2020 developments in Italy’s retail debt programs

The International Retail Debt Management Symposium
Co-hosted by the United States Treasury & the World Bank
Webex
October 20, 2020

Public Debt Directorate – Treasury Department, MEF
1. **2020 changement factors**
   
   Rebranding the BTPs Italia
   
   BTP Futura: a brand-new product
   
   Communication strategy and figures
At the beginning of 2020, a long-lasting downward path of the retail share was already set to be coped with...

Treasury’s Debt Management Guidelines for 2020 stated *inter alia* that «new instruments might also be introduced, including someone specifically tailored to retail investors»

*Data source: Bank of Italy*
Large additional financing needs suddenly emerged to face Covid-19 health crisis

Covid-19 epidemiological emergency turned soon into an economic and financial crisis, forcing governments to implement extraordinary measures to strengthen the NHS and support the economy.

Additional volume of public debt issuance was required to finance government extraordinary measures, setting very challenging and unprecedented goals to the DMO.

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<th>ESTIMATED FUNDING NEEDS FOR 2020 (€ BLN)</th>
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<tbody>
<tr>
<td></td>
<td>Before Covid-19 outbreak</td>
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<tr>
<td>Gross</td>
<td>400</td>
</tr>
<tr>
<td>Net</td>
<td>45</td>
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Data source: MEF
A threefold move to gain retail bondholders

Thus, in spring 2020 the Treasury implemented a threefold move in order to bring back retail investors to government securities in such a moment of high need for investor diversification:

- Re-branding and issue BTPs Italia as a tool to finance Covid-19 emergency measures. BTPs Italia was the only already existing Italian security purposely designed for retail investors. Due to the security financial features, BTPs Italia were deemed covering just a part of the potential retail demand, leaving room for a new product to reach additional investors.

- Designing a brand-new product (BTPs Futura), with different financial features, this too to finance Covid-19 related (recovery) measures.

- Implementing a communication strategy in order to get awareness (i) of the link between the issuances and the emergency and (ii) of the features of the new BTP Futura.
2020 changement factors

Rebranding the BTPs Italia

BTP Futura: a brand-new product

Communication strategy and figures
Main overall features

• 4- to 8- year bonds, indexed to Italian inflation official index (*FOI*)

• Coupons and revaluation payment: semi-annual coupons, including:
  • a fixed yield (set at the auction) to the *revaluated* principal
  • principal revaluation

Thus, all revaluation items are paid in the semi-annual coupon (at maturity, the bond is reimbursed at par)

• Protection for individual investors in case of deflation: in case of a deflation semester, the coupon will only include the fixed yield but the principal revaluation is locked at the previous amount (s.c. “floors on the coupon and on the principal”)

• Individuals holding the bond until maturity are paid an additional 40bp final bonus

• 2-phases auctions: 1) for individuals, accepting all orders, 2) for institutionals, to fill any further gap with auction goals and possibly subject to partial allotments

• Individuals can place orders directly, via Home banking or at a Bank desk
BTP Italia Special Covid19 Issuance – What was new?

Same features as previous placements but with 3 innovations:

- 5-year maturity
- 8x1000 Fidelity Bonus (doubling previous placements)
- Funding purpose made clear and evident for all: supporting Coronavirus emergency measures
Following 4 weeks of communication actions, on May 18-21 the newly “Covid-19 labelled” BTP Italia due on May 2025 was placed via the usual 2-phases placement period. A first phase was tailored to retail investors, scheduled to last 3 days, and a second phase devoted to institutional investors held from 10:00 am to 12:00 am of the 4rd day.

The issuance recorded exceptionally high interest by retail investors, that crowded into the book with 384,000 contracts for nearly € 14 Bln. Institutional investors too recorded huge demand (746 contracts, € 8.3 Bln, bid-to-cover 2.35).

Retail demand was mainly stemming from individuals (72%), while private banking reached 28%. Contracts below € 20k were 60% of the retail share, as 88% of contracts were below € 50k. The definitive annual (real) coupon date has been set at 1.4%. An additional one-off 0.8% premium will be given to retail customers that will hold the security until maturity.

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**BTP Italia 2025:**
**an unprecedented result both on the retail and institutional side**

Total issued € 22.297 Bln

- Retail €13.998 Bln 62.8%
- Institutional € 8.300 Bln 37.2%

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<thead>
<tr>
<th>Retail €13.998 Bln 62.8%</th>
<th>Institutional € 8.300 Bln 37.2%</th>
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<tbody>
<tr>
<td>141,563 contracts € 5.212 Bln 3rd day</td>
<td>133,378 contracts € 4.767 Bln 2nd day</td>
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<tr>
<td>109,025 contracts € 4.019 Bln 1st day</td>
<td>746 contracts € 8.300 Bln 4th day</td>
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Figures may not add-up due to rounding.
Rebranding the BTPs Italia

BTP Futura: a brand-new product

Communication strategy and figures

2020 changement factors
Designing the new security – main goals and constraints

The new security ought to be:

- Only intended for retail investors (unlikely BTP Italia)
- Featuring a completely different set of financial conditions than other government securities
- Simple to understand and communicate
- Able to attract retail investors on longer maturity than BTP Italia
- Linked with future growth in order to stimulate involvement in the Country risk
BTP Futura – main features

- 10-year maturity
- The first BTP exclusively reserved to retail investors
- A step-up mechanism offering 3 guaranteed annual coupon rates: 1.15% from the 1st to the 4th year; 1.30% from the 5th to the 7th year; 1.45% from the 8th to the 10th year
- Fidelity bonus equal to the average annual variation of the Italian nominal GDP recorded in the security’s lifespan with a minimum of 1% and a maximum of 3% (for individuals holding the bond from placement until maturity)
Following 4 weeks of communication actions, on Jul 6-10 the first issuance of the BTP Futura took place, due on Jul 2030. Placement was scheduled on a 5-days period.

Out of 174,318 contracts concluded on the MOT (the Borsa Italiana’s screen-based market for securities and government bonds) around 64% were €<20,000, while contracts up to € 50,000 accounted for 89% of the total. Contracts size averaged € 35,179.

Demand was mainly stemming from individuals (62%), while private banking reached 38%. About 60% of the BTP Futura underwriters did not participate into the latest BTP Italia issuance in May, thus marking a significant increase in the direct participation of Italian retail investors.
2020 changement factors
Rebranding the BTPs Italia
BTP Futura: a brand-new product

Communication strategy and figures
BTP Italia – A digital “miracle” leveraging on the growing need of online information

4 Weeks Communication Plan April 16 - May 18, 2020

Updated information on all Websites: Mef, Public debt, Banks

Social media plan without sponsored contents coordinated with banks, public institutions and Poste Italiane

Media relation: official interviews with national TVs and Radio programmes and specialized national newspapers

Sponsored stories on online news portals

Sponsored radio information corners

Financial and institutional influencers engagement

Media Mix

Sponsored radio information corners

Sponsored stories on national online news portals

= paid activities
BTP Italia – Performance of the sponsored stories on news portals

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<td>30.318</td>
<td>Il Sole24Ore.it</td>
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**Graph:**
- Corriere.it: 30.318 page views
- Il Sole24Ore.it: 36.000 page views
BTP Futura – Communication Plan

4 Weeks Communication Plan June 23 - July 9, 2020

- Updated information on all Websites: Mef, Public debt, Banks
- Dedicated e-mail box for information
- Sponsored Facebook posts + Social media plan coordinated with Banks and Poste Italiane Spa
- Media relation with interviews to Mef officials on national TVs and radio broadcasts
- 2 weeks Tv and Radio Spot on RAI networks (free for Public Administration campaigns)
- Sponsored stories on national news portals and radio
- 2 weeks Advertising on national and local newspapers and local radios

= paid activities
BTP Futura – A close look to the TV SPOT

The creative idea of the spot is a smiling and «very-italian» mature lady supporting new generations.

The spot «call of action» is to encourage Italians to be part of a the «new Italy» by subscribing for BTp Futura: stronger, more secure and still beautiful as ever.

Who subscribes BTp Futura chooses to support the country while making a safe investment.
Results for BTP Futura sponsored contents on social media

The account used for the campaign is @MEF_gov

FAQ and a 30’’ video message of the Head of DMO the most popular content of the campaign
BTP Futura – Performance of sponsored stories on news portals

Performance ADV Native

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<td>MilanoFinanza.it</td>
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Communication strategy: key takeaways

• Despite a communication strategy based on multiple types of media (old and new), leveraging upon the need for plain and technical information via web and social media has turned out as an effective way to reach a large number of potential customers, at a cheap cost.

• Providing potential investors with a clear purpose for the money they were lending has proven effective in mobilizing huge interest and actual investment.