

Resolution Plan of Banca Monte dei Paschi di Siena S.p.A.  
for  
Banca Monte dei Paschi di Siena S.p.A., New York Branch  
("BMPSNY")  
2018

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1. Public Section

## ***1. Foreword to BMPSNY's 2018 Resolution Plan***

Banca Monte dei Paschi di Siena New York Branch (BMPSNY) is an entity belonging to the Monte dei Paschi di Siena Group ("BMPS" or "Bank") which is present throughout Italy and in major international financial centers, with operations ranging from traditional banking activities to Private Banking and Corporate Banking, and a traditional vocation for household accounts and small and medium enterprises.

The General Manager of BMPSNY, Vincenzo Ciancio, was appointed by the Board of Directors of the BMPS as the designated officer for coordinating and submitting to the FDIC and Federal Reserve the *BMPSNY's 2018* Resolution Plan ("Plan"). The Resolution Plan was filed by Mr. Ciancio on December 27, 2018.

Unless otherwise indicated, information in this Public Summary is provided as at December 31<sup>st</sup>, 2017.

## ***2. Contents of BMPSNY's 2018 Resolution Plan: exemption from certain informational requirements***

The Board of Governors of the Federal Reserve System and the FDIC (the Agencies) reviewed the Resolution Plan submitted by BMPSNY on December 22<sup>nd</sup>, 2016.

Following their review, the Agencies determined that pursuant to paragraph 4(k) of the Resolution Plan Rule [Section 165(d) of the Dodd-Frank Wall Street Reform and Consumer Protection Act, 12 U.S.C. § 5365(d), and the jointly issued implementing regulation, 12 CFR Part 243 (Board) and 12 CFR Part 381 (FDIC)] to reduce the informational content that will be required to provide in its resolution plan submissions due by December 31, of 2016, 2017, and 2018 ("Reduced Plans"), subject to the "conditions for Reduced Plans". The covered company is exempted from all informational requirements of section 4 of the Rule, other than the requirements of paragraphs 4(b)(2), 4(b)(3) and 4(c)(1)(vi).

Specifically, the BMPSNY's 2018 Resolution Plan is only required to contain information concerning 1) material changes that require modifications to the company's most recently filed resolution plan in 2015 and 2) any actions taken by BMPSNY since the 2016 Plan to improve the effectiveness of its resolution plan.

BMPSNY was notified by the FDIC of the above determination on June 10<sup>th</sup>, 2016.

By the following sections BMPSNY has intended to comply with the resolution plan requirement for 2018 by submitting information that is responsive to and consistent with the determination reached by the Agencies.

### *3. Material changes requiring modifications to BMPSNY's 2016 Resolution Plan*

As described in greater detail below, Banca Monte dei Paschi di Siena S.p.A, New York branch ("MPS NY") will be closing in accordance with the BMPS' 2017/2021 Restructuring Plan. MPS NY will undertake the process of winding down in accordance with the procedures prescribed by its regulators, specifically the New York State Department of Financial Services ("NYDFS") pursuant to correspondence between the NYDFS and MPS NY. Once the Branch is closed (targeted for December 31, 2018), the Bank will no longer conduct activities from a fixed place of business located in the United States. While certain client accounts and counterparty positions may ultimately be disposed of through transfers to third parties, the Bank intends to rebook most of the Branch's credit exposures, such as term loans, syndicated loans and lines of credit, to the Bank's head office in Italy.

#### **BACKGROUND**

On 4 July 2017, the European Commission approved Italy's plan to support a precautionary recapitalization of Banca Monte dei Paschi di Siena S.p.A ("MPS")<sup>1</sup>. As the precautionary recapitalization requires taxpayer money, EU state aid rules necessitate that such money can only be provided if the company will be profitable in the long term. The European Commission therefore requires that MPS put into place an agreed restructuring plan (the "2017/2021 Restructuring Plan").

As set out in the European Commission's State Aid Decision<sup>2</sup>, the 2017/2021 Restructuring Plan requires that MPS will close certain overseas branches by the end of the restructuring period, which is 31 December 2018. The 2017/2021 Restructuring Plan stipulates that MPS NY will be one of the branches to close.

MPS is authorized and regulated in Italy by the Banca d'Italia. In the United States, MPS NY's direct regulators are the NYDFS and the Federal Reserve Bank of New York (the "FRBNY").

MPS NY has previously contacted the NYDFS to inform it of its intention to close pursuant to the European Commission's State Aid Decision. This Closure Plan has been requested by the NYDFS pursuant to the NYDFS's letter dated March 13, 2018 (the "**Letter**") addressed to MPS NY. The Letter enumerated the procedures required for the orderly winding down of the business of MPS NY. The procedures enumerated in the Letter consist of the following:

Submit a copy of the resolution adopted by MPS's board of directors;

Submit a copy of the MPS's Project Plan including the projected timelines for the transfer and disposition of the branch's assets, liabilities and contingencies;

Submit a copy of the balance sheet of the branch as of the date of the above notification of liquidation;

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<sup>1</sup> European Commission Press Release, 4 July 2017 [http://europa.eu/rapid/press-release\\_IP-17-1905\\_en.htm](http://europa.eu/rapid/press-release_IP-17-1905_en.htm)

<sup>2</sup> European Commission State Aid Decision, 4 July 2017 [http://ec.europa.eu/competition/state\\_aid/cases/270037/270037\\_1951496\\_149\\_2.pdf](http://ec.europa.eu/competition/state_aid/cases/270037/270037_1951496_149_2.pdf)

Maintain eligible assets in the amount of 125% of all third-party liabilities and positive cumulative gap requirements before closure;

Notify the NYSDFS in writing the final closing date;

Place a notice of voluntary liquidation in The Wall Street Journal or in another widely circulated major financial newspaper at least one day a week for four consecutive weeks;

Notify the FRBNY of the intent to voluntarily close the branch;

Surrender the license;

Submit a final statement indicating zero assets, liabilities and contingencies once a letter to release of the assets pledged to the Superintendent is issued by the NYSDFS;

File all MPS NY's regulatory reports timely until the license is surrendered.

As at December 31, 2017, the BMPS' share capital amounted to Euro 10,328,618,260.14.

According to the communications received pursuant to the applicable legislation and based on other information available, as well as on the basis of what is set forth on the CONSOB institutional website, the entities that, as at 30 September 2018 directly and/or indirectly hold ordinary shares representing a shareholding exceeding 3% of the share capital of the Issuer and which do not fall under the cases of exemption set forth in Article 119-bis of the Issuers' Regulation, are as follows:

<i>Shareholders</i>	<i>%</i>
Ministry of Economy and Finances (Italian Government)	68.247%
Assicurazioni Generali S.p.A. (*)	4.319%
BMPS S.p.A. (**)	3.181%

*(\*) Shareholding held through subsidiary companies.*

*(\*\*) Own shares held by MPS Group following the capital precautionary recapitalization.*

The percentage of share capital held by MEF increased from 4.024% in December 2016 to the 68.247%, following the precautionary recapitalization of BMPS, concluded on 11 August 2017, pursuant to Italian Law Decree Law no. 237/2016 (as subsequently amended and converted) and Italian Ministerial Decree of 27 July 2017.

## INTRODUCTION

BMPS has developed a U.S. Resolution Plan (the "Resolution Plan") as required pursuant to the final rule (the "165(d) Rule") issued by the Board of Governors of the Federal Reserve System ("Federal Reserve") and the Federal Deposit Insurance Corporation ("FDIC") pursuant to Section 165(d) of the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank Act").

The 165(d) Rule requires foreign banking organizations that are treated as bank holding companies (“BHCs”) under Section 8(a) of the International Banking Act, with total global consolidated assets of U.S. \$50 billion or more to submit periodically to the Federal Reserve and FDIC a plan for the rapid and orderly resolution in the event of material distress or failure of the U.S. operations of the BHC.

BMPS and its branches/subsidiaries operate in the different segments of the banking and financial industry, with activities ranging from traditional banking to special purpose loans, asset management, bancassurance and investment banking. BMPS performs functions of direction, coordination and control over the Group’s companies, as part of the more general guidelines set out by the Board of Directors in compliance with the instructions provided by the Bank of Italy in the interest of the Banking Group’s stability.

As of December 31, 2017, the Group had approximately 4.9 million customers.

At the same date, the Group had a domestic network of approximately 1,745 branches in Italy. The organizational structure of the Foreign Network remains unchanged and includes:

- 4 operational branches (London, New York, Hong Kong and Shanghai);
- 10 representative offices located in various “target areas” of the EU, Central-Eastern Europe, North Africa, India and China;
- 2 banks under foreign law: BMP Belgio (7 branches in Belgium) and MP Banque (14 branches in France).

As of December 31, 2017, the Group employed approximately 23,463.

The objective of the Group is the creation of value over time for all stakeholders, giving priority to customer satisfaction, personal professional development, shareholders’ interests, and the territory of reference. All this is pursued through an established, shared system of values based on:

- A responsibility ethic
- Orientation towards the customer
- Attention to change
- Entrepreneurship and productivity
- Professional competence
- Team spirit and cooperation

The Group’s U.S. activities primarily relate to corporate financing, the provision of payment services and banking facilities to corporate and retail clients and a notional amount of foreign exchange transactions to satisfy the foreign currency needs of customers. These activities are principally undertaken by the New York branch of BMPS.

The Bank is supportive of the regulatory reform efforts to promote global financial stability and mitigate the systemic risks arising from the failure of any individual large financial institution. It also supports the goal that financial institutions should be able to be resolved without taxpayer or U.S. government involvement.

Given the above, it needs to be specified that BMPS has a limited footprint in the U.S. and has no core business lines, critical operations or material entities whose failure or discontinuance would pose a threat to the financial stability of the United States. In the unlikely event of material financial distress or failure, the Resolution Plan demonstrates how the U.S. operations of BMPS can be resolved in an orderly manner without any need for extraordinary financial support from the U.S. or Italian governments.

#### A. MATERIAL ENTITIES

Rule 165(d) defines a “material entity” as an entity that is significant to the activities of a core business line or critical operation. BMPS performed a review of its operations in the U.S. and identified that the New York Branch as the significant entity to BMPS’ limited U.S. business activities. However, because BMPSNY has no core business lines or critical operations, it has determined that this primary U.S. operating entity of BMPS is not a material entity for the purposes of the Resolution Plan.

#### B. CORE BUSINESS LINES

For the purposes of the 165(d) Rule, “core business lines” are those business lines of the covered company, including associated operations, services, functions and support that in the view of the covered company, upon failure, would result in a material loss of revenue, profit or franchise value.

The principal business activities undertaken by BMPSNY primarily relate to: (i) corporate financing; and (ii) the provision of payment services and banking facilities to corporate and retail clients. To assess whether a particular business line is a core business line, BMPS looked at a variety of factors, including the ratio of total U.S. assets and revenues such business lines account for relative to the global assets and revenues for that business line, as well as other subjective factors such as the assessment of whether failure of a particular business line would result in a significant loss of franchise value to BMPS. Based on this analysis, BMPS determined that none of the business activities undertaken in the U.S. by BMPSNY are “core business lines” for the purposes of the Resolution Plan.

#### C. SUMMARY FINANCIAL INFORMATION REGARDING ASSETS, LIABILITIES, CAPITAL AND MAJOR FUNDING SOURCES

##### 1. Assets and Liabilities

For detailed financial information on BMPS’ global operations, please refer to in BMPS’ 2017 Annual Report. Exhibit C.1 summarizes the balance sheet for BMPSNY.

Dec 31, 2017      Dec 31, 2016

#### ASSETS:

Cash and balances due from depository institutions	106.2	230.6
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U.S. Government securities		
Corporate securities		
Fed Funds sold and reverse repo transactions		
Loans secured by real estate	19.0	38.6
Loans to banks in foreign countries		
Loans to other Financial Institutions	24.8	110.5
Commercial and industrial Loans: U.S. addresses	156.8	183.4
Commercial and industrial Loans: Non-U.S. addresses	24.0	22.1
Loans to foreign governments and official Institutions		
- Loans for purchasing or carrying securities		
All other Loans and leases	0	0.1
- Lease financing receivables		
- Unearned income on Loans and Leases		
Trading assets		
Other assets	0.8	1.1
Net due from related institutions in the U.S. and in foreign countries	0	0
<u>TOTAL ASSETS</u>	<u>306.9</u>	<u>495.2</u>
LIABILITIES:		
Total deposits and credit balances	189.6	98.7
Fed Funds sold and reverse repo transactions		
Other borrowed money	0	346.4
Trading liabilities		
Other liabilities to nonrelated parties	1.3	3.1
Net due to related institutions in the U.S. and in foreign countries	116.0	47.0
<u>TOTAL LIABILITIES</u>	<u>306.9</u>	<u>495.2</u>

## 2. Capital

As a branch of BMPS, BMPSNY does not hold standalone capital, nor is it subject to standalone regulatory capital minimums.

## 3. Funding sources

The Treasury Department of BMPS manages all currency liquidity and funding on a global basis for the consolidated BMPS operations in line with global asset/liability management guidelines.

BMPSNY's Treasury Operations manage the day to day asset/liability management position and liquidity needs of BMPSNY in line with Group policy and risk limits established and allocated by BMPS.

The primary source of funding for BMPSNYs operations is through intercompany deposits. Sources of external funding include issuances of Yankee certificates of deposit and other customer deposits from Corporate Banking activities.

BMPS provides BMPSNY with a liquidity cushion and BMPSNY maintains this balance in the reserve account of BMPSNY at the Federal Reserve Bank of New York.

## D. DESCRIPTION OF DERIVATIVE AND HEDGING ACTIVITIES

As of December 31<sup>st</sup>, 2017, there were no hedging activities or derivatives undertaken by BMPSNY.

The Group's trading in derivatives is exclusively intended to meet customers' hedging needs and is targeted at the Group's corporate customers classified as Retail clients or Professional/Qualified investors under the Markets in Financial Instruments Directive.

Derivatives products offered are broken down into two main classes:

- Derivatives for new hedges; and
- Debt-rescheduling hedges.

Each class is in turn subdivided into three sub-classes depending on the type of underlying assets:

- Interest rate hedges;
- Foreign exchange hedges; and
- Commodity hedges.

Group trading in OTC derivatives is regulated according to the following main guidelines:

- Trading in derivatives by customers is conditional upon ascertaining and monitoring that they are only used for hedging purposes. Three types of hedging relationships are possible:



- Micro-hedges, i.e. hedging of individual, well-defined items in the customer's assets and/or liabilities held with the Group or other intermediaries;
  - Macro-hedges, i.e. hedging of a portfolio of assets and/or liabilities, or a part of it, held with the Group or other intermediaries; and
  - Forward transaction hedges, i.e. by way of example, hedging through OTC derivatives in which the underlying is an exchange rate against future settlement of specific business transactions;
- Customer trading shall not in any case have a leverage effect on hedged positions;
  - Trading must occur in compliance with the requirement of appropriateness (to ensure the highest level of customer protection) ; and
  - Trading under the appropriateness regime is only allowed as a marginal option for participation in tenders, for a subset of corporate clients with proven high level of financial culture and for Financial Institutions. The execution of transactions qualifying as inappropriate is in any case prevented.

Further details of the Group's derivatives and trading activities are set forth in BMPS' 2014 Annual Report.

#### E. MEMBERSHIPS IN MATERIAL PAYMENT, CLEARING AND SETTLEMENT SYSTEMS

The Group uses payment, settlement and clearing systems to conduct its operations and meet customer needs. The U.S. operations rely on the Fedwire Funds Service and the Society for Worldwide Interbank Financial Telecommunication messaging service, of which BMPSNY is a member. These systems are used by BMPS' U.S. operations to facilitate customer payment services in a global economy.

#### F. FOREIGN OPERATIONS

Foreign banking operations are focused on the globalisation processes of Italian corporate clients in all major foreign financial markets as well as some emerging countries that have business relations with Italy. To facilitate this cross border activity, BMPS, as anticipated above, owns and manages a small number of foreign subsidiaries consisting of:

- Two European banking subsidiaries (Monte Paschi Banque, based in France, and Monte Paschi Belgium, based in Belgium); and
- Four branches located in New York, London, Shanghai and Hong Kong.

While this international network plays an important role in the global business strategy of the Group, the foreign banking operations do not undertake consumer oriented marketing activity. As such, the international operations remain small, relative to the Group's global operations.

BMPS is a public company, listed on the Italian Stock Exchange, and is a member of FTSE MIB index (the main benchmark index of the Italian stock market). For further information on BMPS' global operations, please refer to BMPS' 2017 Annual Report and Accounts.

## G. MATERIAL SUPERVISORY AUTHORITIES

The banking operations of BMPS are subject to a significant body of laws and regulations that are a condition for authorization to conduct its banking and financial services business in each jurisdiction where it conducts operations. These requirements are largely prescribed on a jurisdictional basis by the applicable government, central bank, regulatory authorities or other applicable bodies. Details of the supervisory authorities for BMPS and its U.S. operations (other than for supervision on the Resolution Plan Rule) are included at Exhibit G.1 below.

### *Exhibit G.1: Regulators by Entity*

Entity	Regulatory Authority
BMPS	European Central Bank
	Bank of Italy
	The Commissione Nazionale per le Società e la Borsa
	Istituto per la Vigilanza sulle Assicurazioni Private e di Interesse Collettivo
BMPSNY	New York State Department of Financial Services
	Federal Reserve Bank of New York

## H. PRINCIPAL OFFICERS

The tables below provide a list of the principal officers for BMPS as of December 31, 2017

### *BMPS Board of Directors*

Name	Position
Stefania Bariatti	Chairperson
Antonio Turicchi	Deputy Chairman
Marco Morelli	Director and CEO
Giorgio Valerio	Director
Michele Santoro	Director
Angelo Riccaboni	Director
Salvatore Fernando Piazzolla	Director
Stefania Petruccioli	Director
Nicola Maione	Director
Roberto Lancellotti	Director
Fiorella Kostoris	Director
Marco Giorgino	Director

Giuseppina Capaldo	Director
Maria Elena Cappello	Director

#### *BMPS Board of Statutory Auditors*

<b>Name</b>	<b>Position</b>
Elena Cenderelli	Chairman
Raffaella Fantini	Statutory Auditor
Paolo Salvadori	Statutory Auditor
Daniela Federico Monarca	Substitute Statutory Auditor
Carmela Regina Silvestri	Substitute Statutory Auditor

#### *Senior Management Officials of BMPS at 31 December 2017*

<b>Name</b>	<b>Position</b>
Marco Morelli	CEO and General Manager
Antonio Nucci	Chief Commercial Officer
Pierfrancesco Cocco	Chief Audit Executive
Ilaria Dalla Riva	Chief Human Capital Officer
Lucia Savarese	Head of Problem Loans and Assets Division
Enrico Grazzini	Chief Operating Officer
Francesco Mele	Chief Financial Officer
Alessandro Papaniaros	Head of Compliance Area
Fabrizio Leandri	Chief Lending Officer
Andrea Rovellini	Chief Risk Officer
Marco Palocci	Head of External Relations
Riccardo Quagliana	Group's General Counsel

#### **I. RESOLUTION PLANNING CORPORATE GOVERNANCE STRUCTURE AND PROCESSES**

The Resolution Plan has been developed, reviewed and approved in conjunction with senior management, various internal governance committees and subject matter experts including the following departments at BMPSNY level (Operations Department, Risk Management Department, IT Department, Information Security Department, Credit Department, MCR Department, General Manager) and Head Office Level (International Division, Compliance Division).

The BMPS' Board of Directors considered and approved the submission of the 2017 Resolution Plan to the Federal Reserve and the FDIC on, in Siena, Italy prior to its submission by BMPSNY's General Manager - Vincenzo Ciancio - under delegated authority from the Board.

#### **J. MATERIAL MANAGEMENT INFORMATION SYSTEMS**

The banking operations of BMPS rely on robust management information systems to monitor the financial health and risk of their global operations and business activities. BMPS maintains comprehensive management information systems to capture and aggregate relevant information to inform decisions regarding the overall management of BMPS' business, including its U.S. operations.

Systems used for credit and market risk management, banking transaction recordkeeping, accounting, and financial and regulatory reporting, used in the day-to-day operations of BMPSNY are licensed from third-party vendors and are subject to contractual terms with the licensor.

BMPS maintains a number of policies governing the information technology control environment and key management information applications licensed are included in detailed business continuity plans designed to ensure continuity of operations in the event of a business interruption.

Given the noncritical nature of BMPS' U.S. operations and the limited scope of its U.S. footprint, the information collected and maintained, and the delivery systems used to report to management and the Board of Directors of BMPS are fully adequate to provide the necessary information required to monitor and respond to material issues in a timely fashion.

#### K. DESCRIPTION OF RESOLUTION STRATEGY

As described above, BMPS has a limited footprint in the U.S. and has no core business lines, critical operations or material entities whose failure or discontinuance would pose a threat to the financial stability of the United States. Because of the limited operations of BMPS in the U.S., and the existence of a resolution regime for BMPSNY, it is expected that the discontinuation of the U.S. operations would proceed in an orderly fashion and would not have an adverse effect on the financial stability of the United States.

BMPS believes that the only basis upon which its U.S. operations would be put at risk of failure is as a result of severe financial distress from its activities in its principal markets. In the event of BMPS' failure, BMPSNY would be liquidated pursuant to the insolvency and liquidation provisions of the New York Banking Law by the Superintendent of the New York State Department of Financial Services. Given BMPSNY's size and limited geographic profile, it is expected that liquidation of BMPSNY by the Superintendent would be substantively completed within six months.