

MAJOR DEALS HELPING TO 'SOLIDIFY' PORTUGUESE BANKING SECTOR - CUATRECASAS

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Caixabank, Bankinter and Fosun deals have strengthened Portuguese banks by providing new capital at a time when financial institutions need to strengthen balance sheets

Three international deals in 2016 will help to create a "more solid" Portuguese banking sector, according to Maria João Ricou, managing partner of Cuatrecasas in Portugal.

Ricou, who heads the firm's banking, finance and capital markets practice, says Caixabank's acquisition of BPI, Bankinter's purchase of Barclays' Portuguese business and Fosun's acquisition of a stake in BCP have "given a new financial strength to the targeted banks, namely by bringing new capital or reinforcing existing capital".

The deals come at a time when much of the sector faces the challenge of shoring up balance sheets by resolving problem assets, including non-performing loans and badly-performing real estate. "Banks must address the problem of potential capital needs that such exposures may raise, namely as a consequence of the more demanding regulatory requirements that have been imposed," Ricou says. She adds that another challenge for the Portuguese banks will be to comply with the MREL [minimum requirement from own funds and eligible requirements] and issuing

enough debt in the markets for that purpose.

Meanwhile the full impact of the disruption to traditional banking models caused by the burgeoning fintech industry has yet to be felt, according to Ricou. "The digital revolution, as well as changes in financial services is under way, but the impact on current banking players and the banking market is not yet clear," she explains. "The banks are still moving slowly in this regard, partly because the regulation and compliance rules are very strict – however, it is clear that it will be necessary to re-imagine the business model in order to meet the challenges of the digital revolution in the banking sector."

Adapting to this rapidly changing environment, in addition to dealing with the substantial regulatory changes imposed on the banking and financial sector, is the main task for banking lawyers, according to Ricou. She adds that, despite these challenges, the outlook is "more positive than last year".