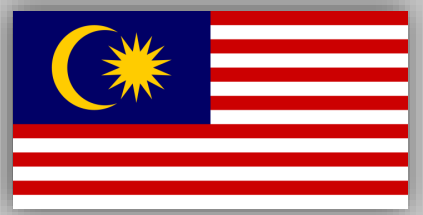
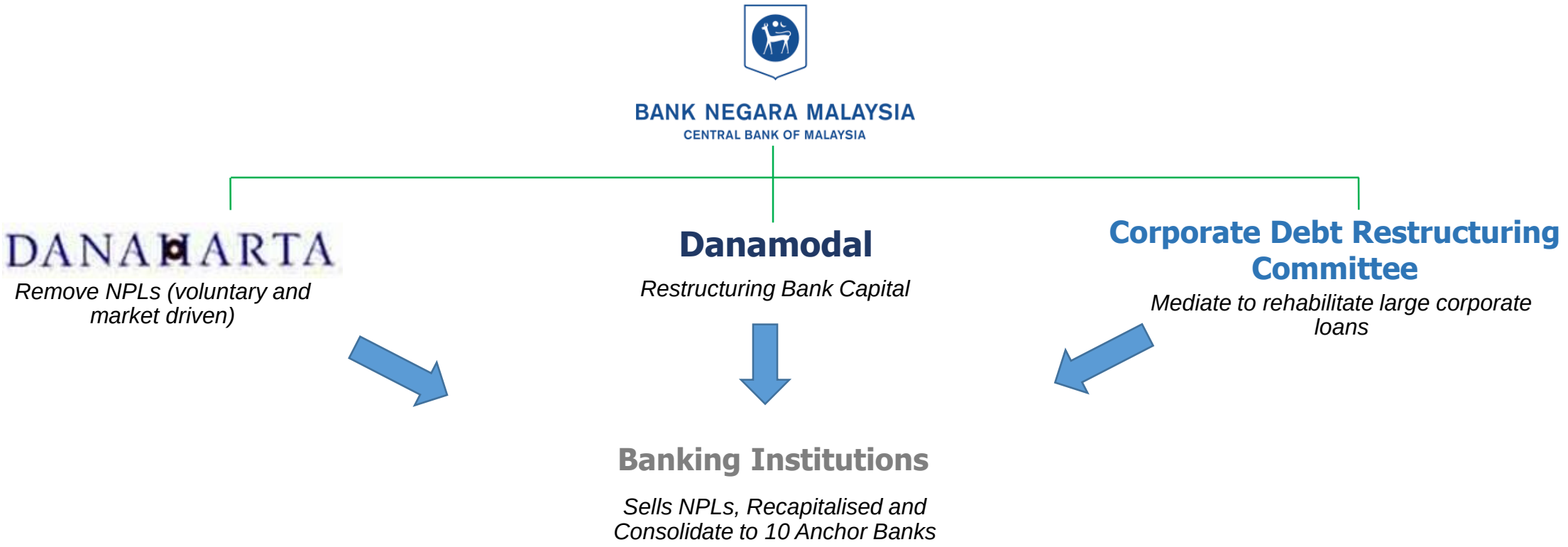


Malaysia

Non performing loans (NPL) resolution

Hamidy Hafiz

Crisis model

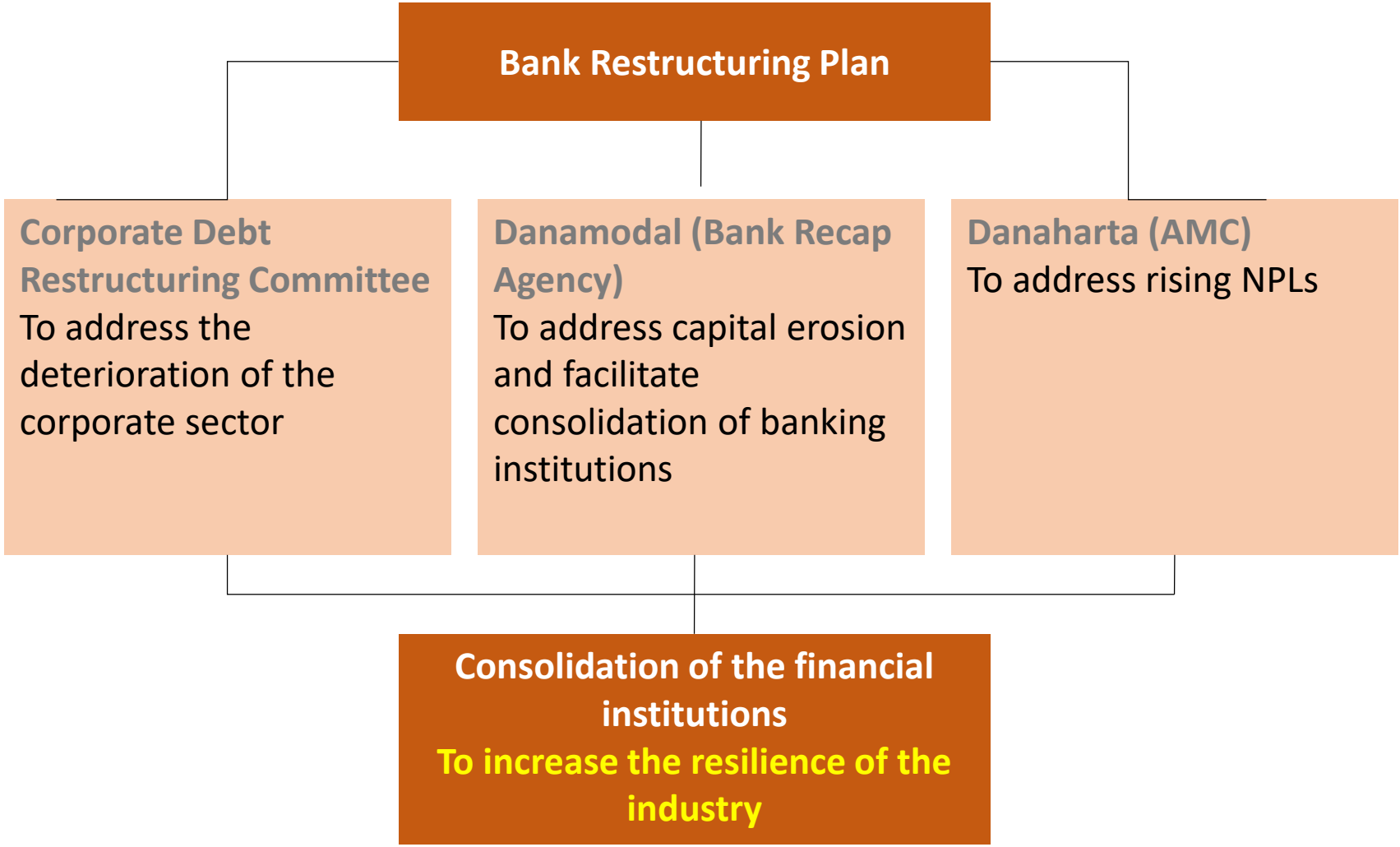


Malaysia's Response To The Crisis

- Pre-emptive measure
- Economy went into recession from a position of strength
  - RWCAR at 12%
  - Net NPL at 2.2%
- Distresses banking sector; not banking crisis
- Consultation with private sector
- Swift set-up of special purpose vehicles
- Stabilised banking sector helped accelerate macro economic recovery

Malaysian Bank Restructuring Plan

The plan adopted a pre-emptive strategy on several fronts



AMC's – In General

- Most AMCs are specifically designed to suit national situation, thus the organisation needs to be practical and solution-oriented
- Usually set up in answer to collapse of banking institutions or because of threat of banking system collapse e.g. RTC, Securum
- Danaharta is a pre-emptive action recommended by the National Economic Action council to avert a banking crisis
- Important distinction because Danaharta adopts market-driven approach – no compulsory powers of acquisition

The AMC Continuum

- Types of AMCs

- Neither a rapid disposition agency nor a warehouse agency

- Because large portions of NPLs are structural thus requiring resolution of underlying assets rather than loans

- The number of accounts > RM5million is small (approximately 3,000)

Pengurusan Danaharta Nasional Berhad

National Asset Management Company

OBJECTIVES

- Remove non-performing loan (NPL) distractions
- Maximise recovery value of acquired assets

FUNDAMENTAL PRINCIPLES

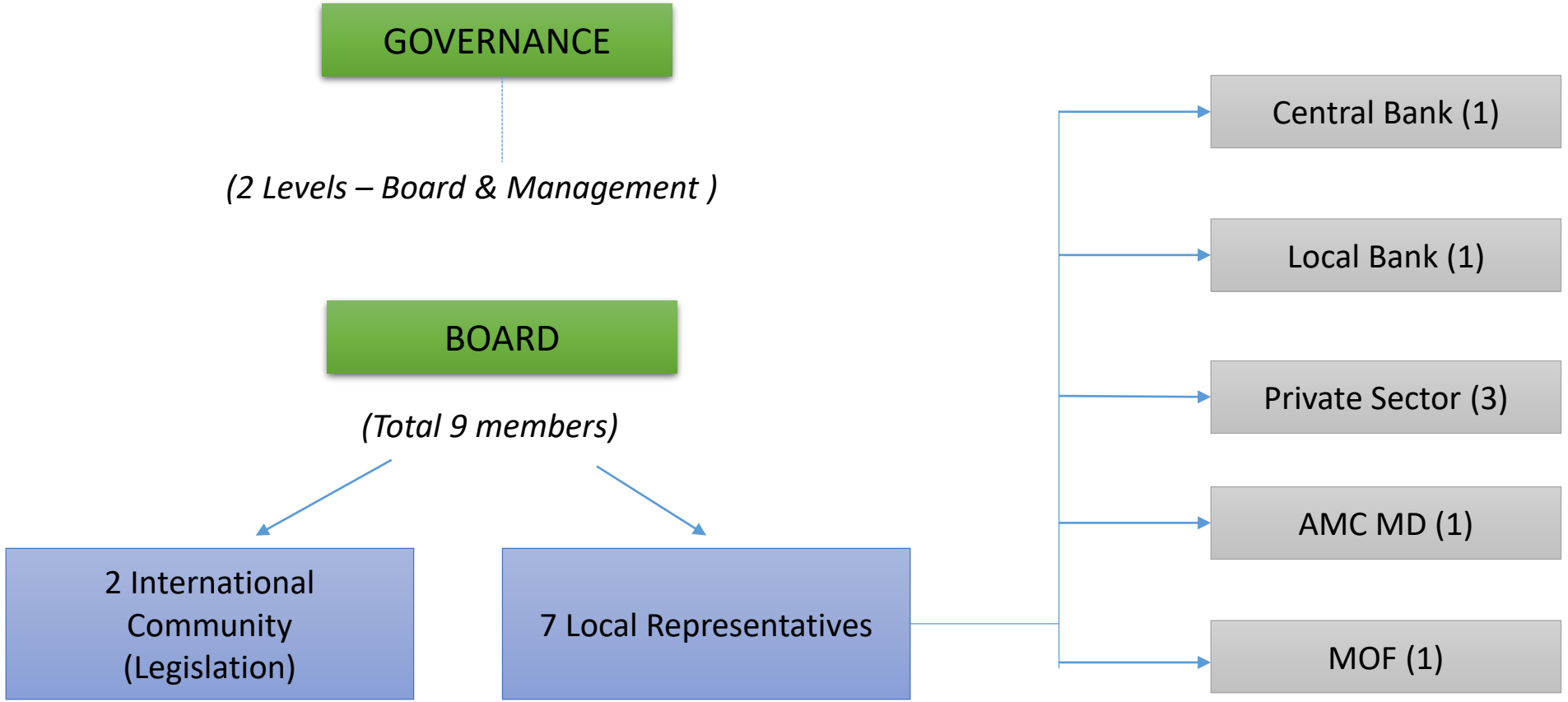
- System-wide carve-out of NPLs
- Market Driven approach
- True asset management company

Strategic Approach

- Speed
- Governance
- Market driven
- Private Sector
- Introduction of new powers (centratlised)
- Clear recovery strategies
- Carrot / stick approach
- Communication

GOVERNANCE

BOARD LEVEL



GOVERNANCE

MANAGEMENT LEVEL

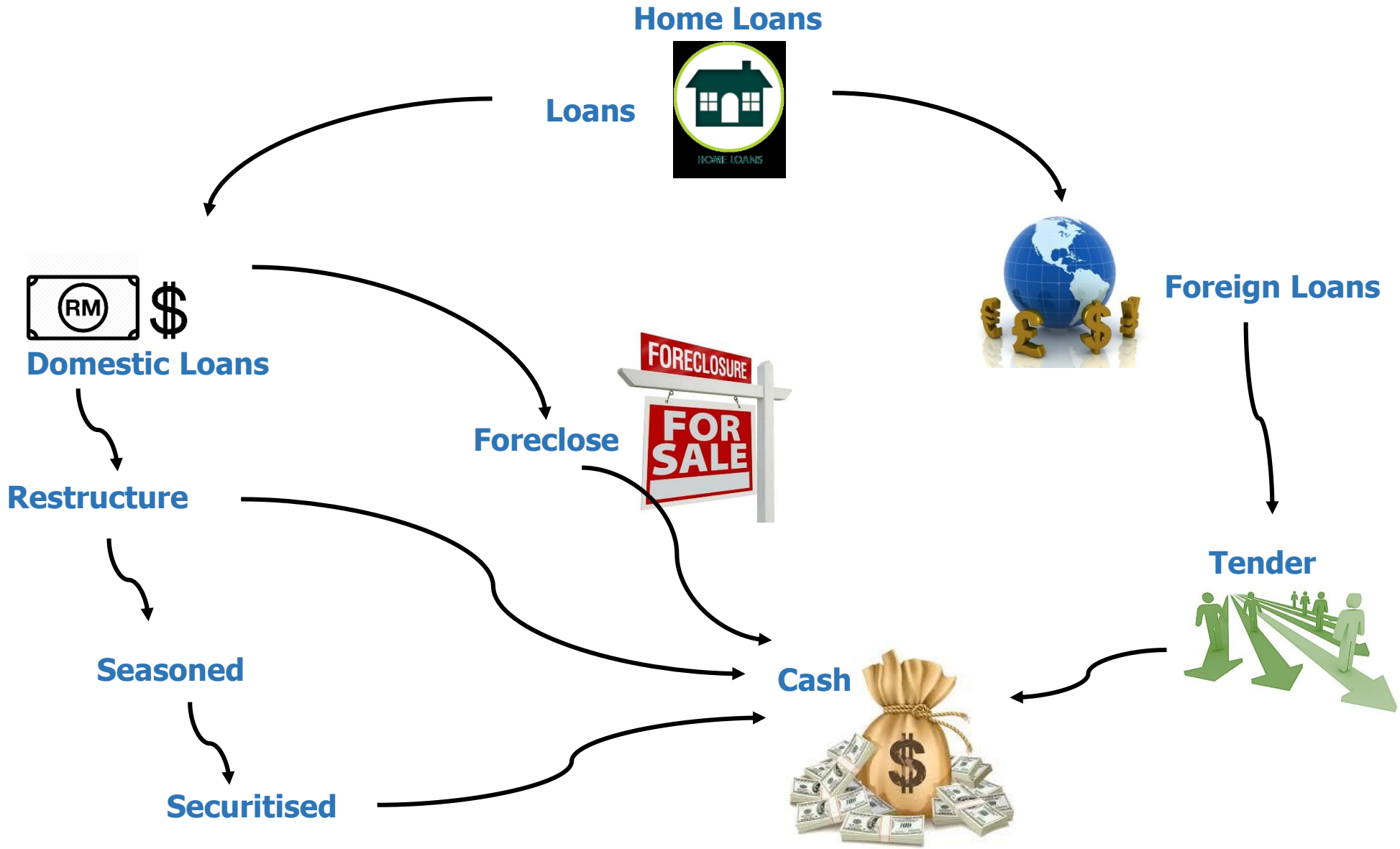
- All Senior Management required to make annual assets declaration
- All staff not allowed to participate/transact in any AMC asset disposal

Danaharta's progress through phases

Establishment	Acquisition	Management
❖Objective ❖Organisation ❖Funding ❖Legislation ❖Disclosure ❖Programmes ❖Professional ❖Advisers	❖Targets ❖Guidelines ❖Methodology ❖Valuation	❖ Approach ❖Loan Management • Restructuring • Working capital support ❖ Asset Management • Rationalisation • Foreclosure • Operations & funding support

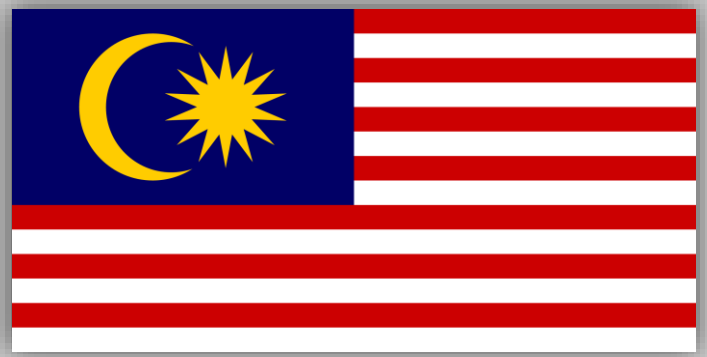
June '98 → September '98 → June '99 → onwards

Management Approach



Critical Success Factors

- Political will
- Legal powers and strong moral persuasion
- Private sector driven
- Processes are thought out and clearly communicated
- Consolidated before liberalisation
- Resolution rather than disposal
- Concentrate on weak banks, larger NPLs or borrowers and realistic returns
- International precedents



Malaysia

Thank You