

Resolution Plan of Monte dei Paschi di Siena Foundation  
for  
Banca Monte dei Paschi di Siena New York Branch  
("BMPS-NY")

---

1. Public Section

# Table of Contents

## SUMMARY

INTRODUCTION.....	2
A. MATERIAL ENTITIES.....	4
B. CORE BUSINESS LINES.....	4
C. SUMMARY FINANCIAL INFORMATION REGARDING ASSETS, LIABILITIES, CAPITAL AND MAJOR FUNDING SOURCES .....	4
D. DESCRIPTION OF DERIVATIVE AND HEDGING ACTIVITIES .....	6
E. MEMBERSHIPS IN MATERIAL PAYMENT, CLEARING AND SETTLEMENT SYSTEMS.....	7
F. FOREIGN OPERATIONS .....	8
G. MATERIAL SUPERVISORY AUTHORITIES.....	8
H. PRINCIPAL OFFICERS .....	9
I. RESOLUTION PLANNING CORPORATE GOVERNANCE STRUCTURE AND PROCESSES.....	10
J. MATERIAL MANAGEMENT INFORMATION SYSTEMS.....	10
K. DESCRIPTION OF RESOLUTION STRATEGY .....	10

# 1. Public Section

## INTRODUCTION

Fondazione Banca Monte dei Paschi di Siena (the “**Foundation**”) 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.

The Foundation was established in 1995 when law no. 218 of July 30, 1990 (the “Amato” law) came into force. Under this law, savings banks were required to separate into a not-for-profit foundation and a commercial banking arm. This led to the privatization of Banca Monte dei Paschi di Siena SpA (“**BMPS**”), and other similar entities, which, until then, had carried out banking and financial activities as public organizations characterized by a strong social commitment and sense of solidarity in support of local communities.

The Amato law led to separation of the banking activities from the philanthropic and social function giving origin to two separate entities:

- **BMPS:** BMPS, founded in 1472 is considered to be the oldest bank in the world. Today’s parent company of Italy’s third largest banking group, the bank holds significant market shares in all areas of business.
- The aforementioned Foundation, an organization which does not carry out any banking activity. However, given the Foundation’s controlling interest in BMPS, the Foundation is the “covered company” pursuant to the 165(d) Rule.

## The Foundation’s Banking Operations

The Montepaschi Group (hereinafter identified as the “**Group**”), led by the parent company, BMPS, is one of the leading Italian banking groups. The Group is present all over Italy and in major international financial centres, with operations ranging from traditional banking activities

to Private Banking (mutual funds, wealth management, pension funds, and life insurance policies) and Corporate Banking (project finance, merchant banking, and financial advisory), with a special vocation for household accounts and small and medium enterprises. With some 31,000 employees and over 2,600 branches, the Group offers its services to more than six million customers.

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 ("**BMPS-NY**").

The Foundation 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. The Foundation also supports the goal that financial institutions should be able to be resolved without taxpayer or U.S. government support.

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 Foundation's 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 Foundation, BMPS, or the U.S. or Italian governments.

Unless otherwise indicated, information in this Public Summary is provided as at December 31, 2012.

## **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. The Foundation performed a review of the operations of BMPS in the U.S. and identified one entity that is significant to BMPS’ U.S. business activities. However, because BMPS has no Core Business Lines or critical operations, the Foundation has determined that the 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 BMP in the U.S. 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, the Foundation 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 Foundation’s assessment of whether failure of a particular business line would result in a significant loss of franchise value to BMPS. Based on the Foundation’s analysis, the Foundation determined that none of the business activities undertaken by BMPS in the U.S. 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’ 2012 Annual Report. Exhibit C.1 summarizes the balance sheet for BMPS-NY.

*Exhibit C.1: Consolidated Balance Sheet for BMPSNY, as at December 31, 2012 (USD millions)*

**ASSETS:**

Cash and balances due from depository institutions	29.1
U.S. Government securities	-
Corporate securities	20.8
Fed Funds sold and reverse repo transactions	-
Loans and leases:	
- Loans secured by real estate	6.0
- Loans to banks in foreign countries	51.5
- Loans to other Financial Institutions	100.0
- Commercial and industrial loans: U.S. addresses	105.2
- Commercial and industrial loans: Non-U.S. addresses	28.2
- Loans to foreign governments and official institutions	17.1
- Loans for purchasing or carrying securities	-
- All other loans and leases	0.1
- Lease financing receivables	-
- Unearned income on Loans and Leases	-
Trading assets	-
Other assets	9.1
Net due from related institutions in the U.S. and in foreign countries	287.0

**TOTAL ASSETS** 654.1

**LIABILITIES:**

Total deposits and credit balances	162.9
Fed Funds sold and reverse repo transactions	-
Other borrowed money	483.6
Trading liabilities	-
Other liabilities to nonrelated parties	7.6
Net due to related institutions in the U.S. and in foreign countries	-

**TOTAL LIABILITIES** 654.1

## 2. Capital

As a branch of BMPS, BMPS-NY 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.

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

The primary source of funding for BMPS' U.S. 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 BMPS-NY with a liquidity cushion and BMPS-NY maintains this balance in the reserve account of BMPS-NY at the Federal Reserve Bank of New York.

#### **D. DESCRIPTION OF DERIVATIVE AND HEDGING ACTIVITIES**

The U.S. businesses of BMPS do not engage in derivatives or hedging activities.

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 adequate financial advice; 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' 2012 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 Society for Worldwide Interbank Financial Telecommunication messaging service, of which BMPS-NY is a member. These systems are used by BMPS' U.S. operations to facilitate customer payment services in a global economy.



## F. FOREIGN OPERATIONS

The Group mainly operates in Italy through a fixed network of 2,671 branches, 270 specialised centres and 138 financial advisory offices open to the public, and a full range of direct banking channels. It has significant market shares in all areas of business activities and is the third largest Italian bank, based on aggregation of its balance sheet.

Foreign banking operations are focused on the internationalisation 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 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 MIB40 index (the main benchmark index of the Italian stock market). For further information on BMPS' global operations, please refer to BMPS' 2012 Annual Report and Accounts.

## G. MATERIAL SUPERVISORY AUTHORITIES

The banking operations of the Foundation 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 main supervisory authorities for BMPS home-country and U.S. operations are included at Exhibit G.1 below.

*Exhibit G.1: Regulators by Entity*

Entity	Regulatory Authority
BMPS	Bank of Italy
	The Commissione Nazionale per le Società e la Borsa
	Istituto per la Vigilanza sulle Assicurazioni Private e di Interesse Collettivo

BMPS-NY	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 at December 31, 2012.

### *BMPS Board of Directors*

<b>Name</b>	<b>Position</b>
<b>Alessandro Profumo</b>	<b>Chairman</b>
Marco Turchi	Deputy Chairman
Pietro Giovanni Corsa	Deputy Chairman
<b>Fabrizio Viola</b>	<b>CEO</b>
Alberto Giovanni Aleotti	Director
Béatrice Bernard	Director
Paola Demartini	Director
Daniele Discepolo	Director
Angelo Dringoli	Director
Lorenzo Gorgoni	Director
Marco Miccinesi	Director
Marina Rubini	Director

### *Senior Management Officials of BMPS*

<b>Name</b>	<b>Position</b>
Fabrizio Viola	CEO and General Manager
Antonio Marino	Deputy General Manager, Head of Sales & Distribution
Bernardo Mingrone	CFO
Antonio Montalbano	COO
Ilaria Dalla Riva	Head of Human Resources and Internal Communication
Angelo Barbarulo	Head of Credit
Andrea Rovellini	Head of Risk
Marco Bragadin	Head of Network

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

The Foundation's 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 Head Office and BMPSNY level:

International Division, Compliance Division, Operations Department, Risk Management Department, IT Department, Information Security Department, Credit Department, MCR Department, BMPSNY's General Manager.

The Foundation's Board of Directors considered and approved the submission of the 2013 Resolution Plan to the Federal Reserve and the FDIC on December 17, 2013, in Siena, Italy prior to its submission by BMPSNY's General Manager - Enrico Vignoli - under delegated authority from the Board.

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

The banking operations of the Foundation 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 BMPS-NY 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.

## **K. DESCRIPTION OF RESOLUTION STRATEGY**

As described above, the Foundation, through its controlling interest in 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 BMPS-NY, 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.

The Foundation believes that the only basis upon which its U.S. operations would be put at risk of failure is as a result of BMPS experiencing severe financial distress from its activities in its principal markets. In the event of BMPS' failure, BMPS-NY 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 BMPS-NY's size and limited geographic profile, it is expected that liquidation of BMPS-NY by the Superintendent would be substantively completed within six months.