

Financial Institutions Development Fund

The Financial Institutions Development Fund (FIDF), part of the Bank of Thailand (BOT) with a separate legal entity, was established in 1985 as a channel to provide financial assistance to troubled financial institutions, containing financial damages and mitigating the threat to stability of the financial institution system. The FIDF played vital roles in bailing out cash-strapped financial institutions during the 1997 financial crisis in addition to its usual responsibilities in guaranteeing full repayment to depositors and creditors of financial institutions to maintain public confidence and financial institution system stability.

Injecting funds into a number financial institutions in difficulties, the FIDF ended up holding stakes in several financial institutions, asset management companies, and eventually managed assets and collect debt occurred from bailing out financial institutions.

In the wake of severe financial crisis in 1997, numerous financial institutions were ordered to close while many tapped enormous financial support from the authorities and finally become state-owned financial institutions. Some merged to survive and some sought foreign partners to stay afloat. To aid more than a hundred troubled financial institutions at the same time, the FIDF inevitably borrowed substantial amount of fund to finance its operations, which include fixing financial statuses of financial institutions in difficulties. This mission costs overall damage of over 1.4 trillion baht to the FIDF.

In the aftermath of the crisis, the government issued legislations empowering the Ministry of Finance to borrow and manage the debt via bonds issuance to help coping with the FIDF's massive debt and lessen the fund's dependency on short-term borrowings, which distorted money market rates.

To deal with hefty FIDF's losses from t bailing out financial institutions and guaranteeing full repayment to depositors and creditors of financial institutions during the 1997 crisis, the Ministry of Finance agreed to pay interest of the bonds while the BOT agreed to repay principle of the bonds only when it books annual profit or has outstanding assets left in its annual benefit accounts. Since the BOT's operations are not aiming for profit while its crucial mission is to maintain economic and financial system stability, it had not generate sufficient profit to repay all the principle and had so far been able to bring down slightly over 300 billion baht.

As the government has substantial fiscal burden in economic rehabilitation and public investment in mega infrastructure projects, it has enacted Emergency Decree on management revision of the Ministry of Finance's debt occurred from aiding the Financial Institutions Development Fund, effective on January 27, 2012, relieving it from interest burden of bonds issued to finance FIDF's losses. The decree essentially stipulated that the FIDF be obliged to pay both interest and principle of the bonds. Besides the BOT's profit, outstanding assets left in its annual benefit accounts, and the FIDF's assets, the decree paves way for the BOT to call up contribution from existing financial institutions to help shouldering the burden of principle and interest payment. Based on initial projection, it would take around 25 years to clear all the existing debt.

The current contribution is set at 0.46% p.a. from average deposits protected by the Deposit Protection Agency, to be collected twice a year, on the last working day of July and the last working day of January.

As of end-2013, outstanding bonds issued to finance the losses of FIDF were at 1.107 trillion baht, down from THB1.138 trillion baht as of January 27, 2012.

After the 1997 crisis, the FIDF has continuously wound down its roles. It had in 2003 trimmed its guaranteeing responsibilities to only depositors and eventually ceased to provide such guarantee after the enactment of the Deposit Protection Agency Act on August 11, 2008. The FIDF's current role is limited only to managing its own assets.

As a separate legal entity from the BOT, the FIDF has its own budget and accounts, audited by the Office of the Auditor General of Thailand. As of September 30, 2012, the fund's total assets stood at 165,564 million baht while total liabilities were at 68 million baht.

The only financial institution that the FIDF currently holds majority stake is Krung Thai Bank PCL, with 55.05% interest.