



**MONTE
DEI PASCHI
DI SIENA**
BANCA DAL 1472

**THIRD SUPPLEMENT DATED 21 SEPTEMBER 2011
TO THE BASE PROSPECTUS DATED 16 MARCH 2011**

**Banca Monte dei Paschi di Siena S.p.A.
and Monte Paschi Ireland Limited**

€50,000,000,000

Debt Issuance Programme
Unconditionally and irrevocably guaranteed by
Banca Monte dei Paschi di Siena S.p.A.

This Third Supplement (the **Supplement**) to the Base Prospectus (the **Base Prospectus**) dated 16 March 2011, as previously supplemented by the Supplements dated 5 April 2011 and 15 April 2011, constitutes a Supplement for the purposes of article 13 of Chapter 1 of Part II of the Luxembourg Law dated 10 July 2005 on prospectuses for securities (the **Prospectus Law**) and is prepared in connection with the Debt Issuance Programme (the **Programme**) established by Banca Monte dei Paschi di Siena S.p.A. (**BMPS**) and Monte Paschi Ireland Limited (**MPIL**), and together with BMPS, the **Issuers**). Terms defined in the Base Prospectus have the same meaning when used in this Supplement.

This Supplement is supplemental to, and should be read in conjunction with, the Base Prospectus issued by the Issuers, as so supplemented.

The Issuers accept responsibility for the information contained in this Supplement. To the best of the knowledge of the Issuers (which have taken all reasonable care to ensure that such is the case) the information contained in this Supplement is in accordance with the facts and does not omit anything likely to affect the import of such information.

In accordance with Article 13.2 of Chapter 1 of Part II of the Prospectus Act, investors who have already agreed to purchase or subscribe for the securities before this Supplement is published have the right, exercisable within a time limit of minimum two working days after the publication of this Supplement, to withdraw their acceptances.

BMPS Board of Directors approval of the Interim Consolidated Financial Results for the Six Months ended 30 June 2011

On 26 August 2011, BMPS' Board of Directors approved the BMPS Group's consolidated financial results as at 30 June 2011.

A copy of the press release dated 26 August 2011 relating to the approval of the BMPS Group's consolidated financial results as at 30 June 2011 has been filed with the *Commission de Surveillance du Secteur Financier* and, by virtue of this Supplement, such press release is incorporated in, and forms part of, the Base Prospectus.

The following information shall be incorporated in, and form a part of, the Base Prospectus:

<u>Document</u>	<u>Information incorporated</u>	<u>Page reference</u>
Press Release dated 26 August 2011	Entire document	All

Capital Increase

On 20 July 2011, BPMS announced the completion of the preemptive rights issue relating to its capital increase.

A copy of the press release dated 20 July 2011 relating to the capital increase has been filed with the *Commission de Surveillance du Secteur Financier* and, by virtue of this Supplement, such press release is incorporated in, and forms part of, the Base Prospectus.

The following information shall be incorporated in, and form a part of, the Base Prospectus:

<u>Document</u>	<u>Information incorporated</u>	<u>Page reference</u>
Press Release dated 20 July 2011	Entire document	All

New Articles of Association of BMPS

On 25 July 2011, BMPS filed its new Articles of Association with the Companies Registration Office of Siena.

Copies of the new Articles of Association and of the press release dated 26 July 2011 relating to the amendment of the Articles of Association have been filed with the *Commission de Surveillance du Secteur Financier* and, by virtue of this Supplement, such documents are incorporated in, and form part of, the Base Prospectus.

The following information shall be incorporated in, and form a part of, the Base Prospectus:

<u>Document</u>	<u>Information incorporated</u>	<u>Page reference</u>
Articles of Association of BMPS	Entire document	All
Press Release dated 26 July 2011	Entire document	All

Italian Taxation

The section entitled “*Taxation – Republic of Italy*” on pages 94 to 101 is deleted in its entirety and replaced with the text in the Annex hereto.

Copies of all documents incorporated by reference in the Base Prospectus can be obtained from the registered office of the Issuers and from the specified office of the Paying Agent in Luxembourg as described on page 18 of the Base Prospectus. Copies of this Supplement and all documents incorporated by reference in the Base Prospectus are available on the Luxembourg Stock Exchange’s website (www.bourse.lu).

To the extent that there is any inconsistency between (a) any statement in this Supplement or any statement incorporated by reference into the Base Prospectus by this Supplement and (b) any other statement in or incorporated by reference in the Base Prospectus, the statements in (a) above will prevail.

Save as disclosed in this Supplement, there has been no other significant new factor, material mistake or inaccuracy relating to information included in the Base Prospectus since the publication of the Base Prospectus.

ANNEX

The statements herein regarding taxation are based on the laws in force in Italy as of the date of this Base Prospectus and are subject to any changes in law occurring after such date, which changes could be made on a retroactive basis.

The following summary does not purport to be a comprehensive description of all the tax considerations which may be relevant to a decision to subscribe for, purchase, own or dispose of the Notes and does not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities or commodities) may be subject to special rules. Prospective purchasers of the Notes are advised to consult their own tax advisers concerning the overall tax consequences of their ownership of the Notes.

Law Decree No. 138 of 13 August 2011 ("Decree 138") reformed the taxation of financial instruments, including the Notes, as further described below. The new rules will be effective as of 1 January 2012, on the basis of future law provisions or clarifications.

In the near future, the Italian tax authorities may further amend or clarify the tax treatment of interest and capital gains on Notes, as recently amended by Decree 138.

Republic of Italy

1. Tax treatment of Notes issued by an Italian resident issuer

Legislative Decree No. 239 of 1 April 1996, as subsequently amended, ("Decree 239") provides for the applicable regime with respect to the tax treatment of interest, premium and other income (including the difference between the redemption amount and the issue price) from notes falling within the category of bonds (*obbligazioni*) or debentures similar to bonds (*titoli similari alle obbligazioni*) issued, *inter alia*, by Italian banks, provided that the notes are issued for an original maturity of not less than 18 months.

1.1 Italian resident Noteholders

Where the Notes have an original maturity of at least 18 months, and an Italian resident Noteholder is (a) an individual not engaged in an entrepreneurial activity to which the Notes are connected (unless he has opted for the application of the *risparmio gestito* regime – see under "Capital gains tax" below); (b) a non-commercial partnership; (c) a non-commercial private or public institution; or (d) an investor exempt from Italian corporate income taxation, interest, premium and other income relating to the Notes, are subject to a withholding tax, referred to as "*imposta sostitutiva*", levied at the rate of 12.5 per cent. In the event that the Noteholders described under (a) and (c) above are engaged in an entrepreneurial activity to which the Notes are connected, the *imposta sostitutiva* applies as a provisional tax.

Where an Italian resident Noteholder is a company or similar commercial entity, or a permanent establishment in Italy of a foreign company to which the Notes are effectively connected, and the Notes are deposited with an authorised intermediary, interest, premium and other income from the Notes will not be subject to *imposta sostitutiva*, but must be included in the relevant Noteholder's income tax return and are therefore subject to general Italian corporate taxation (and, in certain circumstances, depending on the "status" of the Noteholder, also to IRAP the regional tax on productive activities).

Under the current regime provided by Law Decree No. 351 of 25 September 2001 converted into law with amendments by Law No. 410 of 23 November 2001, as clarified by the Italian Revenues Agency through Circular No. 47/E of 8 August 2003, payments of interest, premiums or other proceeds in respect of the Notes made to Italian resident real estate investment funds established pursuant to Article 37 of Legislative Decree No. 58 of 24 February 1998 or pursuant to Article 14-bis of Law No. 86 of 25 January 1994, are subject neither to *imposta sostitutiva* nor to any other income tax in the hands of a real estate investment fund.

As of 1 January 2012, pursuant to Decree 138, the rate of *imposta sostitutiva*, where applicable, will be increased to 20 per cent. The Government report to Decree 138 provides that zero coupon bonds with a residual maturity over 12 months and Notes paying the first coupon not before 1 year after the change in tax rate are deemed to be transferred at the date of 31 December 2011 in order to debit the Noteholder with the substitute tax of 12.5 per cent. on interest accrued up to such date. This provision could be further amended or clarified by new tax guidelines.

If the investor is resident in Italy and is an open-ended or closed-ended investment fund (the “Fund”) or a SICAV, and the relevant Notes are held by an authorised intermediary, interest, premium and other income accrued during the holding period on such Notes will not be subject to *imposta sostitutiva*, but must be included in the management results of the Fund or the SICAV. The Fund or SICAV will not be subject to taxation on such results but a substitute tax of 12.5 per cent. will apply, in certain circumstances, to distributions made in favour of unitholders or shareholders (the “Collective Investment Fund Substitute Tax”). As of 1 January 2012, pursuant to Decree 138, the rate of the Collective Investment Fund Substitute Tax will be increased to 20 per cent.

Where an Italian resident Noteholder is a pension fund (subject to the regime provided for by article 17 of the Legislative Decree No. 252 of 5 December 2005) and the Notes are deposited with an authorised intermediary, interest, premium and other income relating to the Notes and accrued during the holding period will not be subject to *imposta sostitutiva*, but must be included in the result of the relevant portfolio accrued at the end of the tax period, to be subject to an 11 per cent. substitute tax.

Pursuant to Decree 239, *imposta sostitutiva* is applied by banks, SIMs, fiduciary companies, SGRs, stockbrokers and other entities identified by a decree of the Ministry of Finance (each an “Intermediary”).

An Intermediary must (a) be resident in Italy or be a permanent establishment in Italy of a non-Italian resident financial intermediary and (b) intervene, in any way, in the collection of interest or in the transfer of the Notes. For the purpose of the application of the *imposta sostitutiva*, a transfer of Notes includes any assignment or other act, either with or without consideration, which results in a change of the ownership of the relevant Notes or in a change of the Intermediary with which the Notes are deposited.

Where the Notes are not deposited with an Intermediary, the *imposta sostitutiva* is applied and withheld by any entity paying interest to a Noteholder.

1.2 Non-Italian resident Noteholders

Where the Noteholder is a non-Italian resident without a permanent establishment in Italy to which the Notes are connected, an exemption from the *imposta sostitutiva* applies provided that the non-Italian resident beneficial owner is either (a) resident, for tax purposes, in a country which allows for a satisfactory exchange of information with Italy; or (b) an international body or entity set up in accordance with international agreements which have entered into force in Italy; or (c) a Central Bank or an entity which manages, *inter alia*, the official reserves of a foreign State; or (d) an institutional investor which is resident in a country which allows for a satisfactory exchange of information with Italy, even if it does not possess the status of taxpayer in its own country of residence.

The *imposta sostitutiva* will be applicable at the rate of 12.5 per cent. and, as of 1 January 2012, pursuant to Decree 138, at a rate of 20 per cent. (or in any case at the reduced rate provided for by the applicable double tax treaty, if any) to interest, premium and other income paid to Noteholders who are resident, for tax purposes, in countries which do not allow for a satisfactory exchange of information with Italy.

Please note that according to the Law No. 244 of 24 December 2007 (Budget Law 2008) a Decree still to be issued will introduce a new “white list” replacing the current “black list” system, so as to identify those countries which allow for a satisfactory exchange of information.

In order to ensure gross payment, non-Italian resident Noteholders must be the beneficial owners of the payments of interest, premium or other income and (a) deposit, directly or indirectly, the Notes with a resident bank or SIM or a permanent establishment in Italy of a non-Italian resident bank or SIM or with a non-Italian resident entity or company participating in a centralised securities management system which is in contact, via computer, with the Ministry of Economy and Finance and (b) file with the relevant depository, prior to or concurrently with the deposit of the Notes, a statement of the relevant Noteholder, which remains valid until withdrawn or revoked, in which the Noteholder declares to be eligible to benefit from the applicable exemption from *imposta sostitutiva*. Such statement, which is not requested for international bodies or entities set up in accordance with international agreements which have entered into force in Italy nor in case of foreign Central Banks or entities which manage, *inter alia*, the official reserves of a foreign State, must comply with the requirements set forth by Ministerial Decree of 12 December 2001, as subsequently amended.

1.3 Early Redemption

Without prejudice to the above provisions, in the event that Notes issued by an Italian resident issuer are redeemed, in full or in part, prior to 18 months from the Issue Date or, at certain conditions, if repurchased by the Issuer within this period (Resolution No. 11 of 31 January 2011 of the Italian Revenue Agency (*Agenzia delle Entrate*)), the relevant issuer will be required to pay a tax equal to 20 per cent. of the interest and other amounts accrued up to the time of the early redemption. Such payment will be made by the relevant issuer and will not affect the amounts to be received by the Noteholder by way of interest or other amounts, if any, under the Notes. As of 1 January 2012, Decree 138 will repeal the surtax applicable in the case of early redemption of Notes having a maturity of 18 months or more.

2. Notes with an original maturity of less than 18 months

Interest payments relating to Notes issued with an original maturity of less than 18 months are subject to a withholding tax, levied at the rate of 27 per cent. As of 1 January 2012, pursuant to Decree 138, the rate of withholding tax will be decreased to 20 per cent.

Where the Noteholder is (a) an individual engaged in an entrepreneurial activity to which the Notes are connected, (b) an Italian company or a similar Italian commercial entity, (c) a permanent establishment in Italy of a foreign entity to which the Notes are effectively connected, (d) an Italian commercial partnership, or (e) an Italian commercial private or public institution, such withholding tax is a provisional withholding tax. In all other cases, including when the Noteholder is a non-Italian resident, the withholding tax is a final withholding tax. In case of non-Italian resident Noteholders, the 27 per cent. withholding tax rate may be reduced by the applicable double tax treaty, entered into by Italy, subject to the timely filing of the required documentation.

3. Tax treatment of Notes issued by a non-Italian resident issuer

Decree 239 also provides for the applicable regime with respect to the tax treatment of interest, premium and other income (including the difference between the redemption amount and the issue price) from notes falling within the category of bonds (*obbligazioni*) or debentures similar to bonds (*titoli similari alle obbligazioni*) issued, *inter alia*, by non Italian resident issuer.

3.1 Italian resident Noteholders

Where notes have an original maturity of at least 18 months and an Italian resident Noteholder is (i) an individual not engaged in an entrepreneurial activity to which the Notes are connected; (ii) a non-commercial partnership; (iii) a non-commercial private or public institution; or (iv) an investor exempt from Italian corporate income taxation, interest, premium and other income relating to Notes, accrued during the relevant holding period, are subject to a withholding tax, referred to as "*imposta sostitutiva*", levied at the rate of 12.50 per cent. In the event that Noteholders described under (i) and (iii) above are engaged in an entrepreneurial activity to which the relevant Notes are connected, the *imposta sostitutiva* applies as a provisional tax.

Where an Italian resident Noteholder is a company or similar commercial entity and the Notes are deposited with an Intermediary, interest, premium and other income from the Notes will not be subject to *imposta sostitutiva*, but must be included in the relevant Noteholder's annual income tax return and are therefore subject to general Italian corporate taxation (and, in certain circumstances, depending on the "status" of the Noteholder, also to IRAP the regional tax on productive activities).

Under the current regime provided by Law Decree No. 351 of 25 September 2001 converted into law with amendments by Law No. 410 of 23 November 2001, as clarified by the Italian Ministry of Economics and Finance through Circular No. 47/E of 8 August 2003, payments of interest in respect of Notes made to Italian resident real estate investment funds established pursuant to Article 37 of Legislative Decree No. 58 of 24 February 1998, as amended and supplemented, and Article 14-bis of Law No. 86 of 25 January 1994 are subject neither to substitute tax nor to any other income tax in the hands of a real estate investment fund.

As of 1 January 2012, pursuant to Decree 138, the rate of *imposta sostitutiva*, where applicable, will be increased to 20 per cent. The Government report to Decree 138 provides that zero coupon bonds with a residual maturity over 12 months and Notes paying the first coupon not before 1 year after the change in tax rate are deemed to be transferred at the date of 31 December 2011 in order to debit the Noteholder with the substitute tax of 12.5 per cent. on interest accrued up to such date. This provision could be further amended or clarified by new tax guidelines.

If the investor is resident in Italy and is a Fund or a SICAV, and the relevant Notes are held by an authorised intermediary, interest, premium and other income accrued during the holding period on the Notes will not be subject to *imposta sostitutiva*, but must be included in the management result of the Fund or the SICAV. The Fund or SICAV will not be subject to taxation on such result, but the Collective Investment Fund Substitute Tax will apply, in certain circumstances, to distributions made in favour of unitholders or shareholders. As of 1 January 2012, pursuant to Decree 138, the rate of the Collective Investment Fund Substitute Tax will be increased to 20 per cent.

Where an Italian resident Noteholder is a pension fund (subject to the regime provided for by Article 17 of the Legislative Decree No. 252 of 5 December 2005) and the Notes are deposited with an authorised intermediary, interest, premium and other income relating to the Notes and accrued during the holding period will not be subject to *imposta sostitutiva*, but must be included in the result of the relevant portfolio accrued at the end of the tax period, to be subject to an 11 per cent. substitute tax.

Pursuant to Decree 239, *imposta sostitutiva* is applied by banks, SIMs, fiduciary companies, SGRs, stockbrokers and other entities identified by a decree of the Ministry of Economics and Finance (each an "Intermediary").

An Intermediary must (i) be resident in Italy or be a permanent establishment in Italy of a non-Italian resident financial intermediary and (ii) intervene, in any way, in the collection of interest or in the transfer of Notes. For the purpose of the application of the *imposta sostitutiva*, a transfer of Notes includes any assignment or other act, either with or without consideration, which results in a change of the ownership of the relevant Notes or in a change of the Intermediary with which such Notes are deposited.

Where the Notes are not deposited with an Intermediary, the *imposta sostitutiva* is applied and withheld by any entity paying interest to a Noteholder. As of 1 January 2012, pursuant to Decree 138, the rate of the *imposta sostitutiva* will be decreased to 20 per cent.

If the Notes are issued for an original maturity of less than 18 months, the 27 per cent. *imposta sostitutiva* is also applied to any payment of interest or premium relating to the Notes made to (a) Italian pension funds (subject to the regime provided for by article 17 of the Legislative Decree No. 252 of 5 December 2005); (b) Funds; and (c) Italian SICAVs. As of 1 January 2012, pursuant to Decree 138, this 27 per cent. *imposta sostitutiva* will be repealed in relation to interest or premium distributed to entities from (a) to (c) above.

3.2 Non-Italian resident Noteholders

No Italian *imposta sostitutiva* is applied on payments to a non-Italian resident Noteholder of interest or premium relating to Notes issued by a non-Italian resident issuer provided that the non-Italian resident Noteholder declares itself to be a non-Italian resident according to Italian tax regulations.

3.3 Early Redemption

Without prejudice to the above provisions, in the event that Notes issued by a non-Italian resident issuer and having an original maturity of at least 18 months are redeemed, in full or in part, prior to 18 months from the issue date, Italian resident Noteholders will be required to pay, by way of a withholding to be applied by the Italian intermediary responsible for payment of interest or the redemption of the Notes, an amount equal to 20 per cent. of the interest and other amounts accrued up to the time of the early redemption. As of 1 January 2012, Decree 138 will repeal the surtax applicable in the case of early redemption of Notes having a maturity of 18 months or more.

4. Payments made by an Italian resident guarantor

With respect to payments on the Notes made to Italian resident Noteholders by an Italian resident guarantor, in accordance with one interpretation of Italian tax law, any payment of liabilities equal to interest and other proceeds from the Notes may be subject to a provisional withholding tax at a rate of 12.5 per cent. pursuant to Presidential Decree No. 600 of 29 September 1973, as subsequently amended. In case of payments to non-Italian resident Noteholders, the withholding tax may be applied at (a) 12.5 per cent. if the payment is made to non-Italian resident Noteholders, other than those mentioned under (b); or (b) 27 per cent. if payments are made to non-Italian resident Noteholders who are resident in tax haven countries (as defined and listed in Ministerial Decree 23 January 2002, as amended from time to time). As of 1 January 2012, pursuant to Decree 138, the rate of the provisional and final withholding taxes, if applicable, will be replaced by a rate of 20 per cent. Double taxation treaties entered into by Italy may apply allowing for a lower (or, in certain cases, nil) rate of withholding tax. In accordance with another interpretation, any such payment made by the Italian resident guarantor will be treated, in certain circumstances, as a payment by the relevant issuer and will thus be subject to the tax regime described in the previous paragraphs of this section.

5. Atypical securities

Interest payments relating to Notes that are not deemed to fall within the category of bonds (*obbligazioni*) or debentures similar to bonds (*titoli similari alle obbligazioni*) may be subject to a withholding tax, levied at the rate of 27 per cent. For this purpose, debentures similar to bonds are securities that incorporate an unconditional obligation to pay, at maturity, an amount not lower than their nominal value. As of 1 January 2012, pursuant to Decree 138, the withholding tax will be applied at a rate of 20 per cent.

In case of Notes issued by an Italian resident issuer, where the Noteholder is (a) an Italian individual engaged in an entrepreneurial activity to which the Notes are connected; (b) an Italian company or a similar Italian commercial entity; (c) a permanent establishment in Italy of a foreign entity; (d) an Italian commercial partnership; or (e) an Italian commercial private or public institution, such withholding tax is a provisional withholding tax. In all other cases, including when the Noteholder is a non-Italian resident, the withholding tax is a final withholding tax. For non-Italian resident Noteholders, the 27 per cent. withholding tax rate may be reduced by any applicable tax treaty.

If the Notes are issued by a non-Italian resident issuer, the 27 per cent. withholding tax mentioned above does not apply to interest payments made to a non-Italian resident Noteholder and to an Italian resident Noteholder which is (a) a company or similar commercial entity (including the Italian permanent establishment of foreign entities); (b) a commercial partnership; or (c) a commercial private or public institution.

6. Capital gains tax

Any gain obtained from the sale or redemption of the Notes would be treated as part of the taxable income (and, in certain circumstances, depending on the “status” of the Noteholder, also as part of the net value of

the production for IRAP purposes) if realised by an Italian company or a similar commercial entity (including the Italian permanent establishment of foreign entities to which the Notes are connected) or Italian resident individuals engaged in an entrepreneurial activity to which the Notes are connected.

Where an Italian resident Noteholder is an individual not engaged in an entrepreneurial activity to which the Notes are connected and certain other persons, any capital gain realised by such Noteholder from the sale or redemption of the Notes would be subject to an *imposta sostitutiva*, levied at the current rate of 12.5 per cent. Noteholders may set off losses with gains.

In respect of the application of *imposta sostitutiva*, taxpayers may opt for one of the three regimes described below.

Under the tax declaration regime (*regime della dichiarazione*), which is the default regime for Italian resident individuals not engaged in an entrepreneurial activity to which the Notes are connected, the *imposta sostitutiva* on capital gains will be chargeable, on a cumulative basis, on all capital gains, net of any incurred capital loss, realised by the Italian resident individual Noteholder holding the Notes not in connection with an entrepreneurial activity pursuant to all sales or redemptions of the Notes carried out during any given tax year. Italian resident individuals holding the Notes not in connection with an entrepreneurial activity must indicate the overall capital gains realised in any tax year, net of any relevant incurred capital loss, in the annual tax return and pay *imposta sostitutiva* on such gains together with any balance income tax due for such year. Capital losses in excess of capital gains may be carried forward against capital gains realised in any of the four succeeding tax years.

As an alternative to the tax declaration regime, Italian resident individual Noteholders holding the Notes not in connection with an entrepreneurial activity may elect to pay the *imposta sostitutiva* separately on capital gains realised on each sale or redemption of the Notes (the *risparmio amministrato* regime). Such separate taxation of capital gains is allowed subject to (a) the Notes being deposited with Italian banks, SIMs or certain authorised financial intermediaries and (b) an express election for the *risparmio amministrato* regime being timely made in writing by the relevant Noteholder. The depository is responsible for accounting for *imposta sostitutiva* in respect of capital gains realised on each sale or redemption of the Notes (as well as in respect of capital gains realised upon the revocation of its mandate), net of any incurred capital loss, and is required to pay the relevant amount to the Italian tax authorities on behalf of the taxpayer, deducting a corresponding amount from the proceeds to be credited to the Noteholder or using funds provided by the Noteholder for this purpose. Under the *risparmio amministrato* regime, where a sale or redemption of the Notes results in a capital loss, such loss may be deducted from capital gains subsequently realised, within the same securities management, in the same tax year or in the following tax years up to the fourth. Under the *risparmio amministrato* regime, the Noteholder is not required to declare the capital gains in the annual tax return.

Any capital gains realised by Italian resident individuals holding the Notes not in connection with an entrepreneurial activity who have entrusted the management of their financial assets, including the Notes, to an authorised intermediary and have opted for the so-called “*risparmio gestito*” regime will be included in the computation of the annual increase in value of the managed assets accrued, even if not realised, at year end, subject to a 12.5 per cent. substitute tax, to be paid by the managing authorised intermediary. Under the *risparmio gestito* regime, any depreciation of the managed assets accrued at year end may be carried forward against increase in value of the managed assets accrued in any of the four succeeding tax years. Under the *risparmio gestito* regime, the Noteholder is not required to declare the capital gains realised in the annual tax return.

Pursuant to Decree 138, the 12.5 per cent. rate of the *imposta sostitutiva* will be increased to 20 per cent. in relation to capital gains realised as of 1 January 2012. The capital losses realised before 1 January 2012 may be carried forward to offset subsequent capital gains of the same nature for an overall amount of 62.5 per cent. of the relevant capital losses. Taxpayers may opt for a step up in the fiscal value of the relevant assets up to the market value of the assets registered on 31 December 2011. In the case of step up, the new 20 per cent. rate will only apply to capital gains accrued as of 1 January 2012. The taxpayer would be required to pay a substitute tax on the

positive difference between the market value of the assets at 31 December 2011 and its original fiscal cost. These provisions should be implemented with a Decree to be issued by the Ministry of Economy and Finance.

Any capital gains realised by a Noteholder who is an Italian real estate fund to which the provisions of Law Decree No. 351 as subsequently amended apply will be subject neither to *imposta sostitutiva* nor to any other income tax at the level of the real estate investment fund.

Any capital gains realised by a Noteholder which is a Fund or a SICAV will not be subject to *imposta sostitutiva*, but will be included in the result of the relevant portfolio. Such result will not be taxed with the Fund or SICAV, but subsequent distributions in favour of unitholders of shareholders may be subject to the Collective Investment Fund Substitute Tax.

Any capital gains realised by a Noteholder who is an Italian pension fund (subject to the regime provided for by article 17 of the Legislative Decree No. 252 of 5 December 2005) will be included in the result of the relevant portfolio accrued at the end of the tax period, to be subject to the 11 per cent. substitute tax.

Capital gains realised by non-Italian resident Noteholders from the sale or redemption of Notes issued by an Italian resident issuer and traded on regulated markets are not subject to the *imposta sostitutiva*.

Capital gains realised by non-Italian-resident Noteholders, not having a permanent establishment in Italy to which the Notes are connected, from the sale or redemption of Notes issued by an Italian resident issuer, which are traded on regulated markets are neither subject to the *imposta sostitutiva* nor to any other Italian income tax.

Capital gains realised by non-Italian resident Noteholders from the sale or redemption of Notes issued by an Italian resident issuer not traded on regulated markets are not subject to the *imposta sostitutiva*, provided that the effective beneficiary: (a) is resident in a country which allows for a satisfactory exchange of information with Italy; or (b) is an international entity or body set up in accordance with international agreements which have entered into force in Italy; or (c) is a Central Bank or an entity which manages, *inter alia*, the official reserves of a foreign State; or (d) is an institutional investor which is resident in a country which allows for a satisfactory exchange of information with Italy, even if it does not possess the status of taxpayer in its own country of residence.

If none of the conditions above is met, capital gains realised by non-Italian resident Noteholders from the sale or redemption of Notes issued by an Italian resident issuer not traded on regulated markets are subject to the *imposta sostitutiva* at the current rate of 12.5 per cent.

In any event, non-Italian resident individuals or entities without a permanent establishment in Italy to which the Notes issued by an Italian resident issuer are connected that may benefit from a double taxation treaty with Italy providing that capital gains realised upon the sale or redemption of Notes are to be taxed only in the country of tax residence of the recipient, will not be subject to *imposta sostitutiva* in Italy on any capital gains realised upon the sale or redemption of Notes issued by an Italian resident issuer.

Capital gains realised by non-Italian resident Noteholders from the sale or redemption of Notes issued by a non-Italian resident issuer are not subject to Italian taxation, provided that the Notes are held outside Italy.

7. Inheritance and gift taxes

Pursuant to Law Decree No. 262 of 3 October 2006, converted into Law No. 286 of 24 November 2006, as subsequently amended, the transfers of any valuable asset (including shares, notes or other securities) as a result of death or donation are taxed as follows:

- (a) transfers in favour of spouses and direct descendants or direct ancestors are subject to an inheritance and gift tax applied at a rate of 4 per cent. on the value of the inheritance or the gift exceeding €1,000,000;

- (b) transfers in favour of relatives to the fourth degree or relatives-in-law to the third degree are subject to an inheritance and gift tax at a rate of 6 per cent. on the entire value of the inheritance or the gift. Transfers in favour of brothers/sisters are subject to the 6 per cent. inheritance and gift tax on the value of the inheritance or the gift exceeding €100,000; and
- (c) any other transfer is, in principle, subject to an inheritance and gift tax applied at a rate of 8 per cent. on the entire value of the inheritance or the gift.

8. Transfer tax

Article 37 of Law Decree No. 248 of 31 December 2007, converted into Law No. 31 of 28 February 2008, published on the Italian Official Gazette No. 51 of 29 February 2008, has abolished the Italian transfer tax, provided for by Royal Decree No. 3278 of 30 December 1923, as amended and supplemented by the Legislative Decree No. 435 of 21 November 1997.

Following the repeal of the Italian transfer tax, as from 31 December 2007, contracts relating to the transfer of securities are subject to the following registration tax: (i) public deeds and notarised deeds are subject to fixed registration tax at a rate of €168.00; (ii) private deeds are subject to registration tax only in the case of voluntary registration.

9. EU Savings Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income (the “Savings Directive”), Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State or to certain limited types of entities established in that other Member State. However, for a transitional period, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

The European Commission has proposed certain amendments to the Directive which, if implemented, may amend or broaden the scope of the requirements described above.

9.1 Implementation in Italy of the Savings Directive

Italy has implemented the Savings Directive through Legislative Decree No. 84 of 18 April 2005 (“Decree 84”). Under Decree 84, subject to a number of important conditions being met, in the case of interest paid to individuals which qualify as beneficial owners of the interest payment and are resident for tax purposes in another Member State, Italian qualified paying agents shall report to the Italian Tax Authorities details of the relevant payments and personal information on the individual beneficial owner and shall not apply the withholding tax. Such information is transmitted by the Italian Tax Authorities to the competent foreign tax authorities of the State of residence of the beneficial owner.