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BNP Paribas suspends funds because of subprime problems

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PARIS — French bank BNP Paribas has suspended three of its funds on Thursday as problems in the U.S. subprime mortgage sector are preventing it from calculating their value.

BNP Paribas Investment Partners said in a statement that the decision affected its Parvest Dynamic ABS, BNP Paribas ABS Euribor and BNP Paribas ABS Eonia funds.

It said the valuation of the funds would resume as soon as liquidity returned to the market and added that in the continued absence of liquidity, additional information on the envisaged measures would be communicated to investors within a month.

A spokeswoman for BNP could not immediately comment on the latest net asset value of the three funds.

BNP shares were indicated down 2.6 percent.

"The complete evaporation of liquidity in certain market segments of the U.S. securitisation market has made it impossible to value certain assets fairly regardless of their quality or credit rating," it said.

"In order to protect the interests and ensure the equal treatment of our investors, during these exceptional times, BNP Paribas Investment Partners has decided to temporarily suspend the calculation of the net asset value as well as subscriptions/redemptions, in strict compliance with regulations, for these funds," it added.

Subprime mortgages are the riskiest property loans, often extended to people who have payment difficulties or a bad credit history.

Several major U.S. companies have announced losses from exposure to these subprime loans, sending jitters across the financial services sector.

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