11-16-1989

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Canada's Nova Scotia Bank Adds To Reserves To Cover Possible Losses On Third World Loans

by John Neagle
Category/Department: General
Published: Thursday, November 16, 1989

On Nov. 15, Canada's Nova Scotia Bank increased its reserves by $650 million to cover possible non-performing loans to Third World nations. Nova Scotia was the fifth big bank to increase reserves in recent weeks. The other four were Canadian Imperial Bank of Commerce, Bank of Montreal, Royal Bank of Canada and the National Bank. Nova Scotia's current reserve level is equal to 65% of its $3.5 billion in loans to Latin America and Caribbean nations. The bank's principal debtors are Venezuela, Argentina, Mexico, Brazil, Chile and the Philippines. Canada's six biggest banks have increased reserves to between 61% and 80% of loans to Third World nations. The sixth bank, Toronto-Dominion, has sold off nearly all of its Third World loans in secondary market transactions. At present, Toronto Dominion has only $150 million in outstanding loans to developing countries. Some banking sources and daily newspaper The Globe and Mail say the banks' actions mean they have rejected the US debt reduction strategy, known as the Brady Plan. In 1986, Canadian banks held some $18.5 billion in Third World debt. (Basic data from Notimex, 11/15/89)

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