

UPDATE 1-Thai asset management company plan approved.2

UPDATE 1-Thai asset management company plan approved.

By Vithoon Amorn

569 words

5 June 2001

06:29 AM

Reuters News

LBA

English

(c) 2001 Reuters Limited

BANGKOK, June 5 (Reuters) - The Thai cabinet formally approved on Tuesday a plan to set up a state-run Thai Asset Management Corp (TAMC) to buy bad loans from Thai banks and help bolster the country's financial sector.

Deputy government spokesman Kuthep Saikrachang told reporters the TAMC would be launched under a special royal decree that would be adopted via a speedy legislative process without the need to seek time-consuming parliamentary approval.

Finance Minister Somkid Jatusripitak has said he expects the TAMC to begin operations in July.

Finance ministry officials have said they expected TAMC to buy up to 1.35 trillion baht (\$30 billion) worth of non-performing loans (NPLs) from banks, of which about 1.1 trillion would come from state-owned or nationalised banks.

The TAMC was a key pledge of Prime Minister Thaksin Shinawatra and his Thai Rak Thai party in the run-up to the Thai general election in January and was one of the factors contributing to his landslide win.

A government spokesman said on Tuesday the TAMC would pay for bad assets with 10-year, non-transferable debt paper that would yield returns equal to average deposit rates paid by major Thai banks.

A banking analyst at TISCO Securities said most creditor banks welcomed the move.

"I think most banks would choose to sell their NPLs to the TAMC rather than continue to sit on the assets that will likely deteriorate in value over time," he said.

The Bank of Thailand (BOT) said on Monday that total NPLs in the Thai financial system stood at 854.7 billion baht, or 17.60 percent of total loans, at the end of April.

MASSIVE BAD LOANS

Thai banks have been saddled with massive bad loans since 1997 when the collapse of the Thai economy and the baht plunged the country's financial sector into a deep crisis.

Bank NPLs peaked in May 1999 when about 47 percent of total loans were non-performing.

A government statement said the TAMC would pay for NPLs - loans with no income for at least three months - at net book value after provisioning made by their former owners, or at prices equal to the collateral previously put up by bank borrowers.

"TAMC's objectives were to rehabilitate debtors by helping them to meet their obligations, assist them to carry on their businesses, and reduce non-performing loans in the banking system while at the same time not to impose an excessive burden on creditor financial institutions," it said.

The statement said TAMC would be managed by a powerful 12-member board to be appointed by Finance Minister Somkid Jatusripitak.

The government has named former finance minister Thanong Bidaya as TAMC board chairman and Bank of Thailand Governor Pridiyathorn Devakula as its chief executive.

The statement said TAMC and creditor banks which agreed to transfer NPLs to the agency would share future profits and losses arising from the related assets.

It said the agency would only buy problem loans worth at least 50 million baht that were owned by at least two creditor banks.

The statement said bank debtors being transferred to the TAMC must be those who had not been declared bankrupt or already ordered by court to restructure their businesses.

It said the TAMC planned to dissolve itself after 10 years.

(\$1 = 45.10 baht).

Document Iba0000020010712dx6502f8n