# Bond liquidity enhancement – Italy

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Following a long consultation process, on 13 December 2012 CONSOB approved[1] new rules on buy backs of notes or other non-convertible debt securities (the "**Debt Securities**") for liquidity enhancement purposes (the "**Market Practice**"). The Market Practice provides the conditions to benefit from a safe-harbour from certain market manipulation rules and shall be read in conjunction with the previous CONSOB resolution no. DEM/DME/9053316 of 8 June 2009.

Please find below a summary of the main provisions of the Market Practice.

## 1. Scope

The Market Practice applies when an issuer and/or a related party (e.g., an intermediary appointed by the issuer) undertakes to buy back Debt Securities at a fixed credit spread (the "**Fixed Price Commitment**")[2].

The scope of the Market Practice includes Debt Securities admitted to trading either (i) on Italian or European regulated markets (the "**Regulated Markets**") or (ii) on Italian MTFs.

In particular, the Market Practice applies to Debt Securities (i) issued by Italian entities, and traded on Italian or EU Regulated Markets or Italian MTFs or (ii) issued by foreign entities and traded on Italian Regulated Markets/MTFs.

## 2. Transparency, fairness and non-discrimination

The Fixed Price Commitment can be limited in time and/or to a percentage of the issue (so-called "**Buffer**"), but repurchases must otherwise be made on a regular and non-discriminatory basis.

Fixed Price Commitments cannot be implemented only through systemic internalisers ("**SIs**"): the issuer must also repurchase at the Fixed Price Commitment on the relevant Regulated Market / MTFs (as applicable).

The pricing methodology applied must (i) be transparent; (ii) allow for the determination of the credit spread applied; and (iii) be consistent with the methodology applied by the intermediary for the evaluation of its own securities portfolio.

## 3. Disclosure requirements

The Market Practice also sets forth certain *ex-ante* and on-going disclosure obligations.

### 3.1 *Ex ante* obligations

In case of public placement and listing of the Debt Securities, the prospectus (or the relevant final terms) shall set out, *inter alia*:

- the modalities, terms and limitations of the buy-back activity;
- the identity of any entity acting as intermediary (if known);
- the identification of the markets on which the repurchase transactions shall be carried out;

[1] CONSOB Resolution no. 18406 of 13 December 2012.
[2] The Credit Spread does not have to be necessarily equal to the spread at the time of the issuance of the Debt Securities.

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- circumstances which may cause the suspension of the buy-back and/or the replacement of the relevant intermediary, indicating if the relevant events include a downgrading or the potential inability of the issuer to meet its repurchase obligations;
- whether the relevant Buffer applicable to the repurchase of Debt Securities may be re-created following sale transactions of such securities (so-called refreshing).

In any other cases, the relevant information above shall be given to the public by way of press release as "price sensitive" information.

### 3.2 On going obligations

On going disclosure includes, *inter alia*:

- the occurrence of the conditions triggering the application of the Fixed Price Commitment;
- the end of the Fixed Price Commitment;
- the crossing or the falling below of the 25 per cent., 50 per cent., 75 per cent., 85 per cent., 95 per cent. and 100 per cent. of the Buffer for the repurchase of Debt Securities; and
- the identity of the intermediary(ies), if not already disclosed in the relevant prospectus/final terms.

## 4. The mandate to the intermediary

The relevant buy backs can be carried out through an authorised intermediary or (if the issuer is a financial intermediary) directly by the issuer. In the event that the buy-back transactions are not directly carried out by the issuer, the agreement between the issuer and the intermediary must set forth, *inter alia*, the limits and the conditions of the Fixed Price Commitment and provide for an undertaking from the intermediary to publish the relevant bid prices in the relevant markets.

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