



Dipartimento
del Tesoro

Managing Government Cash: Countries' Evolving Approaches

The Italian Case

Recent Challenges, Strategic Response and Tools Adopted

May 2026





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Overview

Key Challenges Since 2020: Context for Transformation



Yearly cash borrowing requirement: higher degree of uncertainty and more volatile



Forecasting process: historical model inaccurate



TSA: thousand of sub-accounts that manages higher resources; uncertainties about the actual size and the timing of the disbursement of RRF; fragmented & manual processes



ECB policy remuneration changed to preserve monetary policy transmission

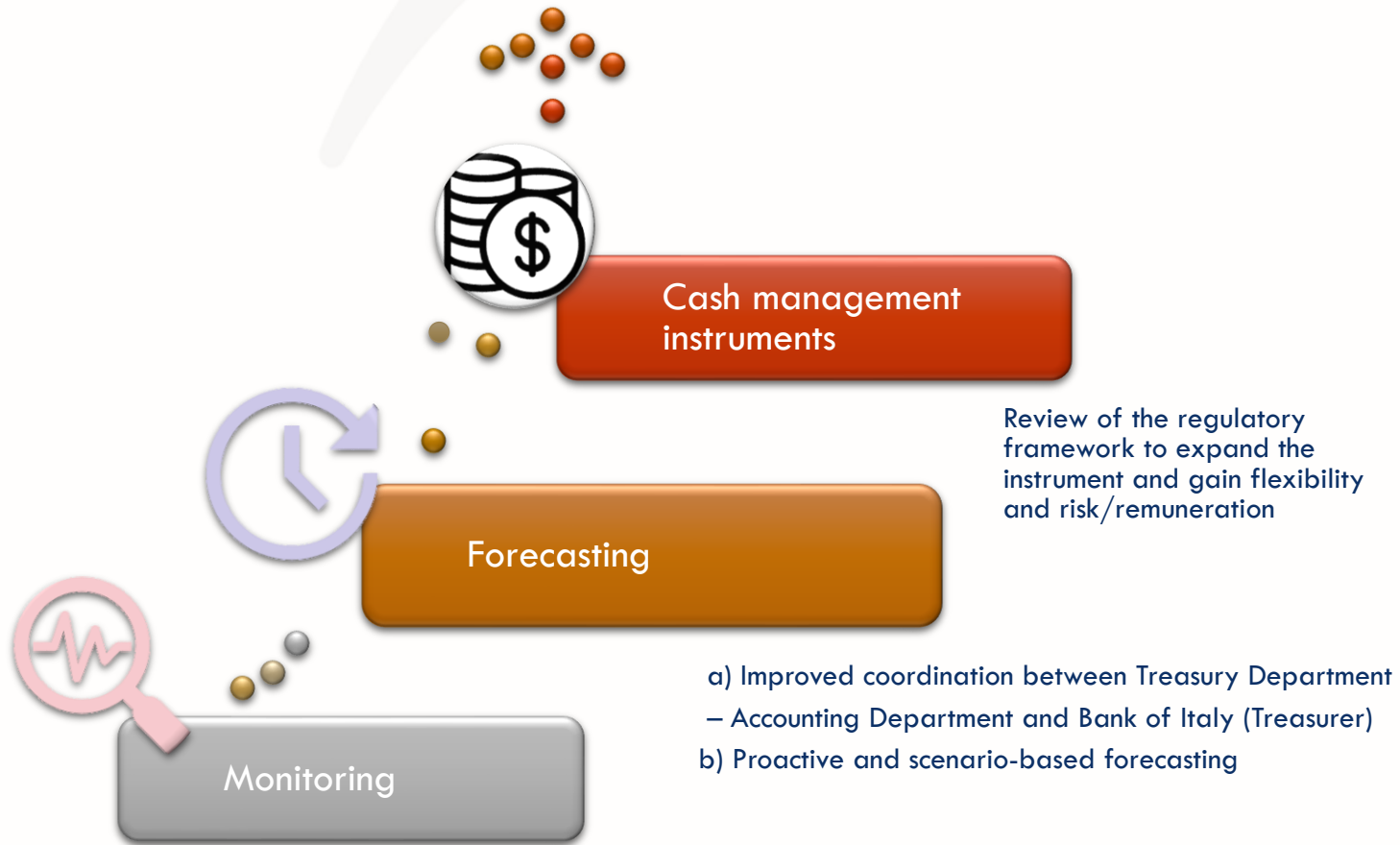


Dislocation on **Repo Market**



Poor existent cash management instruments to cope with these new market context

Our Strategic Response: Toward a Flexible, Resilient Framework



Launch in 2025 of Re.Tes

The Main Stages of Recent Cash Management Innovations



May 2021

Launch of liquidity funding/providing activities through **Repos** negotiated in Central Counterparty



August 2023

Start of negotiations for the use of liquidity in **one-day REPO / REVERSE REPO**



September 2022

Launch of liquidity funding/providing activities through **deposits** traded on MTS Depo and/or Bloomberg



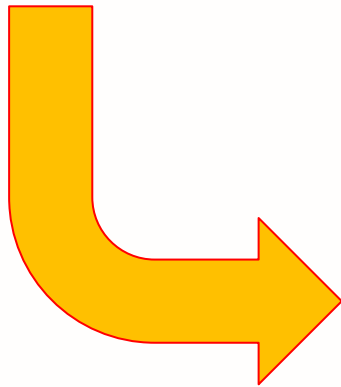
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Start of **bilateral REPO** operations

From Traditional to Modern Treasury Tools

● Previous Approach:

- OPTES overnight-only operations
- Rigid T-Bill maturities (6-12 months)
- Fragmented bilateral deposit agreements

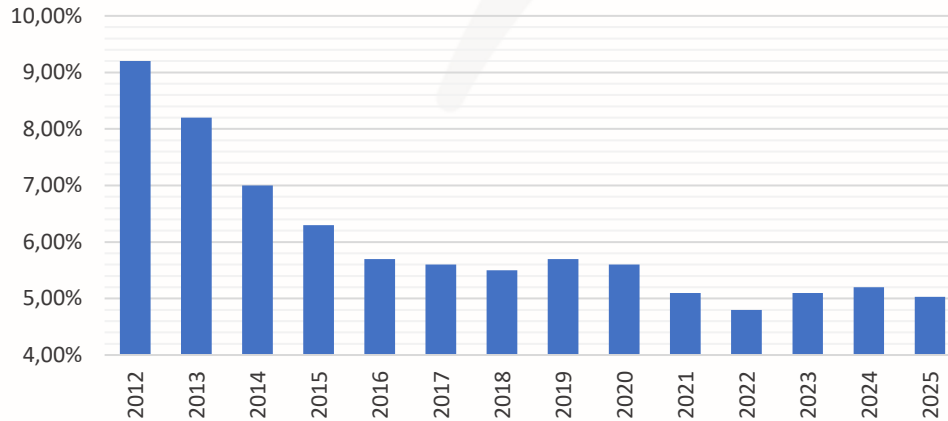


● New Approach:

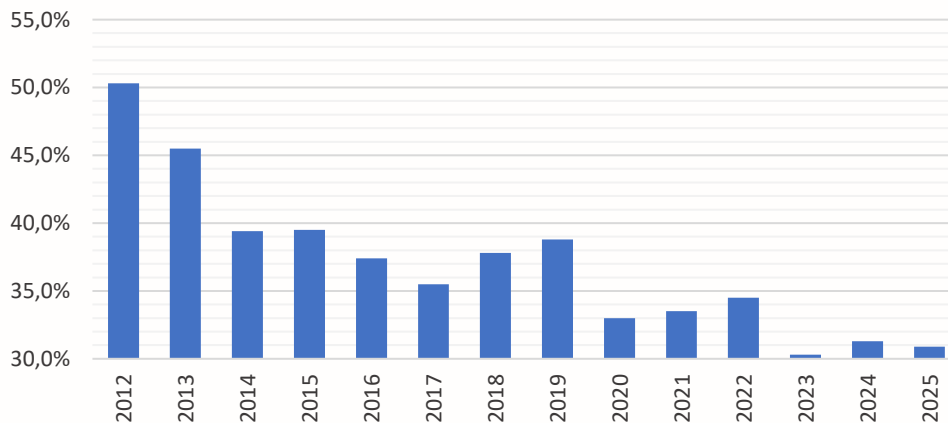
- Repo Facility with flexible tenors (1-30 days)
- Repo & Reverse Repo
- Market-aligned T-Bill strategy (6-12 months plus 1m, 3m, 9m when needed)
- Electronic trading platforms with Straight-Through Processing (STP) given the high number of daily transactions.
- More robust risk framework to expand the volume invested into unsecured market with selected counterparties

T-Bills Issuance Strategy Review

Share T-bill vs total Government stock



T-bills gross issuance vs total



Shift from a rigid T-bill issuance framework - primarily focused on pure debt rollover using standard 6- and 12-month maturities - to a more flexible, market-aligned issuance strategy.

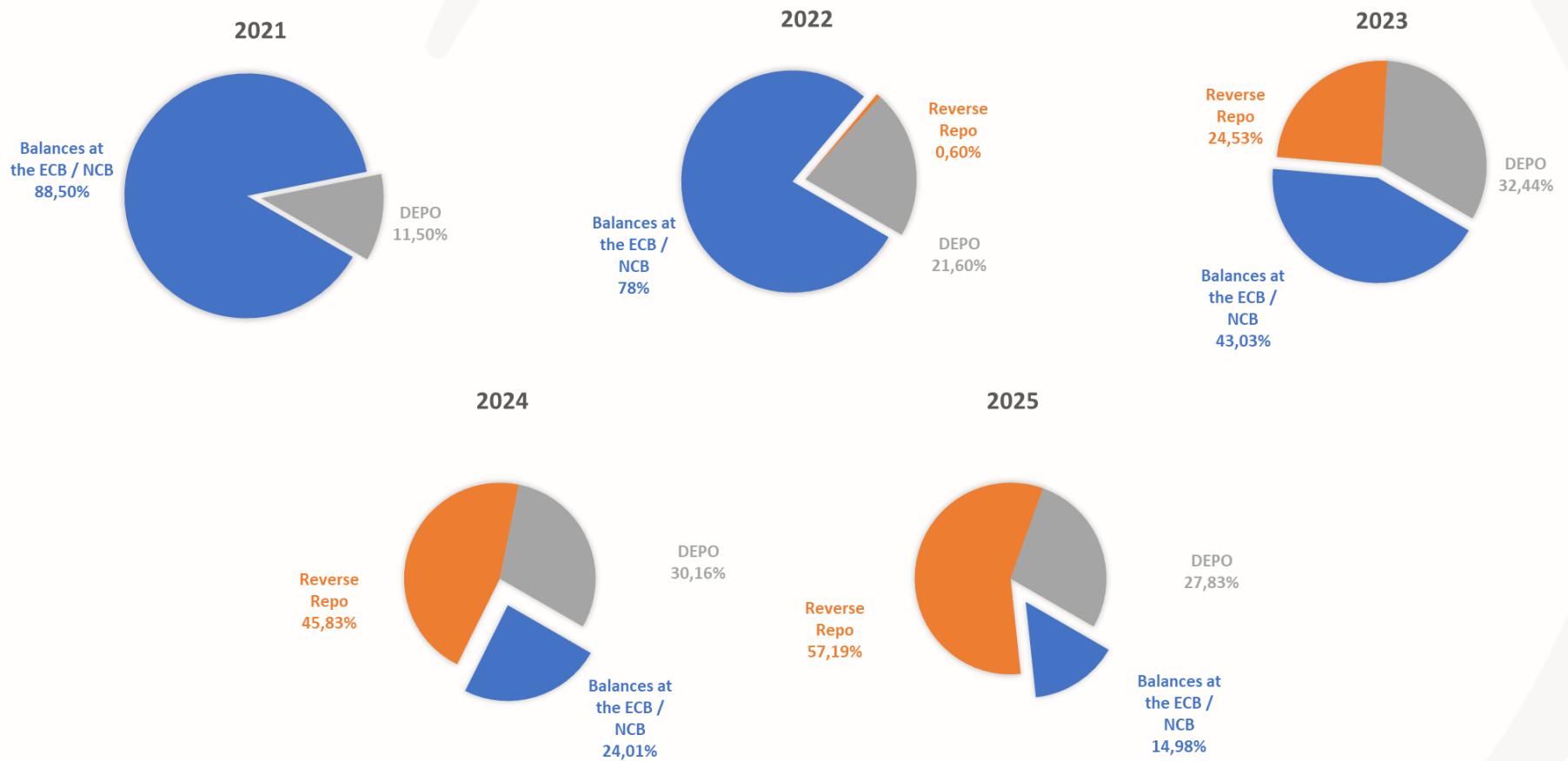
This approach would mirror the practices of major European sovereign issuers who regularly issue T-bills with a wider range of tenors (e.g., 1-month, 3-month, 9-month) in addition to the standard 6- and 12- months.

This change aimed at optimize cash management, increase flexibility, improve market liquidity and better align with investor demand.



DMO Repo as a Tool to Improve Efficiency in Managing Liquidity

May 2023: ECB changes the government deposits remuneration from €str to €str -20bps



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Cash Management Tools



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Available Tools

- T-Bills (BOTs)
- Commercial Papers
- Liability Management operations
- Deposits
- Repos

T-Bills (BOTs) - Features

- BOTs (Buoni Ordinari del Tesoro) are the Italian T-Bills, with different maturities up to 1 year;
- Standard maturities are 3, 6 and 12 months, issued on a monthly basis; 6 and 12 months are issued regularly, while 3 months only for cash needs;
- Other possible maturities, the so called “Flexible BOTs”, are issued for exclusive coverage of temporary liquidity requirements;
- Flexible BOTs, like 3 month bills, are used as a cash management tool, to fill possible mismatches between financing needs and medium-long term issuance.

Commercial Papers



Commercial paper is an instrument for raising short term fund by corporate issuers and Sovereign issuers

CP is purchased by a wide range of institutional investors and companies wishing to invest short term cash surpluses at rates competitive with bank deposit

In general the credit quality of the paper is high

Global programme for ECP and USCP - The Programme has a set terms and a maximum size (€ 10 bln).



Why issue CP?

Financial Flexibility: the timing and maturity dates of CP can be structured precisely to meet the cash flows needs of the borrowers.

Access to a separate investors base: the investors represent a new source of funds for the issuer besides other ones.



Why invest in CP? CP represents an attractive alternative to other short term investments for the following reasons:

Flexibility

Liquidity

Risk diversification



Liability Management Operations

- These operations are flexible and strategic instruments for the public debt management aimed at:
 - containing refinancing risk,
 - smoothing the redemption profile,
 - fostering the liquidity and efficiency of the secondary market.

- LM operations are not subject to a fixed calendar, the execution depends on specific Treasury needs and market conditions.

- The Treasury holds the LM operations through:
 - **Buybacks** (reverse auctions, platform operations, bilateral),
 - **Bond Exchanges** (auctions, platform operations, syndications).

The Current Cash Management Tools

- The DMO executes cash management operations through:
 - **deposits (non-collateralised lending or borrowing operations)** executed directly by the MEF through bilateral transactions both over-the-counter and on trading venues,
 - **repo operations** introduced in 2021 carried out by the Treasury on the Italian Government bonds market through transactions as borrower or lender of liquidity.

- These instruments are aimed to smooth the fluctuations of the Treasury Account, guarantee market efficiency and transparency and reduce possible negative effects on the monetary policy.

The DMO Repo Facility

- The Repo facility, officially launched on May 17, 2021, is an important tool for the Ministry of Economy and Finance (MEF) to streamline liquidity management. It can be used for both liquidity absorption and provision of liquidity to the market.
- Through repo operations, the MEF can also **intervene to limit any distortions on the government bond yield curve and normalize repo rates for specific securities. Moreover, through repo facility MEF provide collateral to the market in order to facilitate the market making activity of the PDs.**
- The main characteristics of repo transactions are as follows:
 - the underlying securities are mainly nominal BTPs. MEF have created its own portfolio of bonds dedicated to this activity. At the moment the portfolio is constituted by 55 bonds each of 1 billion euros;
 - the transactions take place on the MTS Repo Market and typically involve Special securities for funding and GC securities for reverse repo operations;
 - the contracts have maturities longer than one day, with an average of 20-30 days;
 - contracts are executed through the central counterparty, Euronext Clearing or bilaterally.

Repo - Portfolio

- The Ministry of Economy and Finance (MEF) has established a portfolio of government securities through the issuance of specific tranches.
- Currently, the portfolio consists only of nominal BTPs, each with a value of 1,000 million Euros. The portfolio will be periodically updated, either by adding securities that will mature over time or by adjusting quantities based on specific cash management needs.
- The securities in the portfolio do not count as public debt for Eurostat purposes. Debt only arises when there are open Repo positions, and it is in the form of loans from financial institutions.
- Initially, the portfolio consisted of 15 securities, subsequently it was expanded to 30 securities and now stands at 55 securities.
- The selection of securities for the portfolio is primarily based on the following criteria:
 - "specialness";
 - total outstanding;
 - repo trading volumes;
 - and on/off-the-run status.

Repo - Operational Activity

- All participants on the MTS Repo platform may act as potential counterparties for the Ministry of Economy and Finance (MEF). To date, however, most contracts have been concluded with counterparties selected among the Primary Dealers.
- Additional counterparties may be considered where they belong to the Selected Money Market counterparties and have signed a GMRA with MEF.
- Contract maturities have generally been at least 20–30 days. Over time, the tenor of contracts has declined, while the number of contracts has continued to increase. This trend reflects the higher uncertainty surrounding monetary rate developments compared with previous years, when the money market curve was broadly flat even over 5–6 month horizons.

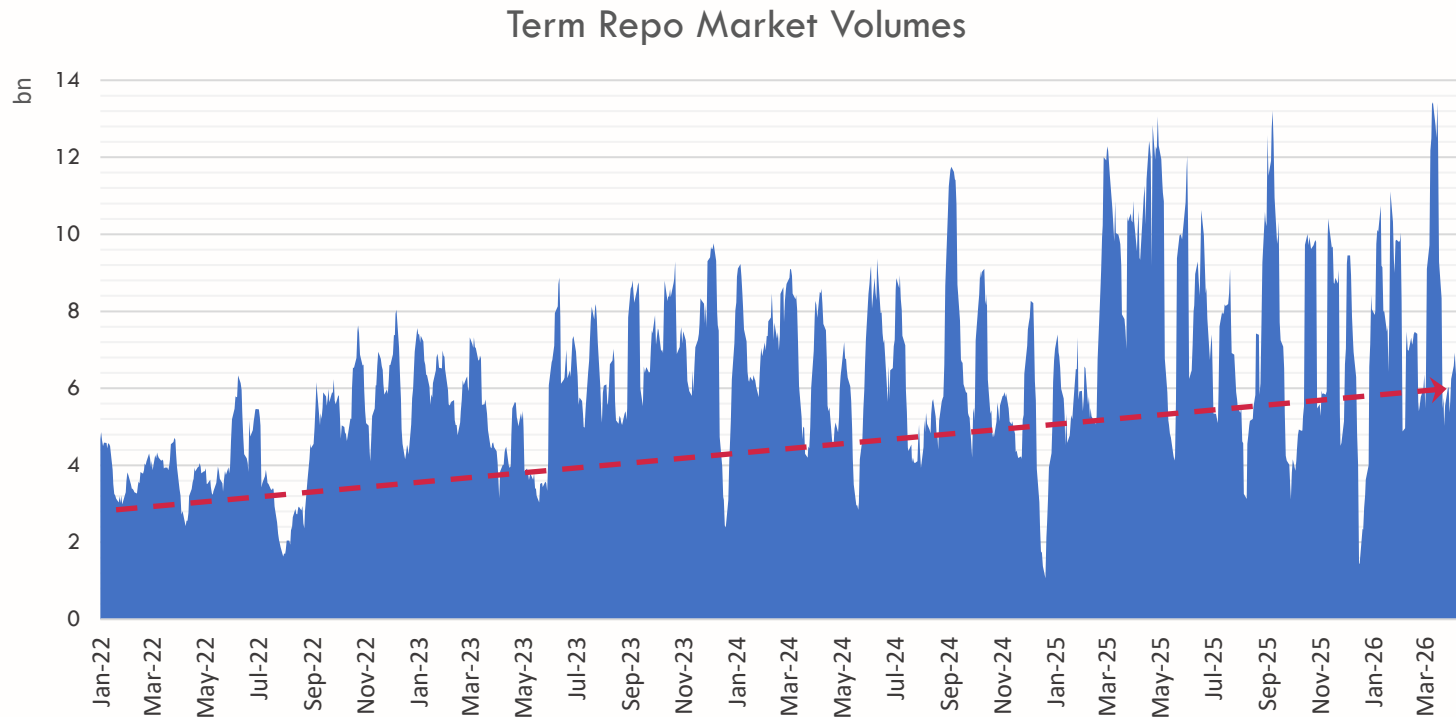


4 **Effects**



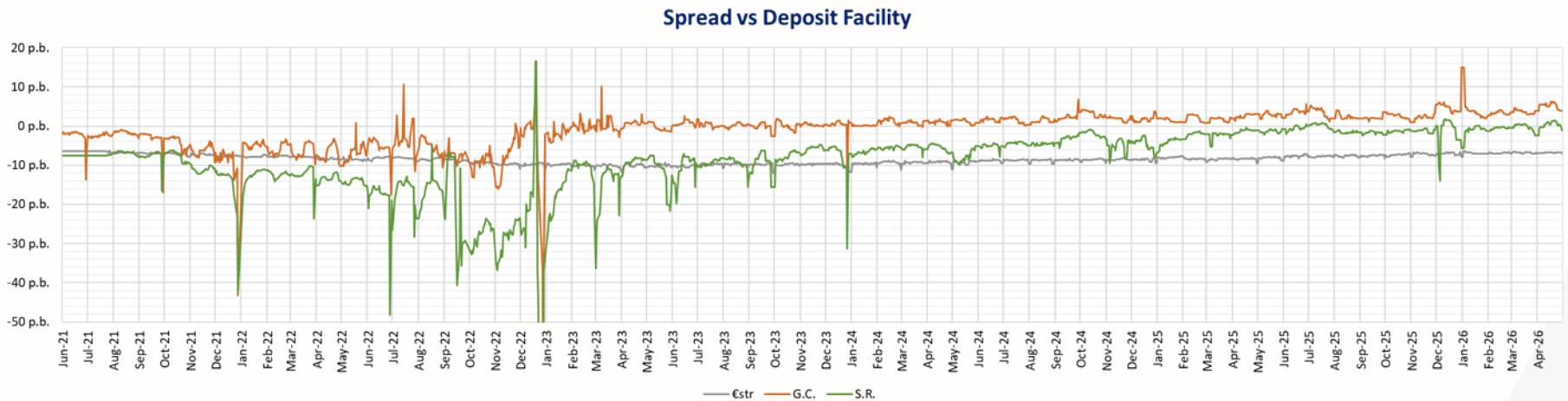
Term Repo Volumes: an Increasing Funding Source

Overall term repo volumes traded on the MTS-Repo. A steady increase in trading activity has been noted since 2022.



The Evolution of Italian Repo Rates (2023 up to now)

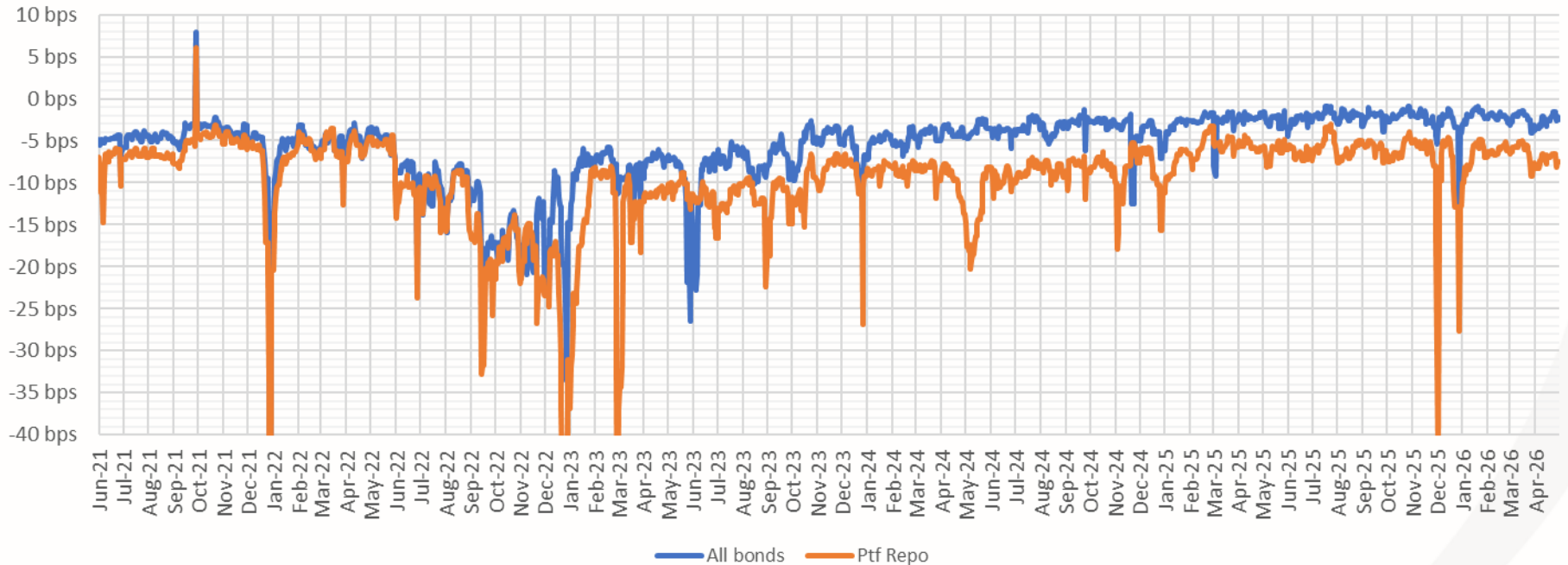
- GC-SR spread narrowing; long period of low vol in 24/25, slightly increased recently.
- GC-Estr spread slightly increased. Italian DMO repo facility used to support stabilization in the market
- Cheapening trend of Special repo is mostly concluded, future trend related to the dynamic of the GC.



The Evolution of Specialness on a daily basis (2021 up to now)

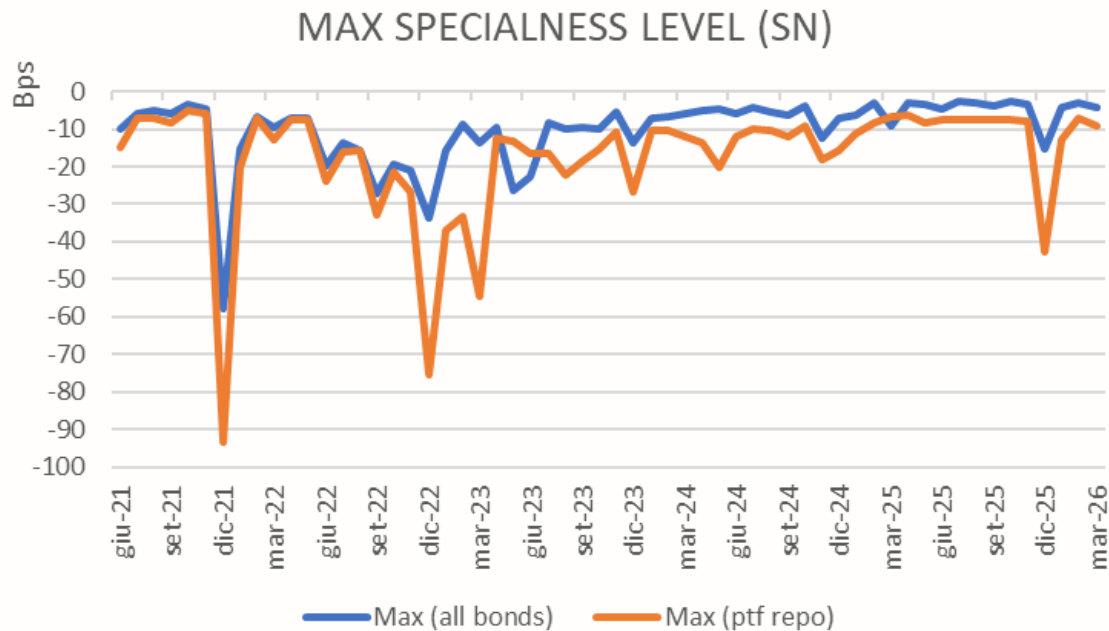
- Specialness of the bond included in Italian DMO repo facility portfolio is higher than the overall market.
- Role of the Italian DMO is to facilitate market making and – as an indirect effect – to reduce the specialness.

Specialness



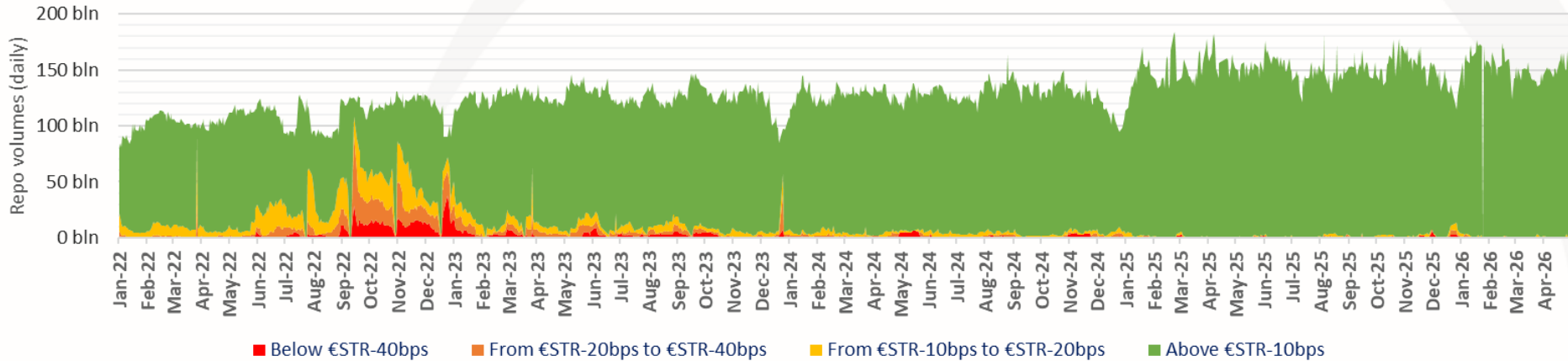
The Evolution of Specialness on a monthly basis (2021 up to now)

- The current gap between the maximum specialness of Treasury-portfolio bonds and that of other bonds is at its historical minimum.
- Across the full bond universe, maximum specialness has not exceeded the maximum observed within the MEF portfolio. If a bond outside the portfolio were to become special, it could be considered for inclusion.

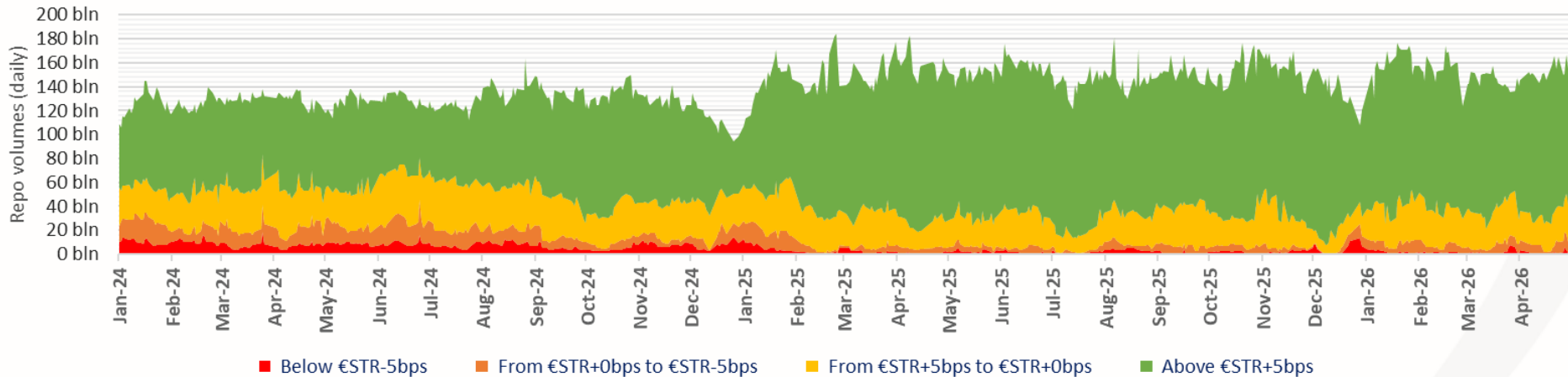


Market Efficiency: Specialness is Limited and Not Widespread

Italian repo volumes (SN) vs Estr



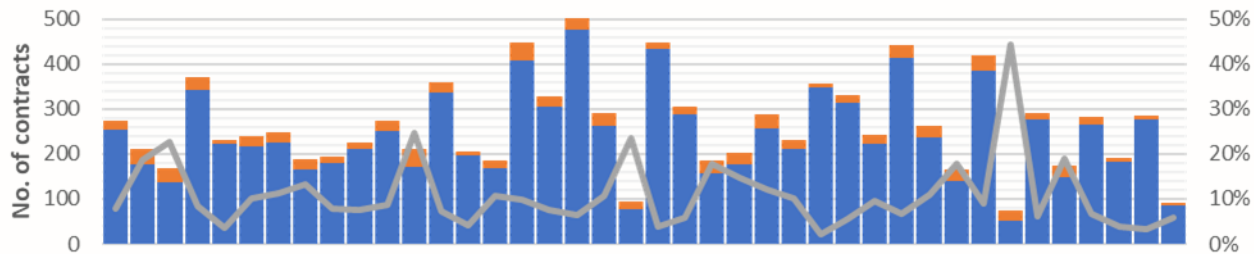
Italian repo volumes (SN) vs Estr



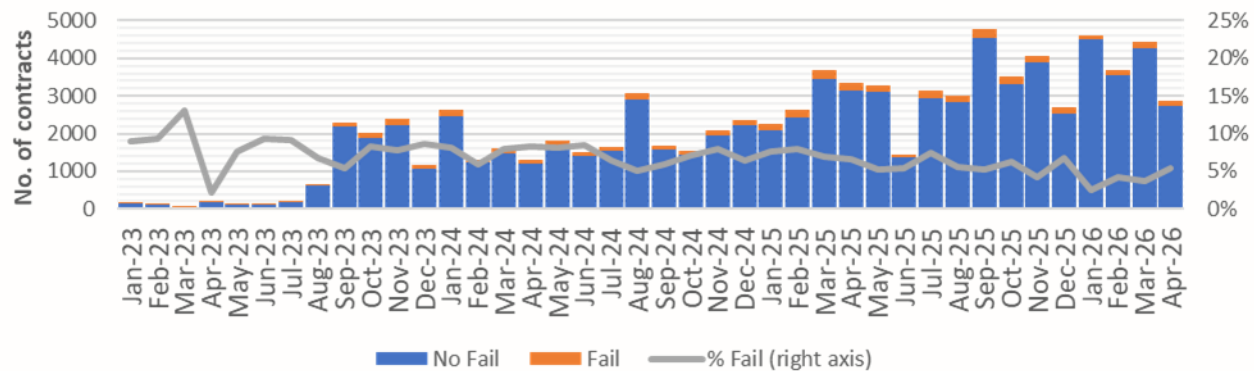
Market Efficiency: Limited Settlement Fails Also Thanks to the DMO Repo Facility

- Share of fails in reverse repo (mirroring the overall market) is quite low at around 5%.
- Fail ratio in DMO repo facility is higher – given the specialness of the bonds - but it is kept low thanks to our activity.

Delivery/Fail Ratio - Repo



Delivery/Fail Ratio - Rev Repo



Liquidity Optimization

REPO Statistics - 2025					
Month	Average volume per transaction (mln €)	Total traded volume (mln €)	Number of contracts	Weighted average duration (days)	Weighted average rate (%)
Jan-25	154	20,592	134	26	2.83
Feb-25	160	35,677	223	26	2.68
Mar-25	150	37,140	247	25	2.47
Apr-25	158	50,421	319	21	2.27
May-25	127	22,420	177	25	2.18
Jun-25	143	29,798	209	35	1.96
Jul-25	150	32,984	220	34	1.97
Aug-25	145	19,541	135	22	1.92
Sep-25	158	41,014	260	29	1.95
Oct-25	138	10,208	74	17	1.81
Nov-25	166	37,084	223	30	1.91
Dec-25	167	29,474	177	32	1.98

Reverse REPO Statistics - 2025					
Month	Average volume per transaction (mln €)	Total traded volume (mln €)	Number of contracts	Weighted average duration (days)	Weighted average rate (%)
Jan-25	294	16,187	55	12	3.01
Feb-25	277	25,506	92	14	2.76
Mar-25	355	34,392	97	13	2.52
Apr-25	557	38,466	69	14	2.37
May-25	191	6,127	32	8	2.28
Jun-25	251	21,577	86	10	2.04
Jul-25	293	20,827	71	19	2.03
Aug-25	221	20,794	94	20	2.02
Sep-25	241	26,281	109	13	2.02
Oct-25	191	18,495	97	12	2.02
Nov-25	269	24,746	92	16	2.02
Dec-25	263	12,382	47	20	2.06

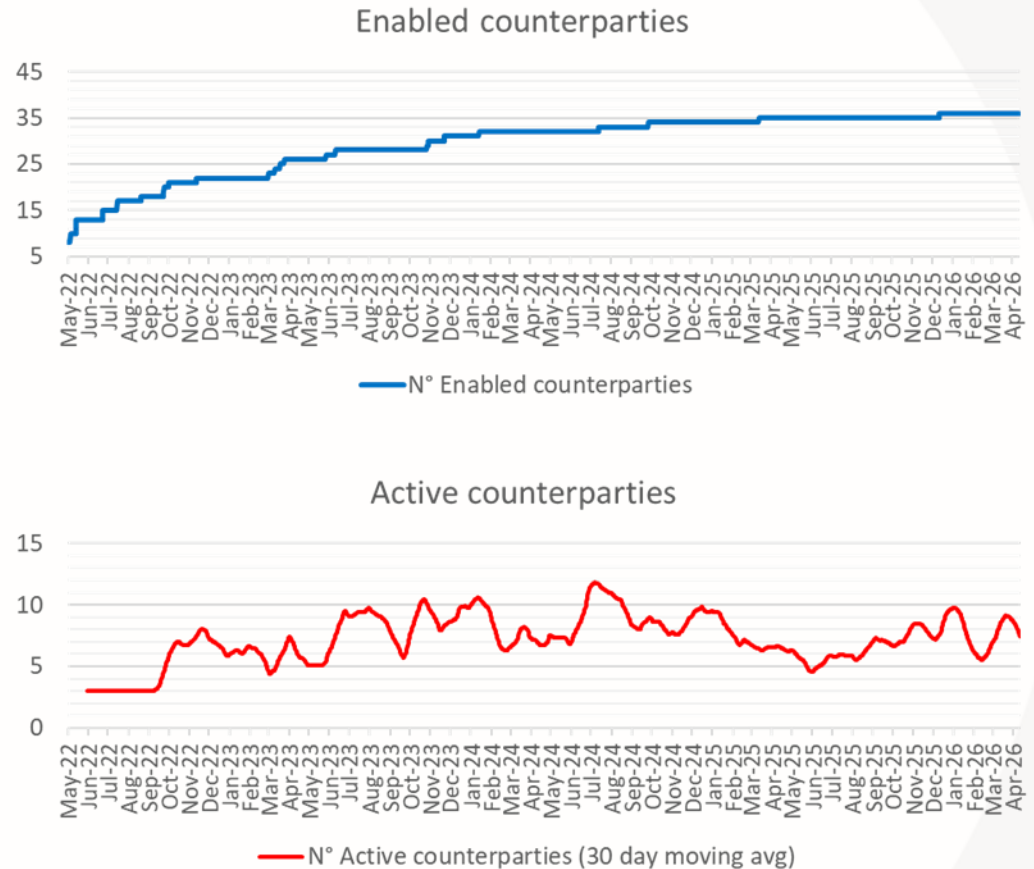
The statistics do not take into account repo and reverse repo operations with a tenor of one day.



Improvement Liquidity Management Tools - Depo

Thanks to the new regulatory framework the number of counterparties authorized to negotiate non-collateralized liquidity collection and use transactions with the Treasury through bilateral negotiations has been steadily increased overtime.

There is also a clear increasing trend in the average (30-day rolling) of the number of counterparties with at least one existing deposit with the Treasury.



Future Possible Steps

- **Risk Framework Review** – strengthen monitoring instruments including not only CRAs (external factor) but also liquidity and solvencies ratios.
- **Repos** - Widen the scope of the repo transactions through:
 - Collateral framework
 - Collateral exchange
 - Tri-party repos / GC pooling
- **Non standard term deposits (evergreen; callable)**
- **Bank Account**
- **Securities Lending (GMSLA)**
- **Explore reopening CP channel**
- **Explore approaching MM funds**

