

3-6-1991

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## Recommended Citation

Ranieri, Steven. "On Bank Privatization." (1991). <https://digitalrepository.unm.edu/sourcemex/357>

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## On Bank Privatization

*by Steven Ranieri*

*Category/Department: General*

*Published: Wednesday, March 6, 1991*

Feb. 18: The Treasury Ministry (SHCP) announced that the government would accept requests for opportunity to bid on the acquisition of its "first package" of banks to be reprivatized. The combined book value of the three banks BANPAIS, Banca Cremi and Multibanco Mercantil is approximately \$200 million. Feb. 21: The SHCP released a statement asserting that the federal government has no interest in participating in the banking industry, even as a minority partner. Future private sector owners will decide whether to permit employee stockholding, said the statement. The book value of the 18 banks to be privatized had increased to \$4.7 billion by year-end 1990. Market value is 150% of book value. Government negotiators are expected to use the latter in dealing with bidders. As of late February, restructuring of the huge inter-bank debt held by the largest banks had not yet commenced. Reprivatization of the banks is expected to be complete before the end of 1991. In Ciudad Juarez, Hector Lopez, regional director for the National Bank of Mexico (BANAMEX), said that border area businesspersons have expressed great interest in purchasing shares in both BANAMEX and BANCOMER. Bidding on BANAMEX will formally begin in May. Lopez said that BANAMEX is Mexico's most important bank, controlling a third of all bank assets. Feb. 22: SHCP officials told reporters that the market value of the 18 banks may be higher than \$7 billion, given profits last year of nearly \$1.1 billion. According to ministry sources, 13 investors have formally entered the process to acquire the first three banks. The deadline for qualification and bidding procedures on the first "package" is March 11. Feb. 25: Larry Brainard, finance consultant and former head of the New York Bankers' Trust economic subcommittee on Mexico, said that foreign investors had thus far expressed little interest in the first three banks to be privatized. US banks, he added, are hoping to negotiate a "complete opening" of the Mexican financial industry to foreign capital in the context of the free trade agreement." The US International Trade Commission's most recent report to the US Congress recommended the elimination of non-tariff barriers to investment in the financial system. The Commission said that US investors are "not interested in monetary participation, they want administrative control, the right to own over 50% of the stocks." Under current regulations for the privatizations, at least 65% of the shares must be purchased by Mexican nationals. According to Brainard, Japanese investors also want control over their investments. (Sources: Notimex, 02/21/91; Agence France-Presse, La Jornada, 02/22/91; La Jornada, 02/22/91; El Financiero, 02/22/91, 02/26/91)

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