

Drnt. 3. 8 October 1998

PRICING SUPPLEMENT

Series No.: 242

**Council of Europe Social Development Fund
EURO MEDIUM TERM NOTE PROGRAMME**

Issue of

ITL 100,000,000,000

Fixed/Reverse Floating Rate Notes due 2018 (the "Notes")

This Pricing Supplement (as referred to in the Offering Circular in relation to the above Programme) relates to the Tranche of Notes referred to above. The particulars to be specified in relation to such Tranche are as follows:

1. Issuer: Council of Europe Social Development Fund.
2. Relevant Dealers/ Lead Managers: Morgan Stanley & Co. International Limited.
3. Syndicated: Yes
4. Other Dealers/Managers: Iccrea S.p.A.
Cassa di Risparmio Parma e Piacenza S.p.A.
Banca Popolare Commercio e Industria Soc.
Coop. a r.l.
Banco di Napoli S.p.A.
Banco di Sicilia S.p.A.
Caboto Holding SIM S.p.A.
Credito Bergamasco S.p.A.
5. Status: Unsubordinated.
6. Currency:
- of Denomination: Italian Lire ("ITL")
- of Payment: ITL.
7. Aggregate Principal Amount of Tranche: ITL 100,000,000,000.

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- 8 If fungible into an existing Series: N/A.
9. Issue Date: 26 October 1998
10. Issue Price: 101.40 per cent. of the aggregate principal amount of the Notes.
11. Commission Payable: 0.50 per cent. of the aggregate principal amount of the Notes in respect of management and underwriting.
12. Selling Concession: 1.50 per cent. of the aggregate principal amount of the Notes.
13. Rating(s): The Issuer's outstanding long term debt is Rated AAA by Standard & Poor's Rating Services, AA1 by Moody's Investors Service, Inc. and AAA by Fitch IBCA, respectively.
14. Net proceeds: ITL 99,400,000,000
15. (a) Form of Notes: Bearer.
- (b) Bearer Notes exchangeable for Registered Notes: No.
16. If issued in Bearer form:
- (a) Initially represented by a Temporary Global Note or Permanent Global Note: Yes. Temporary Global Note.
- (b) Temporary Global Note exchangeable for Definitive Notes and/or Registered Notes: No.
- (c) Permanent Global Note exchangeable at the option of the bearer for Definitive Notes: Yes. In the circumstances set out therein, including a written request for definitive Notes by any Noteholder in accordance with the Fiscal Agency Agreement.
- (d) Talons for future Coupons to be attached to Definitive Notes: Yes
- (e) Definitive Notes to be in IPMA or successor's format: Yes.

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17. Denomination(s) ITL 1,000,000 ITL 10,000,000 and
ITL 100,000,000.
18. Partly Paid Notes: No.
19. Interest: Interest bearing.

Fixed Rate Notes

20. Interest rate applicable to the Fixed Rate Notes In respect of the period from, and including, 26 October 1998 to, but excluding, 26 October 1999, 10.50 per cent. per annum, payable in arrear.
- In respect of the period from, and including, 26 October 1999 to, but excluding, 26 October 2000 6.00 per cent per annum, payable in arrear.
- In respect of the period from, and including, 26 October 2000 to, but excluding, 26 October 2005, 4.50 per cent. per annum, payable annually in arrear.

Thereafter Floating Rate (see below)

21. Fixed Interest Payment Date(s): 26 October 1999, 26 October 2000, 26 October 2001, 26 October 2002, 26 October 2003, 26 October 2004 and 26 October 2005.
22. Applicable Business Day Convention: For payment purposes only, Modified Following Business Day Convention.

Floating Rate Notes

23. Interest Payment Dates: 26 October in each year.
24. Relevant Screen Page: Telerate page 3740
25. Interest Determination Date: Two London Banking Days prior to each Interest Payment Date.
26. ISDA Rate: N/A
27. Interest Rate applicable to the Floating Rate Notes 9.00 per cent minus (12 month ITL-LIBOR-BBA 365/360 (or, in the case of an Interest Period ending in a leap year, 366/360)).
28. Minimum Interest Rate: 1.50 per cent. per annum.
29. Maximum Interest Rate: N/A

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30. **Applicable Business Day Convention:** Modified Following Business Day Convention in respect of each Interest Payment Date from, and including, 26 October 2005 to, but excluding, the Maturity Date.
31. **Relevant Financial Centres:** London and Milan
32. **Day Count Fraction:** 30/360
33. **Relevant Time:** 11.00 am London time.
34. **Calculation Agent:** Bankers Trust Company, London
35. **Redenomination after EMU:** Condition 5.03A applies.
36. **Payments after redenomination:** Condition 9E.01 applies.
37. **Maturity Date:** 26 October 2018
38. **Maturity Redemption Amount:** Condition 6.01 applies.
39. **Early Redemption for Taxation Reasons:**
- (a) **Early Redemption Amount (Tax):** Condition 6.02 applies
 - (b) **Date after which changes in law, etc:** Issue Date.
40. **Optional Early Redemption (Call):** No.
- (a) **Early Redemption Amount (Call):** N/A
 - (b) **Series redeemable in part:** No.
 - (c) **Call Option Date(s)/Call Option Period:** N/A
 - (d) **Any deletion of the Events of Default:** None.
41. **Option Early Redemption (Put):** No.
- (a) **Early Redemption Amount (Put):** N/A
 - (b) **Put Date(s)/Put Period:** N/A
42. **Events of Default:**

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- (a) **Early Termination Amount:** Condition 7.02 applies.
- (b) **Any additional (or modifications to) Events of Default:** None
43. **Payments:**
- (a) **Unmatured coupons missing upon Early Redemption:** Condition 9A.06(i) and 9A.06(ii) apply in respect of the Fixed Rate Notes and the Floating Rate Notes, respectively.
- (b) **Specify any modification to the adjustment provisions for payment date:** The Modified Following Business Day Convention shall apply for the purposes of payment.
44. **Specified Currency:** N/A
45. **Specified Denomination(s):** N/A
46. **Notices:** Condition 14 applies.
47. **Listing:** Yes. Luxembourg Stock Exchange.
48. **Selling Restrictions:**
- United States of America:** Category 1 restrictions apply to the Notes. TEFRA D Rules apply to the Notes. The Exchange Date is 40 days after the Issue Date upon certification as to non U.S. beneficial ownership. The Notes are not eligible for sale under Rule 144A under the United States Securities Act of 1933.
- Other:** In addition to the Selling Restrictions applicable to the United States, the Selling Restrictions set out in the Information Memorandum under the heading "Subscription and Sale", with respect to the United Kingdom, the Federal Republic of Germany, the Republic of France, Japan, the Netherlands, Switzerland and General shall apply, subject to the addition of the following Italian selling restriction: The offer, sale or delivery of Notes or the distribution of copies of any offering document relating to the Notes may only be performed if (a) such activities are carried out by or through one of the following authorised intermediaries: (1)

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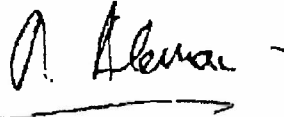
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- 53 Any Clearing System other than None.
Euroclear and Cedel Bank
- 54. Settlement Procedures Customary Eurobond settlement and payment
procedures apply.
- 55. Other Relevant Terms and None
Conditions

CONFIRMED

COUNCIL OF EUROPE SOCIAL DEVELOPMENT FUND

By.



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investment companies and banks authorised to place and distribute securities in the Republic of Italy pursuant to Article 2 of the Legislative Decree no. 415 of 23rd July 1996 (the "Legislative Decree no. 415"); (2) foreign banks or financial institutions (the controlling shareholder of which is owned by one or more banks located in the same EU member state) authorised to place and distribute securities in the Republic of Italy pursuant to, respectively, Articles 16 and 18 of the Legislative Decree no. 385 of 1st September 1993 (the "Consolidated Banking Act"), in each case acting in compliance with the relevant provisions of the Legislative Decree no. 415 and related regulations and any other applicable laws and regulations; (b) it is in compliance with the requirements of Consob resolution no. 8850 of 9th December 1994; (c) it is preceded and followed by the communications to Consob as required by applicable Italian laws and regulations; (d) it is in compliance with Article 129 of The Consolidated Banking Act and with the relevant instructions of the Bank of Italy, pursuant to which trading or placement of foreign securities is subject to prior notification to the Bank of Italy depending on the amount of the Issue and the characteristics of the Notes to be issued; (e) it will be conducted in accordance with any relevant limitations which the Bank of Italy or Consob may impose upon the offer or sale of the Notes; or (f) Italian residents submit unsolicited offers to the Managers to purchase the Notes.

49. **Stabilising Information**

In connection with the issue of the Notes, Morgan Stanley & Co. International Limited may over-allot or effect transactions which stabilise or maintain the market price of the Notes at a level which might not otherwise prevail. Such stabilising, if commenced, may be discontinued at any time.

50. **ISIN:**

XS0091355619

51. **Common Code:**

009135561

52. **Common Depository:**

Bankers Trust Company, London

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