), it is rounded down to the nearest €1,000.

## Annex 4

### Method of communication between the Bank of Italy and the Dealer

BANCA D'ITALIA  
SERVIZIO OPERAZIONI SUI MERCATI  
DIVISIONE DEBITO PUBBLICO  
VIA NAZIONALE 91  
00184 Rome - Italy

The undersigned dealer (Intermediary/Bank) .....  
ABI identification code .....

states that, for the purposes of the transactions contemplated by this agreement, it chooses the following method of communication (tick either A or B):

**A) By regular mail to be delivered to:**

Name of the dealer (Intermediary/Bank).....

Address .....

If regular mail is chosen, all communications to the Bank of Italy must be sent to: Banca d'Italia, Servizio Operazioni sui Mercati - Divisione Debito pubblico, Via Nazionale 91, 00184 Rome.

**B) By certified email (PEC) to be sent to the following address:**

Certified email (PEC) address:.....

(except for annexes 5, 6 and 10)

If certified email (PEC) is chosen, all communications to the Bank of Italy must be sent to [opm@pec.bancaditalia.it](mailto:opm@pec.bancaditalia.it)

Date,.....

.....  
*(signature of the legal representative)*

## Annex 5

### Appointment of the settlement agent

BANCA D'ITALIA  
SERVIZIO OPERAZIONI SUI MERCATI  
DIVISIONE DEBITO PUBBLICO  
VIA NAZIONALE 91  
00184 Rome - Italy

The undersigned dealer (Intermediary/Bank) .....

ABI identification code .....

hereby communicates that for the settlement of placements/buybacks/exchange offers of government securities conducted by the Bank of Italy on behalf of the Ministry of Economy and Finance, it intends to use the following settlement agent until further notice:

.....,

ABI identification code .....

The undersigned dealer states that settlements in cash will be carried out in accordance with the agreement reached between the undersigned dealer and the settlements agent and communicated to Monte Titoli S.p.A.

The settlement agent's appointment will take effect once said agent delivers to the Bank of Italy the form *Acceptance on the part of the settlement agent* (Annex 6), duly filled in and signed.

If the aforementioned agent fails to carry out the necessary steps for settlement, the undersigned dealer remains nonetheless responsible for the correct fulfilment of all obligations assumed vis-à-vis the Ministry of Economy and Finance.

Date .....

.....  
(signature of the legal representative)

**Annex 6**  
**Acceptance on the part of the settlement agent**

BANCA D'ITALIA  
SERVIZIO OPERAZIONI SUI MERCATI  
DIVISIONE DEBITO PUBBLICO  
VIA NAZIONALE 91  
00184 Rome - Italy

The undersigned agent.....

(ABI identification code .....)

With registered office in ..... (country)... .....(city)

.....  
(address)

in the person of its legal representative .....

..... hereby accepts the appointment to settle the transactions of the dealer (Bank/Intermediary) ..... (ABI identification code .....) in government securities placements/buybacks/exchange offers carried out by the Bank of Italy on behalf of the Ministry of Economy and Finance.

This acceptance covers settlement in securities. Settlements in cash will be carried out in accordance with the agreement reached between the dealer and the undersigned settlement agent and communicated to Monte Titoli S.p.A.

In this respect, the undersigned agent declares:

- a) that it holds a Securities Account (SAC) with Monte Titoli S.p.A. and is a member of the settlement system for transactions in financial instruments in which the amounts to be settled and the securities to be assigned are entered and automatically settled;
- b) that it undertakes to settle the items allotted to the dealer in the transactions concerned regardless of the amount. Any limits provided for in the agreement with the dealer are not enforceable in respect of the Bank of Italy or the Ministry of Economy and Finance;
- c) that it accepts that the obligation to settle the transactions in question arises from the moment the contract is signed between the Ministry of Economy and Finance and the successful bidder (validation of the auction). Such obligation lapses when the dealer is declared insolvent, exclusively in respect of the transactions for which the transfer order has not yet been entered into the settlement system in accordance with the system's own rules pursuant to Article 2 of Legislative Decree 210/2001;
- d) that it accepts that the date on which revocation takes effect cannot fall between an auction date and its settlement date; revocation will, therefore, take effect on the first calendar day after the settlement date.

Date, .....

.....  
(signature of the legal representative)

**Annex 7**

**Withdrawal of the Dealer**

BANCA D'ITALIA  
SERVIZIO OPERAZIONI SUI MERCATI  
DIVISIONE DEBITO PUBBLICO  
VIA NAZIONALE 91  
00184 Rome - Italy

The undersigned dealer (Intermediary/Bank) .....

ABI identification code .....

hereby declares its intention to withdraw its participation in government securities placements/buybacks/exchange offers carried out by the Bank of Italy on behalf of the Ministry of Economy and Finance.

The withdrawal will take effect no earlier than ten days after the date of receipt of this form by the Bank of Italy. In any case, if the effective date of the withdrawal falls between an auction date and its settlement date, the withdrawal will take effect on the first calendar day after the settlement date.

Date.....

.....  
*(signature of the legal representative)*

**Recovery: partecipazione all'asta di collocamento / acquisto**  
(Recovery procedure: application for placements/buybacks of government securities)

BANCA D'ITALIA  
SERVIZIO OPERAZIONI SUI MERCATI  
DIVISIONE DEBITO PUBBLICO  
VIA NAZIONALE, 91 – 00184 ROMA

**Data (Date)**.....

**Denominazione Operatore (Intermediary/Bank name)**

.....

**Codice ABI (ABI identification code)**

.....

**Codice ISIN (ISIN code)**

.....

**OFFERTE (Bids)**

| Prezzo/rendimento*<br>(Bid Price/Yield*) | Importo in euro<br>– (Amount in euros) |
|--|--|
|  |  |
|  |  |
|  |  |
|  |  |
|  |  |

(\*) Indicare il prezzo per le aste sul prezzo e il rendimento per le aste sul rendimento. Il segno meno è ammesso solo per le aste sul rendimento.

(\*) Indicate the price in case of price-based auctions or the yield in case of yield-based auctions. The negative sign is allowed only in case of yield-based auctions.

Telefono  
(Phone number)

Nome e Cognome<sup>1</sup>  
(Name and Surname)<sup>2</sup>

Firma  
(Signature)

<sup>1</sup> Nome della persona autorizzata a sottoscrivere le domande tramite procedura di recovery ai sensi dell'elenco indicato nell'allegato 10 (specimen di firma).

<sup>2</sup> Name of the person authorized to sign applications submitted through the recovery procedure in accordance with the list presented in Annex 10 (*Specimen signature form*).



**Annex 10**

**Specimen signature form**

BANCA D'ITALIA  
SERVIZIO OPERAZIONI SUI MERCATI  
DIVISIONE DEBITO PUBBLICO  
VIA NAZIONALE, 91 – 00184 ROME -ITALY

Date .....

I the undersigned ..... in my capacity as ..... of the Dealer (Bank/Intermediary) ....., Abi identification code ....., in accordance with the powers entrusted to me by the Memorandum and Articles of Association, hereby declare that the persons listed below, with their specimen signatures, are authorized to sign applications to participate in placements, buybacks or exchange offers of government securities conducted by the Bank of Italy on behalf of the Ministry of Economy and Finance pursuant to this Agreement and submitted by this agent using the recovery procedure envisaged in Article 15 of this Agreement.

I further declare that I fully acknowledge all actions taken by the persons listed in this form, including in cases of unlawful exercise of the power to authorize transactions.

Such authorization will be effective on .....until revocation, which may take place through the replacement of this form by another equivalent form.

.....  
(stamp and full signature)

| NAME*<br>(surname and name) | SIGNATURE<br>(full) |
|-----------------------------|---------------------|
|                             |                     |
|                             |                     |
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|                             |                     |
|                             |                     |

\* No more than ten names.

## **Glossary**

### **Buyback**

Transaction reserved for specialist dealers whereby the Ministry of Economy and Finance purchases outstanding government securities, thereby extinguishing its debt earlier than planned.

### **BOTs (Buoni ordinari del Tesoro)**

Zero-coupon government securities with a maturity at issue ranging from one to twelve months.

### **BTPs (Buoni del Tesoro poliennali)**

Fixed-rate government securities. Their maturity at issue ranges from three to 50 years and interest is paid semi-annually.

### **BTPIs (Buoni del Tesoro poliennali indicizzati)**

Starting in September 2003 and March 2012, respectively, the Italian State has been issuing BTP€i and BTP Italia bonds. The principal of these securities is indexed to consumer prices in the euro-area (for the BTP€I bond) and to consumer prices in Italy (for the BTP Italia bond), and their coupons are a fixed share of the indexed principal. For BTP€i bonds, indexation is paid out in full at maturity, while for BTP Italia bonds it is paid out semi-annually together with the coupon payments.

### **CCTs (Certificati di credito del Tesoro)**

Floating rate government securities. The semi-annual coupons are indexed to the yields of six-month BOTs recorded in the auctions conducted at the end of the month preceding the coupon period, plus a premium.

### **CCTEUs (Certificati di credito del Tesoro indicizzati all'Euribor)**

Floating rate government securities with a maturity at issue usually ranging from five to seven years. The semi-annual coupons are indexed to the six-month Euribor recorded on the second business day preceding the coupon period, plus a premium.

### **Competitive placements**

Placements of government securities through an auction open to all authorized dealers.

### **Non-competitive placements**

Placements of government securities reserved for specialist dealers whereby government securities are allocated at the allotment price recorded for the same security in the last ordinary auction to take place.

### **Exchange offers of government securities**

Transactions reserved for specialist dealers whereby the Ministry of Economy and Finance offers to redeem outstanding government securities in exchange for new issues, to be placed through an auction, on the basis of a conversion ratio defined as the ratio of the allotment price of new securities as determined by the auction to the price of the security to be redeemed, which is set by the Ministry of Economy and Finance on the morning of the day of the transaction.

**CTZs (Certificati del Tesoro zero-coupon)**

Zero-coupon government securities with a maturity at issue of 24 months.

**Application**

The set of bids to buy and sell listed in the message sent over the Network or by fax containing the application to participate in the auctions for the placements, buybacks and exchange offers of government securities. The number of bids that may be listed in an application is set by the MEF Decrees governing the transactions.

**Monte Titoli Spa**

A central securities depository to which, pursuant to the decree of 23 August 2000, the Ministry of Economy and Finance entrusted the centralized management of government securities.

**Bid**

Combination of quantity and price (or yield, in a yield-based auction) at which the Dealer is willing to buy or sell a government security in a competitive placement, buyback or exchange offer. The maximum number of bids that may be submitted in an auction is set by the Decrees.

**Specialist dealers in government securities**

A category of dealers constituting the main players in the MTS screen-based market for government securities as provided for by Article 23 of Ministerial Decree No. 216 of 22 December 2009. These dealers are entered into a register maintained by the Ministry of Economy and Finance and meet special organizational and operational requirements that allow them to participate in the primary and secondary markets for Italian government securities. Among other things, they have exclusive access to non-competitive placements, buyback and exchange offers of government securities.

**Minimum price or maximum yield (cut-off price/yield)**

The minimum price (or maximum yield, in a yield-based auction) set as the threshold for excluding bids (if applicable pursuant to the Decrees). Bids containing a lower price (or a higher yield) than the cut-off price are excluded.

**Safeguard price/yield**

The maximum price (or minimum yield, in a yield-based auction) set as the threshold for participating in a competitive placement. The amount requested at a price exceeding the safeguard price (or falling short of the safeguard yield) is allotted off-auction at a penalizing price (or yield).

**Conversion ratio**

In an exchange offer, the ratio between the allotment price at auction of the securities being issued and the price of the outstanding security that the Dealer will have to deliver in settlement. Setting the conversion ratio is necessary to determine the amount of securities that each Dealer shall deliver in settlement to the Ministry of Economy and Finance to pay for the amount of securities allotted to it in the auction.

**Settlement**

The stage in which, following the execution of placements, buybacks and exchange offers of government securities and the outcome of these transactions, securities are bought and sold and the corresponding amounts are paid.

**National Interbank Network (*Rete Nazionale Interbancaria, RNI*)**

Electronic infrastructure managed by SIA SpA permitting the transmission of information between Dealers in the Italian payments system.

**Short-coupon**

A short-coupon security is characterized by the fact the first coupon has a shorter coupon period than the following ones.

**Entity not subject to the direct payment of the substitute tax**

An entity which is not subject to the direct payment of the substitute tax on the proceeds deriving from government securities, pursuant to Article 2 of Legislative Decree 239/96.

**Entity subject to the direct payment of the substitute tax**

An entity which is subject to the substitute tax on the proceeds deriving from government securities, pursuant to Article 2 of Legislative Decree 239/96.

**Deadline for application (cut-off time)**

Deadline set by the decrees issued by the Ministry of Economy and Finance for the submission of applications to participate in auctions for the placement, buyback or exchange of government securities.

**Medium- and long-term securities**

Government securities with a maturity at issue of more than 18 months. They currently comprise the following categories of bonds: CTZ, BTP, BTP€i, BTP Italia and CCTEU.

**Securities delivered in exchange**

Outstanding securities that, in exchange offers, dealers deliver to the Ministry of Economy and Finance in exchange for the newly issued securities allotted to them in an auction.

**Tranche**

Portion of a loan whose issuance is distributed over time.

See also the Bank of Italy's glossary (only in Italian) at [www.bancaditalia.it/footer/glossario/index.html](http://www.bancaditalia.it/footer/glossario/index.html)

