

6-22-1989

## In Wake Of Stock Market Scandal, Brazilian Government Closes Five Brokerage Houses

John Neagle

Follow this and additional works at: <https://digitalrepository.unm.edu/notisur>

---

### Recommended Citation

Neagle, John. "In Wake Of Stock Market Scandal, Brazilian Government Closes Five Brokerage Houses." (1989).  
<https://digitalrepository.unm.edu/notisur/3252>

This Article is brought to you for free and open access by the Latin America Digital Beat (LADB) at UNM Digital Repository. It has been accepted for inclusion in NotiSur by an authorized administrator of UNM Digital Repository. For more information, please contact [amywinter@unm.edu](mailto:amywinter@unm.edu).

## **In Wake Of Stock Market Scandal, Brazilian Government Closes Five Brokerage Houses**

*by John Neagle*

*Category/Department: General*

*Published: Thursday, June 22, 1989*

On June 21, in the wake of the biggest stock market scandal in Brazil's history, the national government closed five brokerage firms, including Capitanea Distribuidora, Ney Carvalho, Celton, Titular and Beta. Capitanea is owned by Elmo Camoes, who resigned June 19 as president of the Central Bank. The five brokerage houses had accumulated a debt equivalent to \$64 million. The scandal broke out last week when checks wrote by multimillionaire speculator Naji Nahas bounced. According to the Brazilian Securities Commission (Comissao de Valores Mobiliarios), Nahas' worthless checks passed on to several brokerages used to purchase stock future totaled \$31 million. Nahas had reportedly borrowed heavily to invest in blue-chip stocks, taking advantage of a rule that permitted him to pay five days later, said the commission. Meanwhile, he increased the price of the stocks by purchasing large amounts of common stock, meaning the shares he received later were worth more. When banks restricted credit for that type of operation, Nahas' checks to several brokerage companies were returned for lack of funds. There are nine stock exchanges in Brazil, and Nahas had been playing principally on the Rio de Janeiro market. Rio and Sao Paulo are the principal exchanges. On June 12, the Monday after the scandal broke out, the commission declared a one-day stock market holiday. The government refused to bail out the brokerages or the Rio Exchange. The scandal prompted investigation by the commission of 29 brokerages. On June 9, when Nahas' check for \$29 million was received by a brokerage to cover his trades, and then bounced, stock prices plummeted. The Rio exchange index dropped by 33% from June 9 through the close of trading on June 19. Sao Paulo's index fell 39% in the same period. Commission investigators say Nahas successfully manipulated the Rio and Sao Paulo stock markets, using millions of dollars borrowed from Citibank and from several Brazilian banks that have foreign banks (Bankers Trust New York, Lloyds Bank and Banque Nationale de Paris) as minority partners. In early June, banks decided they were overexposed in their lending to Nahas, and began to cut his credit. Markets began to recover June 20: the Rio Stock Exchange rose 10.5% and the Sao Paulo exchange closed up 15.3%. On June 21, the Rio exchange fell by 0.1%, while in Sao Paulo the market closed up 3.9%. (Basic data from New York Times, 06/20/89; AP, 06/21/89)

-- End --