

**THE INTERVIEW: ANTONIO FOGLIA, VICE-CHAIRMAN OF BANCA DEL CERESIO:  
"I HAVE NO REASON TO BELIEVE THAT THE FINANCIAL STATEMENTS DO NOT  
CORRESPOND TO THE TRUTH".**

**"The figures are too low: the Credit Suisse acquisition cannot be explained by the numbers".**

**Vittorio Carlini, Il Sole 24 Ore, March 21st, 2023**

"I have no reason to believe that the balance sheets, including that of Credit Suisse, do not correspond to the truth. That is precisely why I cannot understand the numbers of the rescue operation on the Swiss institution by Ubs. Disbursing, even with a CHF 100 billion liquidity line from the Swiss National Bank, only CHF 3 billion seems nonsensical to me."

This is how Antonio Foglia, vice-chairman of the Ceresio Bank and member of the Global Partners' Council of the Institute for New Economic Thinking, expresses his astonishment at the figures for the bank's rescue.

Why is he so surprised?

"The explanation lies in the numbers. Credit Suisse has 39 billion in capital and 99 billion TLAC (total loss absorbing capital, ed.). Faced with such figures, the amount being paid out is, in my opinion, excessively low. Hence there are two possibilities"

Namely?

"Either authorities think that Credit Suisse's accounts do not correspond to the facts. An eventuality I do not want to believe. Or, on the other hand, Ubs is taking advantage of the context that has been created and the Swiss authorities are demonstrating that they are not fully on top of the situation. This context clearly does not help to calm the market."

Many, however, emphasise that this is a situation in which, as in the past, the buyer pays out a sum of money that is, to some extent, commensurate with the problems of the acquired entity...

"But on those occasions, the target of the transaction was often, and above all in an ascertained manner, insolvent. Hence in extreme difficulty. A condition which, again looking at Credit Suisse' year-end balance sheets, did not seem to characterise that bank today."

Beyond the numbers, the case of the Swiss bank, as well as (albeit with its own peculiarities) that of the bankrupt Silicon Valley bank, re-propose the eternal theme of rules...

"I believe it is not a question of too few or too many rules. Rather, it is a question of their quality. The capital requirement is the ratio of equity plus reserves to risk-weighted assets. Well: the approach taken with respect to the denominator is essentially correct. An approach whose rationale is reasonable. The numerator, on the other hand, is way too small. Here, the current banking rules lead to insufficient capital, hence to an under-capitalisation of banks. If the same overall rules were applied, for example, to the balance sheet of a hedge fund, it would show a significantly higher capitalisation for the latter. This is a difference that is not justified by the difference in business activity."

That said, however, it is undeniable that, in the post-Lehman era, after the initial reaction that led, in the US, to the approval of Dodd-Frank, there was the 'usual' de-regulation. In 2018, the threshold for subjecting credit institutions to greater scrutiny rose from USD 50 to 250 billion in total assets...

"I do not deny this. However, we have to agree on this front. One way can be to define, with a few rules, the separation of commercial and investment banks. In this case, the banks would be disintermediated and there would be other more resilient players to do their jobs. Conversely, the path of universal banking can be continued. But in such a case, however, I reiterate, there is a need for a substantial re-capitalisation of banks."