

Público

MINISTER SAYS INSTITUTION FACES 'IMMINENT RUPTURE OF PAYMENTS'

Government acknowledges BPN nationalisation

[Photo]

The nationalisation of BPN will be the first since 1975

JOSÉ CARLOS COELHO (ARCHIVE)

The finance minister announced today that the government is going to propose that parliament nationalises Banco Português de Negócios (BPN), which, if confirmed will be run by Caixa Geral de Depósitos.

Speaking at a press conference at the end of an extraordinary cabinet meeting, the finance minister justified what would be the first nationalisation in Portugal since 1975 with the "exceptional", "delicate" and "unusual" situation in that bank, which has accumulated losses of around €700 million, €360 million of which are associated with operations with Cape Verde's Banco Insular.

BPN, which belongs to Sociedade Lusa de Negócios, is "in a situation that is very close to an imminent rupture in payments", said Mr Teixeira dos Santos, recalling that the institution "has not been meeting minimum solvency ratios" imposed by the Bank of Portugal and there are no expectations that it can find any "new sources of liquidity" in the near future.

"Faced with no solution that defends the interests of the depositors, the government has been forced to propose that parliament nationalises BPN", the minister said, adding that as of tomorrow, the management of the institution would be monitored by two board directors from Caixa Geral de Depósitos.

As soon as the nationalisation proposal is approved, the management of BPN will be handed over to CGD, which will have a remit to "manage and present a development plan".

The government said there would be further details at a joint press conference to be given by Mr Teixeira dos Santos and Vítor Constâncio, the governor of the Bank of Portugal, scheduled for this afternoon.

Government announces line of credit for banks

At the end of this afternoon's meeting, the finance minister announced a €4 billion line of credit was going to be opened to help banks bolster their capital and ensure their financial soundness. Mr Teixeira dos Santos explained that this was because the Bank of Portugal was going to demand that financial institutions increased their solvency ratios to 8% of their base funds, compared with the current requirement of 4%.

"This is going to make the institutions improve their financial soundness and, therefore, along with the efforts that the shareholders are going to have to make, the government is going to provide financial resources that can also contribute towards this recapitalisation, through preference shares", he said.

Stressing that the mechanism is similar to what other European Union countries have been applying, the finance minister said “banks’ ability to provide loans depends on soundness” and that “the stronger they are, the greater the banks’ ability to fund the economy”.

(Article updated at 16:07)