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Foreign Investors Less Than Excited About Acquiring Interest In Mexican Banks

by Steven Ranieri

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Majority control of 18 Mexican banks will be turned over to private investors foreign and domestic in mid-1991. Overall, the privatization deal is priced at \$6 billion. Federal law permits a single foreign investor to acquire up to 10% of a Mexican bank's assets. Foreign investors as a group are limited to 30% control. Jorge I. Anwandter, international vice president of Holland's NMB Bank in Mexico, asserted that trade liberalization without comparable openings in finance will inhibit Mexican competitiveness in the world market. In statements quoted by *El Financiero* (10/17/90), the banker described 10% interest in a Mexican bank as a "passive investment" for a foreign bank. He called on Mexican officials to raise the ceiling from 10% to at least 18%. According to Jack Garrity, head of the International Finance Corporation's capital markets division, only the four largest Mexican banks up for privatization (Banamex, Bancomer, Serfin and Comermex) "are worth the trouble" for foreign investors. Garrity told *El Financiero* (10/25/90) that legislation governing foreign participation in banks renders such investments unattractive. Despite restrictions on foreign control, said Garrity, Citibank, Chase Manhattan, First International, and Morgan Guaranty Trust have expressed interest. He added that when the US-Mexico free trade agreement goes into effect, foreign banks will likely choose to open branches in Mexico rather than participate in Mexican institutions. A report by *Latin Finance* cited by *El Financiero* (10/30/90) said US banks are not very interested in acquiring partial ownership in Mexican banks up for privatization because of unattractive terms and regulatory restrictions, in addition to Mexico's "history of nationalizations." The US publication cited executives from Chase Manhattan, Chemical Bankers Trust, Morgan, Citibank and First Interstate as saying they are more interested in "owning a small bank than in minority participation in a large one." US bankers reportedly believe that restrictions on foreign participation, and prices on bank assets will be more favorable within a few years after the bilateral free agreement has been concluded.

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