'Death of a Banker' Spotlights Draghi and The Dying, Criminal Financial System

by Emidio Castellani

Dec. 17—In 2012, "Whatever it takes" was the famous statement with which current European Central Bank (ECB) President Mario Draghi made it clear that the Eurosystem was ready to walk over corpses in order to save the euro-denominated financial bubble and its banking system. The sinister implications of that statement resonate when you watch the documentary film "Death of a Banker: Scandal over the World's Oldest Bank" (Tod eines Bankers: Der Skandal um die älteste Bank der Welt). The 55-minute film was broadcast by the French-German TV channel ARTE on Dec. 12, 2017. Here we have a real corpse: David Rossi, head of communications of Monte dei Paschi di Siena (MPS) bank until March 6, 2013, the day when he fell from his office window in an alleged suicide.

Although David Rossi's mysterious "suicide" is now an active case in Italy, and the Siena prosecution has recently re-opened the investigation of his death, Moritz Enders' ARTE documentary film has the merit of bringing that so-called suicide and its larger implications to an international audience. Not only that: "Death of a Banker" brings to light the international dimension of what mainstream media and economists call "the Italian banking crisis," of which MPS is the pivot. Far from being a local or national issue, the MPS crisis was created by decisions taken in the 2008 global bank bailout by central bankers and supervisors—the same central bankers who today are blaming Italian banks for being mismanaged!

The film reconstructs the dynamics of Rossi's fall from the window of his MPS office, with the help of forensic experts and witnesses, and concludes that Rossi could not have done it alone. The reasons why Rossi might have been "suicided" are spelled out clearly: He knew about criminal actions involving very high-level people, inside and outside the bank.

David Rossi's was not the only mysterious death in the MPS case. Less than a year after his death, on Jan. 26, 2014, banker Will Broeksmit was found hanging from a dog leash in his London Apartment—reported as a suicide. Broeksmit had been the head of Capital and Risk Optimization for Deutsche Bank until February 2013, and had worked at the bank until his 2014 death. Broeksmit had been involved in the sale of the derivative instruments to MPS that have been the subject of criminal investigations in Italy. A third banker, Calogero "Charlie" Gambino, was found hanging from an upstairs balcony in his Brooklyn home three months later. Gambino had been a regulatory lawyer for Deutsche Bank for 11 years.

The MPS trail leads to the City of London and Wall Street. One thread connects the three murder victims: They all knew about fraudulent derivative deals between Deutsche Bank and MPS, aimed at cooking the

Screenshot of the the documentary, "Death of a Banker."


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Headquarters of the Italian bank, Monte dei Paschi di Siena.

MPS books and covering losses, and they all were soon to be called as witnesses in official investigations.

Cooking the Books

Three key elements of the MPS crisis are treated in the documentary: The bizarre acquisition of Banca Antonveneta from Santander in 2008, the derivative contracts to cover the losses, and the large loans to political friends, which then turned into non-performing loans (NPLs).

From 2008 to 2016, the equity capital of MPS had lost over 90% of its value, going from 5.7 billion euro to half a billion, despite two capital increases, a government bailout, and a partial bail-in. With over 45 billion euro in NPLs, MPS was facing insolvency. Finally, in 2017, in order to avoid insolvency, the Italian government carried out a "pre-emptive recapitalization," which was a *de facto* nationalization.

The shocked citizens of the Italian city of Siena asked, "What happened? How could the oldest bank in the world, Monte dei Paschi di Siena, founded in 1472, have been so mismanaged to create such a disaster?" Almost every family in Siena is a shareholder and many of them had lost all their savings.

The turning point was the acquisition of the Italian bank Antonveneta from Santander in 2008. Documents show that Mario Draghi, then Governor of the Bank of Italy, ignored his own supervisors in allowing the MPS purchase of Antonveneta and misrepresented the real cost of the operation. In the documentary, Paolo Emilio Falaschi, attorney for MPS' small shareholders, shows the Draghi letter in which he authorized the purchase, presenting a total "cost" of 9 billion euro—but that was the price, not the cost. Falaschi explains that the total cost, which included Antonveneta's liabilities, was over 17 billion euro.

In an attempt to paper over the losses produced by the real cost, MPS fraudulently altered its books through derivative contracts, such as one sold by Deutsche Bank, called "Project Santorini." The deal appeared on the books as an asset, whereas it was actually a loss shifted to the future. However, normal supervision would have immediately uncovered the fraud.

Financial expert Giuseppe Bivona, a consultant to the Inquiry Commission of the Tuscany Regional Council that issued a report on the MPS crisis in July 2016, says in the documentary: "If in the contract, the word 'derivative' pops up 447 times, it is not difficult to understand that this is not about government bonds … From 2010 to 2015, the bank engaged systematically in cooking its books, by the admission of its own managers."

Indeed, a trial in Milan has recently exposed the fact that the Bank of Italy at that time was aware of the fact that such derivatives were created to cook the books of MPS, in order to cover half a billion euro losses. Former senator Elio Lannutti, head of the Italian consumer association Adusbef, says in the documentary that Mario Draghi is responsible for "criminal activity."

Privatization, Deregulation

The final blow to MPS was delivered by the economic recession primarily caused by the austerity programs implemented by the Mario Monti government in 2011. Monti was appointed prime minister under a conspiracy "led by Brussels, Frankfurt, and the Quirinale in Rome," according to the then Finance Minister Giulio Tremonti—meaning the European Union (EU) Commission, the ECB, and the Italian State Presidency under Giorgio Napolitano. Tremonti's government, led by Prime Minister Silvio Berlusconi, was given an ultimatum through a letter written by the outgoing and the incoming heads of the ECB, Jean-Claude Trichet and Mario Draghi, who stated that the ECB would stop supporting Italian debt paper—unless the government implemented "reforms" including a change in the constitution, labor reforms, brutal budget cuts, and tax increases.

European Central Bank (ECB) President Mario Draghi.

Facing ECB retaliation, the Berlusconi cabinet resigned in November 2011. The technocratic government led by Mario Monti executed the ECB orders, plunging the country into a recession. As a consequence of a wave of corporate and household insolvencies, NPLs mushroomed in the Italian banking system. Today, MPS has a backlog of over 45 billion in NPLs; the entire Italian banking system is estimated to hold one third of the total one trillion euro of NPLs in the Eurozone.

Meanwhile, banking supervision has been centralized in the EU under the European Banking Authority, which is a branch of the ECB. The ECB is exclusively focusing on the Italian NPL crisis and demanding action to defuse what it claims is the unique systemic risk to the European and global financial system. Mainstream economists and media have made the Italian problem a totem, while ignoring the much bigger risk posed by the derivatives exposure of German, French, and British banks.

EU rules have made it impossible for banks to find solutions, by imposing rules that prohibit further loans to defaulting customers. Banks are thus prevented from any negotiated solutions with their customers. Bridge loans, for a certain period, would allow business customers to keep going, and be in a position to repay their loans, or allow individuals to have some breathing room while finding a new job. On top of that, the ECB is now considering a new rule by which banks would have to put up a 100% reserve for NPLs.

While doing this, the ECB has also issued a deadline for banks to get rid of their NPLs, forcing them to sell the loans to hedge funds which buy them for ten cents on the dollar and make up to 400% profit on the collateral. What you see here is a deliberate intention to shut down community banks altogether, forcing them to merge into investment megabanks in order to survive.

In the documentary, financial expert John Christensen states that the Italian banking system was "well regulated" until it was privatized and deregulated—that it is now following the "British model of high-risk financial investments." In an interview with the German online newspaper *Deutsche Wirtschafts Nachrichten* (DWN), filmmaker Moritz Enders insisted that "MPS is only one example of an entire group of banks which in the meantime have gotten into trouble in Italy. But twenty-five years ago Italian banks, including MPS, were very healthy. It was the privatization wave, in the banking and industrial sectors, which was supposed to make Italy ready for the euro, which played a role in the speculation against the Lira, and has fundamentally changed the situation."

Who was responsible for that? Well, it started with a directive issued in December 1989 by the EU Commission under Jacques Delors, which mandated all member states to lift national regulations and bank separation provisions, in favor of a "single banking model" in the EU—universal banks. The directive listed all permissible activities under the new banking model, including investing in a detailed list of derivative products.

Why Was MPS Sacrificed?

That directive was implemented in Italy by two figures—Mario Draghi, then director-general of the Italian Treasury, and Giuliano Amato, prime minister in 1992-1993 and 2000-2001. After participating in the famous meeting on board the Queen's yacht *Britannia* with City of London bankers on June 2, 1992, Draghi was appointed head of the Privatizations Committee, which oversaw all Italian privatizations, starting with banks, including MPS. At the same time, Draghi and Amato drafted the two bills that deregulated the banking system and lifted banking separation rules, called "the Amato-Draghi Bill" or the Single Banking Act of 1995.

Draghi eventually left the Treasury in 2002 and became head of European operations at Goldman Sachs in London. In 2006, he became Governor of the Bank of Italy after his predecessor, Antonio Fazio, had been overthrown by the scandal around Antonveneta bank. Fazio had opposed the sale of Antonveneta to ABN Amro, but had to resign when the media published wiretapped conversations between Fazio and the Italian rivals of ABN in the purchase.

Giuliano Amato, between his two mandates as Italian prime minister, was hired by the EU Commission to draft what became the Lisbon Treaty in 2006. After the original "European Constitution" text was rejected by referenda in France and Holland, Amato was assigned to change the text a little in order to reintroduce it in form of a treaty. That treaty is today the primary source for European Law.

A member of the British Fabian Society, Amato has been the *deus ex machina* of MPS, together with his ally Franco Bassanini, a former minister and a member of parliament from Siena. Amato and Bassanini have been the sponsors of Giuseppe Mussari, the CEO of MPS, who launched the Antonveneta operation and the subsequent derivative orgy. (Mussari left MPS in 2010 and became head of the Italian Banking Association until his resignation in January 2013.) See "A Four-Century-Old Nemesis Casts Its Shadow over Upcoming Elections" in *EIR*, February 1, 2013, for more background.

This is a closed circle: It is hard to imagine that MPS CEO Mussari, a lawyer by profession, decided, by himself, to buy Antonveneta in 2008 with nothing but a phone call to Santander's head Emilio Botin—without due diligence—while knowing that the price was overblown. It is easy to imagine that Mussari was told to do so by someone who had enough power to guarantee that things would eventually be smoothed over and fixed, and that he would be protected. Mussari's protector Amato fits the description. But what was the higher reason for deliberately exposing MPS to bankruptcy? What was a reason strong enough to consider the oldest bank in the world "expendable"?

Mario Draghi could answer that question. At the time of the Antonveneta takeover, Draghi was not only the head of Italy's central bank, but also head of the Bank for International Settlements connected Financial Stability Forum, a body created in 1999 to suggest proposals to "reform" the financial system in the wake of the 1997-98 collapse, but also to take action in case of a crisis. In 2008, the world financial system was on the verge of collapse. Governments throughout the world were handing out trillions of dollars and euros to bail out insolvent megabanks.

When ABN Amro became insolvent and a chain-reaction was threatened, it was bailed out by a consortium of banks in what was the largest European insolvency of all time, with over 60 billion euro. The consortium was composed of the Royal Bank of Scotland, the Belgian Fortis, and the Spanish Banco Santander. They chopped up ABN Amro and took over its parts—Santander got Antonveneta. However, as a result, Santander found itself in trouble and announced a capital increase of ten billion euro in order to offset the losses.

Was MPS sacrificed to bail out Santander? Was Draghi's fraudulent authorization motivated by the higher purposes of saving the global financial system "whatever it takes"? It is a fact that the sale of Antonveneta brought 17 billions into Santander's vault and the capital increase was cancelled.

Plan B for the Next Crisis?

The rest is known. Members of the Investigating Committee on the Banking Crisis of the Italian Parliament, which has discussed the MPS case, have asked Draghi to testify before the committee. The ECB made known that the head of the ECB is not accountable to any national parliament. This makes it even more urgent to replace so-called "EU Law" and the EU institutional framework with a system of cooperation among sovereign nations allowing nations to re-establish banking separation systems, among other regulations.

Such an urgent banking reform was an issue during the discussion with a selected audience of journalists and bankers at the showing of the documentary in Berlin. The former head of the Association of Public Banks in Germany, Bernd Lüthje, called for separating "normal" banks from investment banks. Normal banks, he said, which manage savings and deposits, should not be allowed to speculate. On the other side, investment banks should be "strictly controlled."

In his interview with DWN, filmmaker Moritz Enders describes the dead end which the euro system is in now and said, "I really hope that in the [German] Finance Ministry they have a Plan B for the next euro crisis. In an uncertain situation, a controlled demolition is better than an uncontrolled collapse, which could be provoked by an Italian exit. I believe that this issue is of fundamental importance for the EU. And I believe that our film on the Monte dei Paschi helps a bit in the necessary debate."

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