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### **Asset Management Company Details Announced**

Pengurusan Danaharta Nasional Berhad

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## Public Announcements

### Asset Management Company Details Announced

Further details were announced today about the operations of the Asset Management Company (AMC) that will manage non-performing loans and assets in the Malaysian financial system.

The new agency, to be called Pengurusan Danaharta Nasional Berhad (Danaharta) will operate within guidelines that meet international best practices. In particular, it will be transparent in its dealings and will operate within market principles.

The intention to form an AMC was announced by the Government two weeks ago. Since then, Bank Negara Malaysia and an AMC project team headed by recently-designated Chief Executive Azman Yahya have been developing the framework and operational guidelines for the new agency.

Their immediate task is the creation of appropriate policies, procedures and a system of internal controls. They are being supported by international consultants, appointed after a careful evaluation process.

Based on its extensive government advisory experience in successful financial sector restructuring initiatives over the past decade, Arthur Andersen has been selected as the strategic and operational advisor for the establishment of Danaharta. JP Morgan, a leading investment bank with global experience in providing financial assistance in restructuring, has been appointed financial advisor.

Azman said Danaharta will operate by acquiring non-performing loans from financial institutions at a fair market value.

"Its fundamental task will be the rehabilitation and value maximisation of the loan assets acquired. The agency will operate within guidelines that meet international best practices as regards all aspects of its existence. The guidelines will require an adherence to principles of sound corporate governance and there will be no involvement by the Government in its daily operations."

The Government will provide Danaharta with a start-up grant of RM 50 million. Following the precedent set by almost all other AMCs around the world, Danaharta will initially be set up as a government-owned entity. Funding in the form of debt will largely come from the private sector. Preliminary estimates suggest that the total funding required will eventually be RM 25 billion, of which it is intended to raise initially RM 10 billion as part of a planned funding programme. The financing will be sourced from both the domestic and international markets. The involvement of the private sector in the funding will demand and ensure commercial disciplines in the company's activities. Once an asset management track record is established, private sector equity participation will be sought.

The Government will also expedite the acquisition of assets by Danaharta by making appropriate changes to, and exemptions from, certain legislation covering bankruptcy, foreclosure and taxation.

Azman said Danaharta will purchase assets from any financial institution in Malaysia, after undertaking appropriate due diligence investigation.

"Loans will only be selected if they are of value or have the potential to become of value," he said. "Appropriate valuation methodologies will be developed and adopted once loan asset types have been determined."

Whilst the assets are under the control of Danaharta, the overriding objective will be to maximise value by improving the overall stewardship of the loans acquired, Azman said. This will be achieved by placing emphasis on exit timing and strategies; supporting management during restructuring; employing industry-specific consultants to act as technical advisors to debtors; and maintaining asset prices by not undertaking fire sales.

The goal of maximising value will also determine what eventually happens to the loans. Strategies will include management of assets, rescheduling/renegotiation of loans, sale of assets in batches, securitisation of loans, recovery/sale of collateral, and litigation.

A Board of nine Directors, including Azman as Managing Director, will supervise Danaharta. There will be an independent Chairman and five other independent non-executive directors, to be announced by the Government at a later date. Two of these independent directors will be from the international community. The remaining two Board positions will be held by Government representatives.

Azman said he was confident the Danaharta programme would deliver considerable benefits to Malaysia.

"Through the sale of non-performing loans to asset recovery specialists focused on maximising value, Malaysian financial institutions will be able to concentrate on customer relationships and on their vital role in supporting economic growth," he concluded.

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For further information please contact:

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