

Credit claims as collateral in cross-border credit operations within the Eurosystem: Terms & Conditions to be applied when the credit claim is governed by the Italian law

The following Additional Terms and Conditions (ATC) apply to the relationship between [name NCB concerned] (hereinafter “the HCB”) and its counterparty, when the latter wishes to use credit claims governed by the Italian law as collateral in cross-border credit operations within the Eurosystem with Banca d'Italia (hereinafter “the Bank”) acting on behalf and in the name of the HCB.

These ATC - which supplement the existing provisions applicable to the relationships between the HCB and its counterparties laid down in the General Terms and Conditions of the HCB - state the requirements which need to be met in order to create a valid and enforceable pledge over credit claims governed by the Italian law. Furthermore such provisions govern the management of the credit claim and its realisation if counterparties fail to perform their obligations vis à vis the HCB.

1. Eligibility criteria

1. As a precondition for the Bank to accept the credit claims, the requirements referred to the loan and the collateral providers shall be met, as provided for non marketable assets in the document “The implementation of monetary policy in the euro area - General Documentation on Eurosystem monetary policy instruments and procedures”. In addition, the following conditions shall also be met:

- a) the credit claim must be governed by the Italian law;
- b) the outstanding nominal value of the credit claim must meet a minimum threshold of € 500.000,00;
- c) there are no legal or contractual constraints/obstacles concerning the creation of the pledge over the credit claim under Italian legislation.

2. As soon as the collateral provider (hereinafter “the provider”) becomes aware that the credit claim no longer fulfils one of the eligibility criteria, it shall promptly inform the Bank and the HCB asking the release of the credit claim.

2. Preliminary procedures

1. A foreign counterparty that intends to provide collateral to the Bank in favour of its HCB in the form of a credit claim governed by the Italian law must be compliant with the following terms.

2. The counterparty shall firstly be accredited with the Bank.

To that end it must:

- provide the data for its identification, such as its name, its Monetary and Financial Institutions (MFI) code and BIC code, the address, the names and specimen signatures of the persons authorized to send communications concerning the loans to the Bank, the identification data of the contact persons, and the selected ECAF source(s)/system(s). Such information shall be communicated also for the third party that provides the guarantee on behalf of the counterparty.

The above mentioned information must be provided using the e-mail address BLFRONT_OFFICE@bancaditalia.it. The same procedure must be followed in order to communicate any changes in the information transmitted;

- carry out tests with the Bank on the procedures for exchanging information.

3. The Bank will liaise with the HCB of the foreign counterparty to verify the signatures and the ECAF source(s)/system(s) chosen. The Bank shall contact the counterparty if the information it has transmitted does not match that of the HCB.

3. Evaluation of the credit claim

1. The Bank assigns a conventional value to the credit claim by deducting from its nominal value a coefficient (“haircut”), which depends on the maturity of the reimbursement and the type of interest rate.

2. The evaluation of the credit claim is updated on a daily basis, taking into account, inter alia, the collection by the counterparties of the payments made by the debtor of the loan.

3. At the start of the working day before the expiration date the value of the credit claim is set equal to zero.

4. Procedure for the creation of the pledge over credit claims

1. Once the procedure stated in the Article above is successfully completed, the providers must send a pledge request to the Bank using a special template message as provided for in the “Credit claims data transmission” (**‘Contenuto della segnalazione prestiti’**) attached to the Users Guide (**‘Guida per gli operatori’**), available on the Bank’s website (www.bancaditalia.it). The Bank ascertains the legitimacy of the signatures. In the event of discrepancies, the provider is informed that the request cannot be accepted.

2. The provider must give advance notice of the content of the message in a **MT599 Swift message**, according to the format presented in the **“Contenuto della segnalazione”** and addressed to the Bank of Italy - Servizio PMC. In particular, the debtor (and, if relevant, the guarantor) must be assigned identification codes according to the instructions shown in the **“Contenuto della segnalazione prestiti”**¹.

3. The Bank sends the provider an MT599 Swift message informing it of the credit claim identification number; if the message of the provider is inaccurate or incomplete, the Bank contacts the provider without delay.

4. The provider sends a mobilization request to the HCB using the above-mentioned credit claim and debtor identification numbers. The HCB then gives confirmation to the Bank of the request to mobilize the credit claim as collateral.

5. Upon receiving the above mentioned communication concerning the credit claim from the HCB, the Bank verifies that the credit claim meets the eligibility criteria.

1. In case the instructions are not sufficient for determining the debtor/guarantor code, the provider shall request that code to the Bank, using the e-mail address BI.FRONT_OFFICE@bancaditalia.it. The request shall contain all the information provided by the ‘Contenuto della segnalazione prestiti’.

6. If the credit claim does not meet the eligibility criteria, the Bank sends the provider an MT599Swift message informing it that the credit claim cannot be accepted as collateral.

7. If the credit claim meets the eligibility criteria, the Bank informs the provider of the collateral acceptance by sending a fax according to the template attached to the **Guida per gli operatori** (and an MT599 Swift message).

8. The credit claim mobilized as collateral may be used by the foreign counterparty to obtain financing from the HCB only after the notifications of the debtor and any guarantor have been successfully completed. The foregoing notifications shall be sent by the Bank by fax.

9. If the notifications are successfully completed, the credit claim is valued and may be used. To this end the Bank shall send the HCB a communication.

10. If the notifications are not successfully completed, the provider is contacted by the Bank to agree on the action to be taken.

5. Management of the credit claim

1. With the exception of what is stated in paragraph 3 of this Article, the provider is authorised to continue to collect the interest and redemption payments stemming from the credit claim, even if such payments arise from collateral which is connected to the credit claim.

2. Such authorisation will be communicated by the Bank to the debtors (and, if relevant, to the guarantors) by means of the notification referred to in Article 4.

3. If the counterparty fails to perform its obligations vis à vis the HCB, the Bank shall collect the payments listed in paragraph 1, unless it expressly decides otherwise; to this end, the Bank shall inform the debtor (and, if relevant, the guarantor) as soon as possible.

6. Changes in the characteristics of credit claims

1. Every change in the data regarding a credit claim mobilized as collateral must be communicated by the provider to the Bank - Servizio PMC, by sending an MT599

Swift message according to the “**Contenuto della segnalazione**” without delay, and in any case not later than 13:00 of the day following that on which the changes occurred. Among other things, the following must be notified: repayments, including early and partial repayments; changes in the debtor’s creditworthiness; changes in the type of interest rate, etc.

2. The message regarding the changes must contain the identification number of the credit claim to which it refers, as assigned by the Bank according to Article 4, and all the information the provider intends to change with respect to the message on the basis of which the credit claim was initially mobilized as collateral, and to any modifications subsequently communicated.

3. The Bank carries out the formal checks on accuracy and completeness of the changes communicated, and, if the outcome of the checks is positive, updates the characteristics of the credit claim and informs the HCB if the changes are relevant for eligibility or valuation purposes. If the message is found to be formally inaccurate or incomplete, the collateral provider is contacted by the Bank and requested to send a new message.

4. The Bank verifies whether, after the changes in the related data have been processed, the credit claim is still eligible. If it is not, the Bank promptly sends an MT599 Swift message to the provider and the HCB to inform them that the credit claim is no longer eligible and therefore must be withdrawn immediately (see below).

7. Withdrawal of credit claims

1. Whenever the provider intends to withdraw a credit claim mobilized as collateral must send a communication to the HCB, according to the HCB’s specific procedures. The Bank releases the credit claim after it has received instructions from the HCB. The Bank sends an MT599 Swift message to the provider informing it of the release of the credit claim and a fax to the debtor (and, if relevant, the guarantor), informing them that the pledge on the credit claim does not exist any longer.

8. Realisation of the credit claim

1. If the counterparty fails to fulfil its obligations toward the HCB, the Bank will be entitled upon the communication of the HCB to execute the collateral according

to Article 4, paragraph 1, lett. a) and b) of Italian legislative decree no. 170 of 21.5.2004, by selling or appropriating the credit claim to the benefit of the HCB.

2. According to Article 8 of legislative decree no. 170 of 21.5.2004, the credit claims which are pledged are evaluated to the same amount assigned by the Bank according to Article 3 of these ATC.

3. The sale may be made by the Bank itself or through an intermediary, with the procedures deemed more convenient. In the case of sale of the credit claim, the sale price shall be at least equal to the conventional value assigned to the credit claim on the basis of Article 3 of these ATC.