

WARM UP

1 What different kind of banks are there in Italy?

MORE ABOUT...

At the end of 2012, there were 706 banks operating in Italy, 34 fewer than in 2011. 7 banks started operating during the year (two limited company banks, one mutual bank and 4 branches of foreign banks). There were 35 mergers, takeovers and closures, mainly as a result of internal reorganisation of banking groups, 5 liquidations and the conversion of one bank into a financial company. There were 24 foreign banks present in Italy, with 8.4% of total assets. The five largest banking groups (UniCredit, Intesa San Paolo, Banca Monte dei Paschi di Siena, Banco Popolare and Unione di Banche Italiane) held 49.4% of system assets, which is over 2% less than ten years ago. This decrease was also seen in other large banking groups, while the smaller banks and foreign bank branches increased their share of assets.

Source: Banca d'Italia Annual Report

The Italian banking system

Scandal at World's Oldest Bank

At the beginning of 2013, Monte dei Paschi di Siena was forced to ask for a taxpayer-funded bailout of nearly €4 billion, its second bailout in four years. The world's oldest bank – founded in 1472 – is surrounded by scandals and allegations of fraud which have certainly affected the image of the Italian banking system in the eyes of foreign investors. (1)

The start of MPS's problems can be traced back to 2007 when it acquired rival Italian bank Antonveneta from Santander of Spain. (2) With the acquisition of Antonveneta, MPS became one of the biggest banks in Italy, but it came at a very high price – €9 billion. Considering that Santander, which had acquired the bank only a short time previously, had paid €2.4 billion less than this, this price was considered unnaturally high.

(3) The two have, in fact, been closely linked throughout history due to the organisational structure of the charitable foundation and the bank, with interests in local events such as the 'Palio', in the university and in politics. This kind of structure and the lack of proper control were perhaps suitable for the regional bank MPS used to be. (4)

The authorities are now investigating accusations of bribery over the Antonveneta acquisition and are examining several loss-making risky derivative deals, which the former management allegedly hid. (5) Meanwhile the Italian government has been criticised for bailing out the bank while Italians are still suffering from austerity measures and the ongoing economic crisis.

Source: *The Guardian*

ACTIVITIES

READING COMPREHENSION

2 BEC Read the article and choose the best sentence to fill each gap. There is one extra sentence you do not need.

- a At that time MPS was looking to expand and to ensure that it would not become the target of a takeover.
- b These hidden trades could add up to a further €700 million loss for the Bank.
- c The financial crisis increased this pressure that the bank was under.
- d One retired MPS employee said that it was difficult to know where things would end – for both Siena and the bank.
- e Standard & Poor's, in fact, has downgraded the bank's long-term credit rating from BB+ to BB.
- f However, some say, they were certainly not the way to run a major national bank.