

Público

---

FEDERAL RESERVE DIDN'T WANT TO INTERVENE

## **Lehman Brothers, one of the biggest banks in the USA, declares bankruptcy**

LUSA and PÚBLICO 15/09/2008 – 9:00

The North American investment bank Lehman Brothers has announced it is going to declare bankruptcy today to protect its assets and maximize its value.

In a communiqué, the bank added that the declaration of bankruptcy, approved by the board, would be presented to the Southern District of New York Bankruptcy Court immediately.

“Lehman Brothers’ clients, including clients of its subsidiary Neuberger Berman Holdings, will still be able to trade their securities and take any decisions they think are correct regarding their accounts”, the note said.

The bank lost about \$3.9 billion (€2.7 billion) in the third quarter of the year, after having had to make large depreciations to its assets because of the real estate market crisis, caused by the creation of financial products based on the credits of US families who were unable to pay their debts. These financial products were called subprime – high risk mortgage credit.

The bank’s declaration of bankruptcy comes after failed attempts by Lehman Brothers to find a buyer, after Barclays, the last bank still interested, pulled out of the race on Sunday.

The British bank believed it would be impossible to buy Lehman Brothers without US federal aid similar to what JPMorgan Chase had been given in March when it acquired another struggling bank, Bear Sterns, according to the New York Times and the Wall Street Journal.

### **158-year old bank**

Lehman Brothers Holding, the fourth largest US investment bank, succumbed to the subprime credit crisis that it helped create, in the biggest bankruptcy process in the history of the financial market, Bloomberg wrote online.

Founded in 1850 by three Jewish immigrants from Germany, the company managed to resist for 158 years, through the great depression of the 1930s and the collapse of long-term capital management of ten years ago. But today this phase came to an end with the announcement of Chapter 11 proceedings at the New York bankruptcy Court in Manhattan.

Apart from Britain’s Barclays Bank, the Bank of America also showed interest in analysing the Lehman dossier, but opted to buy its rival, Merrill Lynch, for \$50 billion (€30 billion).

Lehman’s debt is over \$613 billion (€430 billion), an amount that outstrips the previous record, belonging to WorldCom, the telecommunications group that collapsed in 2002, and Drexel Burnham Lambert, which went the same way in 1990. Its market value had fallen 94% this year, 40% of which in the past week.

**Article updated at 10:30**