

Banca Monte dei Paschi di Siena SpA

Monte dei Paschi battle rumbles on after fraud verdicts quashed

Thirteen executives acquitted of helping world's oldest bank hide more than €2bn losses



Headquarters of Monte dei Paschi bank in Siena, Tuscany. The bank was nationalised in 2017 after a big financial scandal © Marco Bertorello/AFP/Getty Images

Silvia Sciorilli Borrelli in Milan 6 HOURS AGO

A decision to overturn all convictions in one of the biggest financial scandals in Italian history has drawn shocked reactions from local politicians and campaigners.

A Milan court last week acquitted 13 banking executives, as well as Deutsche Bank and Nomura, of colluding to help Monte dei Paschi di Siena hide more than €2bn in losses after its disastrous acquisition of a regional rival in 2007.

The original case was one of the most high-profile and politically charged to reach the courts and caused widespread public anger over the [destruction of the world's oldest bank](#), which was nationalised in 2017.

After the appeal court decision, Siena mayor Luigi De Mossi said history would judge “with severity the whole system of power that has led to [Monte dei Paschi’s] implosion”. One of his predecessors Pierluigi Piccini, mayor for 11 years from 1990, said: “After everything that has happened nobody is responsible for anything.”

Romolo Semplici, representative of a local savers association, told Italian media: “We are [shocked] by a legal system that has taken more 10 years to reach an appeals decision and has contradicted itself so greatly . . . it is mortifying.”

The €9bn acquisition by MPS of rival Antonveneta is widely seen as the beginning of the end for Italy's third-largest bank and the region of Tuscany's largest employer.



Giuseppe Mussari, former Monte Paschi chair, was among the 13 defendants acquitted last week © Alessia Pierdomenico/Bloomberg

According to the allegations by Milanese prosecutors, former MPS executives wanted to hide losses triggered by their overpriced takeover, so in 2008 Nomura and Deutsche designed a complex financial transaction that was a credit default swap linked to Italian government bonds (BTPs), but was accounted for on the bank's books as a loan.

Former MPS executives Giuseppe Mussari and Antonio Vigni are among the 13 defendants acquitted last week.

Under international accounting rules, credit default swaps must be regularly revalued, or “marked to market”.

The original prosecutors' case was built on the accusation that by not accounting for the CDS trades — dubbed “Alexandria” and “Santorini” — correctly, MPS hid its exposure to BTPs as the country plunged into its worst debt crisis in 2011.

Last week's appeal court verdict overturned a [2019 ruling](#) and also cancelled fines worth more than a combined €152mn previously imposed on Deutsche Bank and Nomura. MPS reached a settlement with the court over the case in 2016.

Giuseppe Iannaccone, lead lawyer for several of the defendants in the case, including former Deutsche Bank executives Michele Faissola and Marco Veroni, said last week's appeal court decision was "not surprising and long overdue" because the original case was built on incorrect assumptions by the prosecutors.



A branch of Banca Antonveneta branch in Milan. The €9bn acquisition of Antonveneta is seen as the beginning of the end for Monte dei Paschi © Giuseppe Aresu/Bloomberg

"The trades had been scrutinised by so many authorities, including the Bank of Italy and the International Financial Reporting Interpretations Committee, nobody said it was a credit default swap, nobody except for Milanese prosecutors," he said.

The details of the decision will be published in 90 days. Prosecutors will then decide whether they want to take the case to Italy's supreme court.

One person with knowledge of the case said: "Prosecutors haven't changed their minds on the fact these were indeed hidden derivative trades as has been recognised by several parties including Deutsche Bank itself."

Nomura's "Alexandria" trade was marked to market in its accounts from the beginning, while Deutsche Bank issued a restatement on the "Santorini" trade and a number of other structured finance transactions.

During the trial, the defendants' legal team claimed the decision by Deutsche Bank was in the context of wider accounting issues at the bank that were under scrutiny by German regulators.

Deutsche Bank declined to comment.

Iannaccone said the trades had been widely recognised as “financing operations, not derivatives” and that MPS had reflected them correctly in its books.

“These trades were highly profitable and very common across the industry, this was the only time bankers were taken to court over them which is odd,” he said.



Antonio Vigni, former general manager of the Monte dei Paschi, was also cleared © Niccolo Cadirni/EPA

Deutsche Bank and MPS negotiated a settlement on the Santorini trade in 2013, with MPS deciding to terminate the scheme before its original 2031 expiry date. At that time, it described the trades as: “The 2008 and 2009 €2bn operations that envisaged an investment in Italian government bonds expiring on May 2031, financed with a long term repo of the same duration and an interest rate swap [added in 2009] aimed at reducing the interest rate-linked risk of the investment.”

Sadeq Sayeed, a former Nomura executive, was another of the 13 defendants cleared by the appeals court.

Lawyer Guglielmo Giordanengo said the decision showed that there was “no collusion between Sayeed and MPS and the complexity of the transaction had been explained in great detail to Monte dei Paschi executives from the beginning”.

Yet, locals and industry representatives feel that this latest development does not reflect well on Italy. “The power of finance always prevails on the scandals in this country,” said Lando Sileoni, the head of Fabi, Italy’s largest banks union.

“We go on forever discussing the facts, but we never manage to understand who is responsible for what has happened and this is a very dangerous signal.”

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