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- FINAL FINDINGS -

EDP dialogue visit to Italy

23-24 March 2009

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Executive summary

Eurostat conducted an EDP dialogue visit to Italy on 23-24 March 2009 with the aim to review all the relevant statistical organisation issues, analyse the EDP tables reported in the context of the October 2008 notification and examine methodological issues relating to the recording of specific government transactions.

Eurostat discussed with the Italian authorities the institutional arrangements and data sources used for the compilation of Government Finance Statistics (GFS). The Italian statistical authorities informed Eurostat that there have been no changes regarding the organisation of the work and the cooperation of the institutions involved in the preparation of the EDP notification. Regarding data sources, it was clarified that the reported working balance (first line of the EDP tables 2A-D) is on a cash basis and includes all government bodies classified in individual subsectors. However, the calculation of B.9 (net lending/net borrowing) is based on data sources of mixed accounting basis.

After a thorough examination of the EDP tables, it was agreed that ISTAT will explain the nature of the items included in EDP Table 2A under the unspecified aggregated item "other adjustments" and explicitly report statistical discrepancy. Likewise, ISTAT will specify the titles of the transactions included under the line "other adjustments" in EDP Table 2C and provide explanations. The Italian statistical authorities agreed to send a note to Eurostat on the reconciliation of financial transactions, adjustments for accrued interest and transactions in other accounts receivable-payable reported in EDP tables 2 and 3 for all subsectors.

Regarding the questionnaire related to the EDP tables, several changes were agreed to be made aiming to improve the information content of the questionnaire.

During the discussion on the recording of specific government transactions, Eurostat invited ISTAT to consider the possibility of changing the method for the calculation of the coefficient relating to social security contributions for 2009 taking into account the specificities of the current situation for that year.

Eurostat also invited the Italian statistical authorities to take all the necessary steps in order to solve the problems relating to the recording of the transactions with the EU budget so that compliance with the accounting rules of Eurostat is fully ensured. A note on the issue with proposals on possible solutions will be prepared by the Italian statistical authorities.

Concerning the statistical treatment of public-private partnerships (PPP), Eurostat was informed that its methodological decision is not currently being implemented by the Italian statistical authorities due to lack of relevant information. Eurostat indicated that an acceleration of efforts is necessary for identifying all the projects with possible statistical recording implications. Eurostat will receive a list with all PPP projects as well as the main PPP contracts that are currently being examined by ISTAT.

After discussing the measures taken by the Italian State with regard to the financial turmoil, it was agreed that two notes will be sent to Eurostat on: (a) the possible impact of the future Eurostat decision on Special Liquidity Scheme applied for carrying out exchange of assets operations and b) the nature and ESA classification of the convertible bonds (Tremonti bonds) subscribed by the Italian government for the capital strengthening of banks in order to check whether such instruments have the nature of equity or securities.

Final findings

Introduction

In accordance with article 8d of Council regulation (EC) No 2103/2005 of 12 December 2005 amending Council Regulation (EC) No 3605/93 as regards the quality of statistical data in the context of the excessive deficit procedure, Eurostat carried out an EDP dialogue visit in Italy on 23-24 March 2009.

Eurostat was represented by Mr. Luca Ascoli, Mr. Jean-Pierre Dupuis, Ms. Viera Karolova, and Mr. Stelios Pantazidis. Representatives of the European Central Bank (ECB) and DG ECFIN participated in the meeting as observers. The Italian statistical authorities were represented by the National Statistical Institute (ISTAT), the Ministry of Finance (MEF) and the central bank.

The aim of this visit was the examination of issues relating to the statistical organisation, the analysis of the October 2008 EDP notification as well as the examination of methodological issues relating to the recording of specific government transactions.

Eurostat thanked the Italian authorities for their excellent cooperation and provision of very extensive relevant background material. The last EDP dialogue visit was in 2007.

1. Statistical organisation issues

1.1 Institutional responsibilities

Introduction

All activities related to the preparation and transmission of EDP notification tables to the Commission (Eurostat) are coordinated by the Italian Statistical Office (ISTAT). ISTAT is responsible for the compilation of the actual government net lending net borrowing. The Bank of Italy and the Ministry of Finance are also involved in the production of Government Finance Statistics. In particular, the Bank of Italy is responsible for the compilation of Maastricht debt whereas the Ministry of Finance for producing the data on public sector borrowing requirement (i.e. the cash based public accounts) as well as the planned data (forecasts).

Discussion

The Italian statistical authorities described in detail the changes in the organisation that are currently under way as a result of the moving of some of the staff previously dealing with public finance issues in ISTAT, to other government units. ISTAT informed Eurostat about its intention to improve its presence in the works of FAWG with initiatives that will be taken in the near future.

Findings and conclusions

There have been no changes regarding the organisation of the work and the cooperation of the institutions involved in the preparation of the EDP notification.

1.2 EDP Inventory

Introduction

The consolidated inventory of sources and methods of Italy (2007) is published on Eurostat's website. The inventory provides information on data availability and data sources for all subsectors of the general government sector as well as description of treatment of specific government transactions. The clarification of issues relating to the nature of the data reported in the working balance was the aim of the discussion under this item.

Discussion

During the discussion it was clarified that the working balance reported in the EDP tables 2A, C and D is on a cash basis, it covers all bodies as classified in individual subsector of general government and is derived from the public accounts compiled by the Ministry of Finance (MEF). For all government bodies of all subsectors of general government there are two sets of public accounts (on cash and accrual basis).

ISTAT stated that, if requested, government bodies other than main/core entity might be excluded from the working balance (starting line of EDP table 2) and could be appropriately reported under the dedicated line on the adjustment for sector delimitation. Eurostat pointed out that the current approach taken by the Italian authorities (all government bodies are included in the working balance) is acceptable and allows an even more deep analysis of EDP data, showing a link between the cash and ESA95 based balance for the whole subsector and a link between adjustments in EDP table 2 and transactions reported in EDP table 3 for individual subsectors of general government.

Findings and conclusions

The reported working balance (first line of the EDP table 2) includes apart from the main/core entity all other government bodies. However, the calculation of B9 (net lending/net borrowing) is based on data sources of mixed accounting basis.

2. EDP reporting – analysis of the October 2008 EDP notification

2.1 EDP Tables 2 and 3

Introduction

In the context of the October 2008 notification round, ISTAT reported half-finalised data on deficit and debt for years n-1, n-2 and n-3 and final data for n-4. All EDP tables were filled in and their internal consistency was fully respected. Only planned data on D.41 (uses) and most of the adjustments on planned data in Table 2A were missing. Consistency with ESA95 tables was in general respected and only some inconsistencies in the 2005 and 2006 data have been observed between EDP table 3 and ESA95 table 6 for S13 and the subsectors.

During the meeting the EDP tables reported in the framework of the October 2008 notification were thoroughly examined. The Italian statistical authorities provided

information regarding the recording of several transactions as well as information reported in the questionnaire related to EDP tables.

Discussion

Eurostat asked for the main reasons behind the observed drop in loans granted by central government in the last two years of the reporting period. The Italian statistical authorities explained that the figures for the period 2004-2005 included also loans of ISPA extended to RFI/TAV after the decision of Eurostat that resulted in the reclassification of the debt of ISPA as government debt in 2006. For the rest of the reporting period most of the reported amounts relate to loans granted by central government to local government. ISTAT was requested to provide detailed information on the bodies receiving the loans in the questionnaire related to EDP tables and to provide, on a voluntary basis, relevant information also for the other general government subsectors.

Eurostat asked the Italian statistical authorities to provide detailed information on the amount reported in Table 2A with the heading "Other adjustments", since the amounts in question are noticeable for some years. ISTAT agreed to indicate the transactions included in this item in the April 2009 notification.

Eurostat indicated the differences observed in other accounts payable between EDP tables 2A and 3B, the differences in the cash-accrued interest as well as problems with the reconciliation of financial transactions in EDP tables 2 and 3. ISTAT agreed to clarify the issues in an analytical note that will be sent to Eurostat before the April 2009 notification.

A final issue that was discussed under this point of the agenda related to the recording of bank deposits in Table 2C. ISTAT informed Eurostat that the recording of bank deposits will be revised in the April 2009 notification.

Findings and conclusions

(1) ISTAT will specify and explain the nature of the items included in EDP Table 2A under the unspecified aggregated item "other adjustments" and explicitly report statistical discrepancy and details of big amounts, if any. (Action point 2, April 2009 notification).

(2) ISTAT will specify the headings of the transactions included under the line "other adjustments" in EDP Table 2C and provide explanations. (Action point 3, April 2009 notification).

(3) ISTAT will send a note to Eurostat on the reconciliation of financial transactions, adjustments for accrued interest and transactions in other accounts receivable-payable reported in EDP table 2 and EDP table 3 for all subsectors. (Action point 4, April 2009 notification).

(4) ISTAT will correct in the next EDP notification (April 2009) the recording of deposits in Table 2C which were incorrectly reported. (Action point 5, April 2009 notification).

2.2 Questionnaire related to the EDP tables

Discussion

Eurostat expressed its appreciation for the voluntary participation of Italy to the pilot project for the introduction of the new questionnaire related to EDP tables.

The discussion during the meeting focused on various issues relating to the information content of the tables of the questionnaire. In particular, regarding table 1.1 and 1.2 on revisions of net lending/borrowing and revisions of government consolidated gross debt, Eurostat pointed out that it would be useful if information on revisions for each subsector was provided and ISTAT agreed to make an effort for providing this information for social security funds and local government.

ISTAT was asked to provide a more detailed split of financial transactions considered in the working balance reported in Table 2 and to report explicitly transactions within government sector. In addition, the Italian authorities agreed to provide such a split on a voluntary basis also for S.1313 and S.1314. Regarding Table 3, on the breakdown of B.9 of general government bodies by groups of units or units, ISTAT was asked to provide further split of "other local government bodies" and other unspecified items for big amounts, when relevant.

As for table 4 on the breakdown of other accounts receivable/payable (F.7), the split of F.7 from EDP table 2A-D has not been provided so far in table 4.2, but ISTAT intends to do so in April 2009. In Table 4.1.1, ISTAT agreed to clarify whether the amounts reported as transfers (line 8), are related to transfers from the EU and provide the breakdown (current/capital). The total amounts reported in line 12 will also be checked in order to be brought in line with the total of the listed items.

Concerning Table 6 on the transactions with the EU, ISTAT informed Eurostat about the difficulties in collecting information on the spending of Regions for the EU co-financed projects. It was agreed that ISTAT will make an effort to provide an updated Table 6 with all the adjustments required for the transactions of the government with the EU budget.

In Table 8.1 on central government claims and debt cancellations, Eurostat pointed out that the amounts reported for foreign debt cancellations are different from those reported in Table 2A. ISTAT agreed to reconsider the splitting the claims of central government into different groups in the questionnaire in order to bring data in line with those reported in EDP table 2A.

As far as table 9 on guarantees is concerned, ISTAT confirmed that there have been no guarantees called during the reporting period. In particular, Eurostat was informed that Alitalia has received guarantees from the State but these guarantees were not called. Eurostat invited the Italian statistical authorities to further investigate the issue of the guarantees provided to this company, its liabilities and the possible recording implications of the rescue operations undertaken by the State.

Regarding table 10 on capital injections into public corporations, the Italian statistical authorities informed Eurostat that there have been no capital injections at central level. It was also mentioned that with the new methodology, which is based on the information collected by an updated version of the business register for the publicly controlled groups,

it is possible for ISTAT to identify directly the profitability of the local bodies and to have a clear picture regarding the control of these bodies.

Finally, ISTAT informed Eurostat that except for the four companies listed in Table 10.2 (Enel, Eni, CDP, Sace) no superdividend test is conducted for the rest but the amounts involved are very small. Furthermore, according to ISTAT, there have been no interim dividend payments.

Findings and conclusions

(1) In Table 1, revisions will be indicated for each subsector of general government. (Action point 6a, April 2009 notification)

(2) In Table 2, a more detailed split of the financial transactions considered in the working balance from EDP table 2A will be provided in the next notification. Loans granted to other government units should also be explicitly indicated. (Action point 6b, April 2009 notification)

(3) ISTAT will provide on a voluntary basis also the split of financial transactions included in the working balance of EDP tables 2C and 2D. (Action point 6c, April 2009 notification)

(4) In Table 3, ISTAT will provide further split of unspecified item "other local government bodies" in cases where the amounts involved are considerable. (Action point 6d, April 2009 notification)

(5) In Table 4, ISTAT will denote the amounts reported under "other receivables" for transfers (current and capital) in line 8 of the table. ISTAT will also clarify whether any flows relating to the EU grants are included in this line and will quantify the amounts. (Action point 6e, April 2009 notification)

(6) In Table 4, ISTAT will provide the split of F7 (other accounts receivable and payable) reported in EDP Tables 2A-C-D. (Action point 6f, April 2009 notification)

(7) ISTAT will provide an update of Table 6 on the adjustments for transactions of general government with the EU made in EDP tables, when relevant. . (Action point 6g, April 2009 notification)

(8) In Table 8, ISTAT will detail the split of central government claims into different groups. (Action point 6h, April 2009 notification)

3. Methodological issues and recording of specific government transactions

3.1 Delimitation of general government, application of the market non-market test in national accounts

Introduction

According to the information provided in Annex I of the EDP inventory of sources and methods, since July 2005 ISTAT publishes by the end of July of each year the list of S.13

containing all general government bodies that are included in the general government accounts and EDP notification.

Discussion

During the meeting, the Italian statistical authorities made a presentation and explained in detail the procedures that are followed for unit classification. Regarding the issue of the classification of Foundations which was extensively discussed in the previous EDP dialogue visit, ISTAT mentioned that the analysis of the results of a recently conducted survey will possibly be finalised by July 2009.

Eurostat pointed out that according to its information a tendency of outsourcing has lately been observed by which separate units are created for raising funds and then are being subsidised (or their debts are fully serviced by government units). Eurostat asked the Italian statistical authorities to closely monitor such practices. ISTAT mentioned that it is aware of the phenomenon and it is monitoring these developments with the help of the information derived from business registers at local level. It was also mentioned that in any case borrowing based on a commitment of the State that, if needed, government would repay the loans, is always included in government debt.

Eurostat mentioned the case of the Moses project (construction of flood barriers in Venice) and its possible impact on government debt. In this context, the Italian statistical authorities were asked to send to Eurostat a note describing the procedures followed for classifying debt raised by bodies created by local governments, especially for cases in which the amounts involved are considerable.

Findings and conclusions

(1) Concerning the sector delimitation of public units, Eurostat encouraged the Italian statistical authorities to continue monitoring the compliance with the classification rules, especially for those units established by local government in order to externalise activities previously carried out by government. (Action point 11)

(2) After the April 2009 notification, ISTAT will send a note analysing the possible impact on government accounts of the MOSES project. ISTAT was also encouraged to inform Eurostat regularly on such issues especially when noticeable amounts are concerned. (Action point 12)

3.2 Recording of specific government transactions

3.2.1 Taxes and Social Contributions

Introduction

According to regulation 2516/2000, taxes and social contributions should be recorded on an accrual basis using either assessments and declarations or time-adjusted cash receipts. According to the information provided in the EDP inventory, ISTAT uses time-adjusted cash data for all taxes. For social contributions the assessments method is used with an adjustment for the part of social contributions which is not expected to be collected (coefficient method).

Discussion

During the discussion, ISTAT confirmed that for taxes the time adjusted cash method is used (even for income taxes except for the income of self-employed) and that the time lag is on average 1,5 months. Eurostat pointed out that the stock of receivables for taxes shows a significant increase over time. According to the explanation of ISTAT, this is the result of economic growth. Eurostat indicated that the increase in receivables for social contribution is even more significant and asked about the main reasons for the implied delay which on average appear to be around 2,5 months. ISTAT attributed this increase in delays due to the structure of the economy and the big number of small enterprises.

ISTAT made a detailed presentation with tables of the method used for calculating the coefficient for the adjustment for the uncollected social contributions. Eurostat pointed to the fact that there has been a constant positive difference between accruals and cash for the total of social security funds (that is an accumulation of receivables) which might be explained by an increasing time lag for payments.

Findings and conclusions

Eurostat invited ISTAT to consider the possibility of changing the method for the calculation of the coefficient relating to social security contributions for 2009 taking into account the specificities of the current situation for that year. (Action point 9, April 2010)

3.2.2 Military equipment expenditure

Discussion

During the meeting ISTAT distributed a document and explained in detail the treatment of military equipment expenditure in the general government accounts. The Italian statistical authorities informed Eurostat that they have developed and implemented a methodology in cooperation with the Ministry of Defence in order to analyse payments for military purposes and identify those relating to military equipment under specific long term contracts with the aim to applying the 2006 Eurostat decision on this issue.

Findings and conclusions

It was confirmed that the statistical treatment of military equipment expenditure by ISTAT fully comply with the 2006 Eurostat decision.

3.2.3 Recording of EU flows

Introduction

The 2005 Eurostat decision on the recording of the EU flows requires that the statistical recording of the transactions of a Member State with the EU budget should have no impact on the net lending/net borrowing of general government.

In the October 2008 notification round, Table 6 of the Questionnaire transmitted to Eurostat by the Italian statistical authorities was only partially filled in and according to the comment made by ISTAT the required details will be provided in the future with the expected improvement in the relevant data base.

Discussion

During the meeting, the Italian statistical authorities explained that the expenditure relating to EU co-financed projects is recorded when the relevant payment is made by the State and the revenue from the EU budget is recorded with a small lag (approximately 3 months). Hence, the expenditures of government on behalf of the EU are not neutralised at the moment in which they are undertaken. With a recently implemented new system this time lag is now expected to be reduced.

However, it appeared from the discussion that because of the difficulties in collecting information on the spending of Regions, the coherence between revenue and expenditure is not ensured in each year creating thus concerns as to what extent the statistical treatment of the EU funds comply with the Eurostat decision. In relation to this, ISTAT proposed a transitory solution until the issue of the collection of information on the spending of Regions is solved. Revenue from EU should be recorded in the previous quarter in order to ensure that net lending/net borrowing of general government is not impacted by the transactions with the EU budget.

It was also mentioned that contrary to the existing rules set by the above mentioned Eurostat decision, advance payments from the EU budget were recorded as revenue while they should have been recorded as payables. ISTAT assured that the issue of the correct recording of advance payments will be addressed in cooperation with the Ministry of Finance and the figures recorded in the past corrected.

Finally, it was pointed out that some of the entries of the Questionnaire of the Eurostat survey on EU flows should be reconsidered.

Findings and conclusions

Eurostat took note of the explanations provided by ISTAT on this issue and underlined that the accounting rules of Eurostat on the recording of the EU flows are not being implemented at present due to lack of relevant information. Eurostat invited the Italian statistical authorities to take all the necessary steps in order to solve this problem as soon as possible. As a temporary solution for dealing with this issue it was agreed that:

- (1) ISTAT will correct the recording of financial advances received from the EU and it will treat them as such and not as government revenue as previously done. (Action point 10a, April 2009 notification)
- (2) ISTAT will update and resend to Eurostat the survey on EU related flows. (Action point 10b, April 2009 notification)
- (3) ISTAT will neutralise the impact of the flows relating to the EU grants in the April 2009 notification by shifting revenues backwards for a period equal to the time lag observed between the time when expenditure is made and the time in which the reimbursements made by the EU enter the relevant Treasury account (the time lag required for the completion of these transactions is estimated to be at present 3 months). (Action point 10c, April 2009 notification)
- (4) ISTAT will send a note to Eurostat analysing technical aspects and the accounting treatment of the transactions with the EU budget and propose possible solutions to solve permanently the issue of non-compliance with Eurostat rules. (Action point 10d, October 2009 notification)

3.2.3 PPP contracts

Introduction

A task force (UTFP) has been set up by the Italian statistical authorities (within the *Interministry Committee for Economical Planning CIPE*) with the aim to establish a mechanism for monitoring all PPP initiatives (at central and local level) in order to classifying PPP projects according to Eurostat guidelines.

From the comments attached to the empty table 11 of the questionnaire sent to Eurostat during the October 2008 notification, it is evident that the efforts have been reinforced with the addition of ISTAT in the identification procedures which are being backed by a series of recently introduced legislative regulations. It appears that the task force is at the stage of selecting all PPP contracts which are statistically relevant for the public deficit and/or debt.

Discussion

The Italian statistical authorities made a detailed presentation of the results of the work of the taskforce and the progress made regarding the methodology to be applied for recording PPP projects as well as the new data sources now available for PPP contracts. It was mentioned that the relevant legal framework is at the stage of finalisation. However, it seems that some difficulties still remain in particular with respect to the issue of analysing demand risks as business plans of the projects are not always available.

Eurostat was informed that 10 contracts have already been selected and that 4 of them have been analysed by ISTAT. The Italian statistical authorities provided Eurostat with the legal documents (in Italian) that oblige the bodies involved in PPP projects to provide information to the competent services.

Eurostat expressed its concerns about the delay of selecting the PPP projects that might have statistical recording implications. ISTAT mentioned the difficulties in conducting such a survey which would require the assistance of the Ministry of Finance. It was agreed during the discussion that a list of projects will be sent to Eurostat within a month. The Italian statistical authorities were asked to send to Eurostat the available PPP contracts.

Findings and conclusions

Eurostat was informed that its decision on the accounting treatment of PPP projects is not currently being implemented by the Italian statistical authorities due to lack of relevant information. ISTAT, in cooperation with the other authorities involved in the monitoring and management of the procedures relating to PPP projects, will take all the necessary steps to accelerate the procedures that would lead to identifying all the projects possibly having impact on government accounts. Eurostat will receive a list with all PPP projects as well as the main PPP contracts that are currently being examined by ISTAT. (Action point 7, July 2009)

3.2.4 Dormant accounts

Introduction

According to a recently approved law, all depository accounts held with commercial banks without any movement within a period of 10 years are transferred to the State balance sheet.

Discussion

Eurostat was informed about the details of the arrangement provided for by this law. Specifically, it was mentioned that the amounts transferred to government will be used for the financing of social care, scientific research or for refunding bond holders of Alitalia. Such transfers will be recorded under other changes in volume having thus no impact on net lending/net borrowing of general government. Nevertheless, when these amounts will be spent by government they will obviously be treated as government expenditure.

Findings and conclusions

Eurostat took note of the explanations provided by ISTAT on the accounting treatment of dormant accounts. Eurostat asked to receive a copy of the relevant law. (Action point 8, April 2009 notification)

3.2.5 Cassa Depositi e Prestiti

Introduction

In September 2009, Cassa Depositi e Prestiti (CDP) was transformed into a joint stock company. Thus, from 2004 onwards CDP is classified as a financial intermediary.

Discussion

Eurostat mentioned that according to reports on the press CDP seems to have been involved in a number of projects of general public interest. Eurostat asked the Italian authorities whether it is the case that CDP has undertaken operations on behalf of government and especially in relation to the financial turmoil.

According to the Italian statistical authorities there seems to be no evidence that CDP is involved in such operations.

Representatives of CDP participated in the meeting and provided information on the role of CDP in the current situation of the financial turmoil. Eurostat was informed that with a new legislation the scope of activities of CDP is enlarged as CDP is now allowed to finance not only public but also private bodies undertaking infrastructure projects for the State.

Eurostat pointed out that close monitoring of the activities of CDP is even more important now that the scope of its activity has been extended, thus allowing CDP to decide on financing infrastructure activities.

Findings and conclusions

Eurostat invited ISTAT to closely monitor the operations which will be conducted by the Cassa Depositi e Prestiti in the context of the new legal framework in order to control whether some operations would need to be rerouted through government. (Action point 13, medium term action)

3.3 Financial turmoil

Introduction

There have been interventions by the Italian government and the central bank of Italy to various banks involving recapitalisation and the provision of guarantees (defined by two decrees passed by government) as well as the temporary exchange of EU government securities with banks' portfolio assets used as collateral.

Discussion

The central bank of Italy provided a note before the meeting and made a presentation on this issue. More specifically, it was mentioned that the foreseen intervention provides for (1) guarantees for deposits, (2) supporting bank liquidity (guarantees for bank borrowing) (3) exchange of securities between government and banks (4) strengthening the capitalisation of banks.

Eurostat was informed that there has been no operation undertaken by government in 2008. Concerning the central bank of Italy, there has been an exchange of bonds (Italian and other) with securities of banks (6 operations in total equal to approximately 5 billion euro).

Eurostat was also informed that there have been some government operations in 2009 but no details on these operations were given.

Concerning the exchange of securities, it was mentioned that this would last for 6 months with the possibility of extension for another 6 months. It was also mentioned that recapitalisation measures provide for an exchange of cash with convertible shares.

Eurostat indicated that guarantees do not raise any particular issue while the exchange of assets might be considered as typical to liquidity schemes that are also used by other Member States for dealing with problems relating to bank liquidity.

The representatives of the central bank of Italy indicated that there are differences across countries regarding the risk undertaken by governments as well as the maturity of the securities involved.

Eurostat wondered whether it was not the case that in most cases it is the government that at the end will bear any possible losses.

Finally, regarding the role of the central bank of Italy, it was mentioned that its role is not that of an independent party of the operation but only that of a provider of technical services.

Concerning the provision for the capital strengthening of banks, it was mentioned by ISTAT that the convertible bonds subscribed by the government (Tremonti bonds) could be considered as hybrid financial instruments resembling to unquoted equities.

ISTAT and the central bank of Italy were asked to send to Eurostat a note analysing the characteristics of the Tremonti bonds.

Findings and conclusions

For the operations relating to financial turmoil, Eurostat invited the Bank of Italy and ISTAT to send two notes on:

a) the possible impact of the future Eurostat decision on Special Liquidity Scheme applied for carrying out exchange of assets operations. (Action point 14a, after the April 2009 notification)

b) the nature and ESA classification of "Tremonti bonds" in order to check whether such instruments have the nature of equity or securities. (Action point 14b, after the April 2009 notification)