Govt adjusts reform package to aid finance institutions.
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BY ANOMA SRISUKKASEM, and JIWAMOL KANOKSILP.

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FINANCIAL institutions, having issued Stapled Limited Interest Preferred Shares or Capital Augmented Preferred Shares, would be eligible to seek government funding at amounts equivalent of their Slips and Caps following the planned adjustment in the Aug 14 banking reform package.

Kiatchai Sophasathienphong, director of the Financial Institutions Development Policy Department, explained that the central bank is considering adjusting the package which was introduced on expectations that the financial institutions could raise sufficient funds from just a large single strategic partner.

The concept should be changed as "having more than one partner will not hurt the institutions as long as their financial status is strong", Kiatchai said, adding that the BOT would possibly revise more details which will not change the main guidelines.

"The adjustment matches the current improvement in the local and foreign capital markets and this will help make it easier for the financial institutions to mobilise new funds," he said.

Under the package, banks wishing for government funds to recapitalise their tier-1 capital are required to first write down their capital to cover damage and the management must be revamped. The conditions have proved too tough. So far, only four banks have sought government funding - Siam Commercial Bank, Nakornthon Bank, Tisco Finance Plc, and Ocean Securities & Finance Plc.

The central bank is attracting Slips and Caps issuers by allowing the holders of the issues to redeem their papers prior to maturity once the issuers decide to ask for tier-1 recapitalisation aid.

"The new measure, if any, will be applied to all banks which have issued the hybrid securities," said Praphaisith Tankeyura, president of Bank of Ayudhya which issued Bt26 billion Slips in March.

Beside BAY, Bangkok Bank issued Bt40 billion Caps and Thai Farmers Bank Bt40 billion Slips. Thai Danu Bank will issue Caps in May.

Banking analysts believe the revised policy will not attract banks like BBL and TFB as the aid will certainly come with conditions. But Kiatchai said the BOT has not yet decided whether there will be any changes on the recipient banks' boards of directors and executives.

Dr Sathit Uthaisri, the group executive vice president of BBL, said BBL has more capital than it requires, but if the package is attractive, it might reconsider the proposal.

Such minor revision to the reform package has already been put into practice for example in the case of Siam Commercial Bank, which is raising capital by Bt65 billion: half from private money and the other half from the government.

According to a source in the banking industry, the revision of the existing reform package is expected to help Thai Military Bank which would be the next to enter the tier-I support programme. TMB will raise its registered capital by issuing 'Super Caps' and asking for another equal amount from the government.

Yesterday, several local newspapers quoted a source from the Finance Ministry as saying it will provide three commercial banks with tier-I capital assistance by June. The three banks are SCB, TMB and BAY. On the day, TMB also clarified to the Stock Exchange of Thailand that it had held informal discussions with the BOT on government assistance to raise its tier-I capital, but no final conclusion had been reached yet.
Despite the clarification, the bank mentioned in its press statement released yesterday that seeking tier-I capital support from the government is still just one of the alternatives to raise capital.

Akedej Bijaphala, TMB's senior executive vice president, insisted that though TMB will finally receive the funds, the central bank has promised not to write down the bank's equity, adding that the management would not be changed as well.

The bank also denied a separate report in a Thai newspaper which said that the bank's board of directors had approved plans to float a Bt9-billion hybrid equity-debt issue and Bt3 billion of discounted notes.

BAY also made a filing to the SET in which the bank denied reports that the bank was seeking tier-I capital support from the government. BAY said the bank has been matching its recapitalisation target since 1997, causing its capital-to-risk asset to stand at 15.3 per cent as of March this year.

According to its report to the exchange, BAY also said it will be able to set aside enough reserves for the year 2000 as required by the authorities.

However, the analysts commented that despite the Bt26 billion which BAY recently issued, the amount would not be enough for the bank.

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