

## Press release

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# FINMA initiates bankruptcy proceedings against Espirito Santo

**On 19 September 2014, the Swiss Financial Market Supervisory Authority FINMA initiated bankruptcy proceedings against Banque Privée Espirito Santo SA. FINMA found that the bank, which has been in voluntary liquidation since July 2014, was over-indebted. According to current estimates, the bank is in a position to rapidly and fully reimburse privileged deposits to its clients.**

During its close supervision of Banque Privée Espirito Santo SA, which is undergoing liquidation, FINMA found the company to be over-indebted. The fact that the bank is in liquidation resulted in it having to stringently re-evaluate its assets. Moreover, a company in liquidation must make provisions for the costs necessary to continue operations until it surrenders its banking licence. The amount of equity capital available to the Swiss bank no longer suffices. Recapitalising the bank through participation of the current shareholders is not possible, as the parent companies of the Espirito Santo Group are also insolvent. FINMA has thus initiated bankruptcy proceedings against the bank and appointed a bankruptcy liquidator.

### Swiss bank sucked into problems of Portuguese Espirito Santo Group

In recent months, various parts of the Portuguese conglomerate have been experiencing growing financial problems. A number of the Group's holding companies defaulted on their payments. Although the bank, Privée Espirito Santo SA, was not considerably exposed to those holding companies, the loss of confidence following the Group's collapse posed serious problems for the Swiss company, particularly since it was not included in the restructuring measures ordered by the Portuguese authorities for the Portuguese bank.

### **Summer 2014: FINMA requires measures to be taken**

FINMA has been closely supervising the Swiss bank throughout this entire phase, requiring the bank to take action to enable it to handle the crisis. In July 2014, Banque Privée Espírito Santo SA thus decided to sell off significant parts of its client portfolios to CBH Compagnie Bancaire Helvétique SA for a fair market price. This allowed Banque Privée Espírito Santo SA to shorten its balance sheet and strengthen its capital base. At the same time, it also announced that it would cease operations and go into voluntary liquidation. Owing to those measures, the bank's balance sheet total fell from CHF 600 million in June 2014 to currently CHF 80 million, taking the necessary provisions into account. This also reduces the number of depositors affected by the bankruptcy.

### **Privileged client assets to be reimbursed**

The key objective of the measures imposed by FINMA is to protect depositors. One of the first steps the newly appointed bankruptcy liquidator will thus undertake is the repayment of privileged deposits (up to CHF 100,000). Current estimates indicate that the bank has sufficient resources and liquid assets to fully reimburse its clients their privileged deposits. The Depositor Protection Association (esisuisse) therefore need not be involved. Coverage of client deposits over CHF 100,000 will be determined during the course of the bankruptcy proceedings. The majority of the bank's client deposits are, however, privileged.

### **FINMA enforcement proceedings in progress**

Enforcement proceedings against Banque Privée Espírito Santo (see [FINMA press release of 3 September 2014](#)) to examine the role played by the Swiss company in distributing securities and financial products of the Espírito Santo Group are still in progress.

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