11-9-1989

Mexico: Progress Report On Foreign Commercial Banks' Choice Of Debt Reduction Agreement Options

John Neagle

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

Recommended Citation


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.
Mexico: Progress Report On Foreign Commercial Banks' Choice Of Debt Reduction Agreement Options

by John Neagle
Category/Department: General
Published: Thursday, November 9, 1989

As of Nov. 3, 210 of Mexico's 500 foreign commercial bank creditors had informed the New York-based bank committee of their choices among three options contained in a debt reduction agreement dated July 23. The agreement applies to $52.7 billion of Mexico's debt to private banks. Debt contracts with the 210 banks account for $21.8 billion of that total. There are three options, summarized as follows: 1) 35% reduction in debt principal. Banks who select this option will receive 30-year bonds from the Mexican government for the remaining 65% of principal, at market interest rates. 2) No change in face value of debt, establishing fixed interest rate of 6.25% per year. The Mexican government will issue 30-year bonds under this option as well. 3) New loans equivalent to 25% of outstanding loans over a four-year period. According to Notimex, 53% of the banks chose option 1; 37%, option 2; and, 10%, new loans. The creditor banks have until year-end to make their choices among the three options. On Jan. 1, 1990, arrangements initiated under the July agreement become retroactive to July 1, 1989. According to Xinhua, earlier reports indicated that the majority of the 28 Japanese banks holding $8 billion of Mexican debt have selected option 1. (Basic data from Notimex, 11/03/89; Xinhua, 11/07/89)

-- End --