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Update On Bank Privatization

by Steven Ranieri

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On March 12, the Treasury Ministry (SHCP) reported that 17 investor groups had submitted bids to acquire the first three banks Banpais, Cremi and Multibanco Mercantil to be privatized by the government. A total of 18 banks are scheduled for privatization this year. The combined book value of the three banks is about \$200 million. According to ministry figures, the book value of all banks to be privatized totals about \$4.7 billion. Market value, however, is estimated at \$7 billion. The government plans to accept bids closest to market value. The privatization process has progressed more slowly than anticipated, and has been characterized so far by speculation in bank stocks (Certificates of Patrimonial Contribution- CAPs) and the stock market in general. CAPs increased in value by an average of 14.3% in one month, and on March 8, the stock market surged to an all-time high. Created shortly after bank nationalization in 1982, CAPs can represent no more than 34% of a bank's assets and carry no voting rights. CAP holders will be able to exchange them for an equal number of shares in a given bank once it is privatized. (Sources: The Mexico City News, 03/10/91, 03/14/91; Uno Mas Uno, Notimex, AFP, 03/12/91; La Jornada, 03/13/91; El Financiero, 03/13/91, 03/14/91)

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