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Thai Asset Management Company (TAMC)

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Thailand – TAMC

Mallory Dreyer

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Abstract

The combination of the collapse of a mid-sized bank due to fraud and the failure to meet projected exports exposed weakness in the Thai economy in 1996 (1997a BOT, p1). Pressure on the baht grew in 1997, and the Thai government attempted to defend its currency by depleting foreign reserves (Nabi 2001, p16-17). Thailand floated the baht in July 1997, which triggered a financial crisis (Leightner 1999, p370). The government encouraged financial institutions to establish asset management companies to address nonperforming loans, which peaked in 1999 at 47.7 percent of total loans (TAMC History). The Thai Asset Management Company (TAMC) was established in 2001, as the NPL ratio remained high, despite previous efforts to address the problem (TAMC History). State banks and AMCs were required to transfer NPLs to the TAMC; private institutions were also eligible to transfer assets that met a more stringent set of criteria (Decree, p10-11 Section 30). The TAMC could restructure debt, reorganize businesses, and foreclose and dispose of property (Decree, p17 Section 53). Transferring institutions were jointly liable with the TAMC for the profit or loss on the management of the transferred assets; the TAMC had a predefined profit/loss sharing arrangement to be calculated at the fifth and tenth years of operations (Decree, p16 Section 48). The TAMC ceased operations in June 2011 and completed liquidation by June 2013 (TAMC 2010; Decree, p30 Section 94-95; Katharangsiporn 2011). Over its ten-year lifespan, 780 billion baht (approximately \$17.3 billion USD) in book value of assets were transferred for an approximate purchase price of 265 billion baht (BOT 2003, p39). When the TAMC ceased operations, it had an estimated 10 billion baht in profits (Katharangsiporn 2011).

Keywords: Thailand, TAMC, asset management company (AMC), profit / loss sharing,

Thai Asset Management Company

At a Glance

Pressure on the Thai currency (the baht) grew in 1996 and 1997 after the failure of a midsized bank exposed weaknesses in lending practices and export growth failed to meet projections (1997a BOT, p1). The Thai government attempted to defend its currency using reserves, but ultimately floated the baht on July 2, 1997, which led to a swift currency devaluation (WB 2006, p2). The government adopted various measures to address the crisis in the immediate aftermath, which included encouraging state-owned and private banks to establish asset management companies (AMCs) (Terada 2004, p15). In the 2001 election for prime minister, Thaksin Shinawatra campaigned on a platform that included the establishment of a centralized AMC to address the NPL problem and aid economic recovery (Kazmin 2001).

The TAMC was established by a royal decree in 2001 (Decree, p1). State-owned institutions were required to transfer all assets classified as NPLs as of December 31, 2000 (Decree, p10 Section 30); privately-owned institutions had more stringent criteria to be eligible for transfer (Decree, p11 Section 31). In general, the purchase price was equal to the underlying collateral value excluding personal guarantees (Decree, p15). The TAMC had special legal authority and immunity, and it utilized debt restructuring, business restructuring and the foreclosure and sale of collateral to manage impaired assets (Decree, p17 Section 53; Santiprabhob 2003, p71). The transferring institution was jointly liable with the TAMC on profits or losses from the management of the transferred assets; the TAMC had a predefined profit/loss sharing arrangement with transferring institutions that was calculated at the end of the fifth and tenth years (Decree, p16-17, Sections 48, 50, 51). In total, 780 billion baht (\$17.3 billion USD) was transferred to the TAMC over its lifespan for a purchase price of approximately 265 billion baht (BOT 2003, p40). The TAMC was required to cease operations in June 2011 and complete liquidation by June 2013 (Decree, p30 Section 94-95). At the end of its operations,

Summary of Key Terms

Purpose: The TAMC was established with “the mandate of enhancing the stability of the financial sector and promoting the efficient management of non-performing assets” (BOT 2002, p18)

Launch Dates Announcement: June 9, 2001 (TAMC History)
Operational: October 2001 (TAMC 2001a)
First Transfer: October 15, 2001 (TAMC 2001a)

Wind-down Dates Expiration Date for Transfers: Unclear
Ceased Operations: June 8, 2011 (Katharangsiporn 2011)
Liquidation: June 2013 (Katharangsiporn 2011)

Program Size Not specified

Usage Acquired 780 billion baht (book value) for 265 billion baht (transfer price) (\$17.3 billion USD) (2003 BOT, p40)

Outcomes 10 billion baht in profits (\$220 million USD) (Katharangsiporn 2011)

Management Approach Combination Disposition / Management

Ownership Structure Public

Notable Features Profit / loss sharing agreement with the transferring financial institution

the TAMC transferred 10 billion baht in profits to the Ministry of Finance ([Katharangsiporn 2011](#)).

Summary Evaluation

The TAMC faced criticism during its operations, as the majority of the assets transferred were from state-owned institutions and AMCs that were already restructuring NPLs ([Santiprabhob 2003](#), p73). Others were concerned that the TAMC would delay the resolution of assets and called for more transparency ([WB 2006](#), p18). However, there were supporters of the TAMC, and in post-crisis evaluation, scholars have concluded that the TAMC decreased moral hazard behaviors in banks and contributed to the decline in NPLs in Thailand ([Terada 2004](#), p20; [Inoguchi 2016](#), p629).

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I. Overview

Background

Leading up to 1997, Thailand experienced an extended period of strong growth. Between 1980 and 1995, average economic growth was 8.2 percent per year (1997a BOT, p1). However, warning signs began to appear in 1996 when the Bangkok Bank of Commerce (BBC) “collapsed under the weight of nonperforming property loans that amounted to nearly half of its US \$7.2 billion of assets” after fraudulent activities were exposed (Leightner 1999, p369). The Bank of Thailand (BOT) seized control of the BBC in May 1996, and the authorities pursued legal action against the bank (1997a BOT, p3). The Bank of Thailand governor resigned soon after the scandal (WSJ 1997). At the same time, export growth, which had averaged 19 percent per year between 1990 and 1995, declined to zero (1997a BOT, p1). The combination of the BBC scandal and the contraction in exports led to foreign pressure on the baht.

In addition, Thailand liberalized its capital account in the 1990s, which combined with high domestic interest rates, led to “destabilizing inflows of short-term capital” (Leightner 1999, p367). Commercial bank lending grew an average of 25 percent per year between 1990 and 1995 (1997a BOT, p1), with many of the loans funding real estate projects (Devakula 2002b, p2). “A property price bubble ensued, and the Thai financial institutions, lacking the necessary credit skills, accepted inflated property values as the basis for new loans” (Devakula 2002b, p2). In 1996, a major property developer was unable to meet a foreign debt payment, which “provided the first clear indication that financing companies heavily exposed to the Bangkok property market were in trouble” (Radelet, p27). On March 9, 1997, the Bank of Thailand established the Property Loan Management Organization (PLMO) (Nabi 2001, p4; BOT 1997b). The organization was founded “to purchase property loans with collateral from financial institutions for the purpose of managing and enhancing their value (1997a BOT, p46). However, this organization was “largely inactive” (Kawai 1999, p48), and turmoil in the Thai economy continued, as there was a run on finance companies (FCs) in late April and early May (Sharma 2003, p91).¹ Thai authorities suspended 16 FCs in June 1997 (WB 2006, p2).

Thailand’s current account deficit grew in early 1997 as pressure on the baht mounted (Leightner 1999, p372 note 2). The IMF recommended that the Thai government allow more flexibility in exchange rates or devalue the baht (WB 2006, p2).² Officials disregarded the advice and “tried to suppress the growing foreign exchange crisis” (WB 2006, p2). The BOT

¹ Finance companies (FCs) fall under the supervision of the Bank of Thailand and are businesses that raise funds through public issuances of promissory notes and loan the funds for commerce, development, purchase or consumption, and housing (BOT 2015). Finance companies often engaged in riskier lending than commercial banks (Kawai 1999, p 40), as the borrowers were often “those who were turned down by the banking system (Leightner 1999, p368).

² Thailand had been under a pegged exchange rate regime since World War II (Development of the Monetary Policy Framework in Thailand).

“intervened, massively and secretly, in the foreign exchange market to support the baht” (WB 2006, p2). This policy decision led to “rapidly depleted foreign exchange reserves”, as the Thai government spent a substantial amount of reserves to defend the baht (WB 2006, p2). On July 2, Thailand allowed the baht to float, and the value “plummet[ed] to 30.32 baht per dollar from its fixed rate of 25 baht per dollar” that day (Nabi 2001, p22). The decline in the value of the baht significantly impacted Thai corporations, especially those that borrowed “freely and imprudently” from abroad without hedging for currency risk (Devakula 2002b, p2).

On August 5, 1997, the BOT suspended an additional 42 FCs (WB 2006, p2). After requesting assistance from the IMF, Thailand and the IMF reached an agreement in August 1997 (WB 2006, p3). The financing package was worth \$17.2 billion USD (Nabi 2001, p20). The package had three pillars: financial sector restructuring, fiscal policy, and monetary and exchange rate policy (Nabi 2001, p26-27). Financial sector restructuring included deposit guarantees, conditional liquidity support, steps to minimize moral hazard, closure of insolvent financial institutions, and structural reform (Nabi 2001, p26-27).

To manage the 58 suspended FCs, the government established the Financial Sector Restructuring Authority (FRA) and the Asset Management Corporation (AMC) (BOT 2000a, p10). The suspended FCs were required to submit restructuring plans to the FRA by the end of 1997; the FRA approved of rehabilitation plans for only two of the companies (BOT 2000a, p10). The remaining 56 FCs were placed under the control and supervision of the FRA for liquidation and wind-down (BOT 2000a, p10). These FCs represented approximately 14 percent of the assets in the financial sector (WB 2006, p11). The FRA began auctioning the assets in February 1998 (BOT 2000a, p10). The AMC was tasked with the purchase, management, restructuring, or sale of assets from the failed FCs, and it was the “bidder of last resort” at the FRA auctions (BOT 2000a, p11).³

The government established the Corporate Debt Restructuring Advisory Committee (CDRAC) in June 1998 “to facilitate and expedite private debt restructuring negotiations” and address the NPL problem (BOT 2002, p18). The CDRAC initially focused on the largest NPL borrowers (WB 2006, p16). Many of the cases involved “cosmetic restructuring” through methods such as maturity extensions, grace periods, or reduced interest rates (WB 2006, p16).⁴

The Thai government also encouraged private and public institutions to establish their own asset management companies to address the high volume of NPLs (Terada 2004, p15). Between 1998 and 2002, four decentralized and state-led AMCs were established for five

³ At the end of the FRA’s operations in 2002, the FRA had recovered 271 billion baht or 36 percent of the assets from the closed finance companies (BOT 2002, p18).

⁴ The CDRAC ceased operations on October 1, 2006; over the course of its operations, it addressed 11,655 cases for a total of 1.5 trillion baht in book value of restructured debt (2006 BOT, p31).

state-owned banks to transfer their nonperforming assets (Terada 2004, p18).⁵ In the private sector, twelve AMCs were established between 1998 and 2001; ten of the AMCs had the purpose of purchasing NPLs solely from their parent institutions while the other two AMCs could also purchase from other financial institutions (Terada 2004, p17). Because the loans transferred to a private bank's AMC were still reflected on the bank's consolidated financial statements, private banks did not transfer a large amount of NPLs to the AMCs (Terada 2004, p17). As of 2003, only four of the private AMCs had purchased NPLs exceeding 30,000 baht (Terada 2004, p17; Santiprabhob 2003, p63). Despite the establishment of the decentralized AMCs, NPL growth continued through the first quarter of 1999 (1999 BOT, p79). NPLs peaked in May 1999, with 47.7 percent of total loans classified as NPLs (1999 BOT, p79). The pace of debt restructuring slowed around the end of 2000, and the NPL ratio in Thailand remained high (Santiprabhob 2003, p69).

Program Description

The Thai Asset Management Company was established in 2001 to resolve the continued NPL problem in Thailand (Decree, p31 Notes). The TAMC had the objective to manage impaired assets of financial institutions and AMCs, as well as use its authority in debt restructuring and business reorganization, to strengthen and “maintain the economic stability of the nation” (Decree, p31 Notes).⁶ Though there were previous efforts to resolve the NPL problem prior to the establishment of the TAMC, “the level at the end of February 2001 was still considered high, amounting to 1.35 trillion baht [(approximately \$30 billion USD)] or 17.8 percent of total loans from financial institutions” (TAMC History)⁷. The reentry of previously restructured NPLs contributed to the persistence of the high NPL ratio (TAMC History; WB 2006, p17).

Leading up to the January 2001 election for prime minister, Thaksin Shinawatra campaigned on a platform that included the establishment of a centralized, state-backed AMC (Santiprabhob 2003, p69). The general public viewed the large quantity of NPLs as an impediment to economic growth (Santiprabhob 2003, p69). NPLs prevented private financial institutions from extending new credit, as these institutions had to focus on resolving NPLs instead of new business activity (Santiprabhob 2003, p69). In addition, borrowers undergoing debt restructuring “could neither expand their business nor invest in new projects” (Santiprabhob 2003, p69). Thus, “effective NPL resolution was deemed crucial for the economic recovery to take place, and therefore, became a major policy issue in the general election that took place in January 2001” (Santiprabhob 2003, p69).

⁵ The five state-owned banks were Bangkok Bank of Commerce (BBC), United Overseas Bank (UOBR), Krung Thai Bank (KTB), Bangkok Metropolitan Bank (BMB), and Siam City Bank (SCIB). The four decentralized and state-owned AMCs were the Bangkok Commerce Asset Management Company (BAM), Petchburi Asset Management Company (PAM), Sukumvit Asset Management Company (SAM), and Radhansin AMC (Terada 2004, p16).

⁶ Translation of the royal decree provided by Cynthia Pornaivalai. The decree was translated by the Bangkok Business and Secretarial Office. All references to the decree are references to the English language translation.

⁷ The exchange rate in Thailand in 2001 was approximately 45 baht per \$1 USD (BOT Economic and Monetary Conditions in 2001, 2.14.1)

The Cabinet formally approved the plan to establish the TAMC on June 5, 2001 ([Amorn 2001](#)). The TAMC was established by the “Royal Proclamation on Thai Asset Management Company B.E. 2544 (2001)” which was ordered by King Bhumibol Adulyadej and published in the Royal Thai Government Gazette ([Decree, p1](#)). The rationale for using a royal decree to establish the TAMC was to expedite the establishment of the AMC to prevent further economic damage or instability ([Decree, p31 Notes](#)). When the program was announced, it was reported that government officials “expected TAMC to buy up to 1.35 trillion baht (\$30 billion US) worth of nonperforming loans from banks, of which about 1.1 trillion would come from state-owned or nationalized banks” ([Amorn 2001](#)).

Operational concerns led to a revision of the process set forth in the royal decree for valuing the property collateral of assets transferred by private financial institutions and AMCs ([Santiprabhob 2003, p70](#)). Because of concerns that the original valuation method would lead to time delays, the valuation method for property-backed collateral was amended to follow the procedures established by the BOT ([Amendment, p2](#); [Santiprabhob 2003, p70](#)). The amendment was established on September 25, 2001 ([Amendment, p2](#)). The TAMC accepted the first tranche of assets on October 15, 2001 ([TAMC 2001a](#)).

The TAMC had five objectives: rapid, transparent and efficient management of impaired assets; management of impaired assets in a manner that brought maximum public benefit; minimization of government and taxpayer losses; facilitation of business rehabilitation to enable borrowers to continue business; and equal and fair treatment to all parties in the management of assets ([TAMC Manual, p3](#)).⁸

The TAMC was established as a government agency with initial funding from the Financial Institution Development Fund (FIDF) ([Pornavalai 2002, p174](#)). The FIDF had the authority to provide assistance to troubled financial institutions through liquidity injections, the purchase of capital shares, and the guarantee of deposits ([BOT 2000b, p2](#)).⁹ The TAMC issued ten-year bonds to the selling institutions in exchange for assets; these bonds were nontransferable and guaranteed by the FIDF ([Santiprabhob 2003, p70](#)). The initial capital for the TAMC was 1 billion baht, and capital increases were allowed after approval from the Cabinet ([Decree, p4 section 9 and 10](#)). The Ministry of Finance (MOF) had direct oversight over the TAMC, as the TAMC reported directly to the MOF ([TAMC Manual, p4](#)). The Board of Directors was responsible for setting the policies and guidelines for the TAMC’s activities ([TAMC Manual, p4](#)). The TAMC also had an Executive Committee, which was responsible for overseeing the management of impaired assets and approving restructuring plans ([TAMC Manual, p4](#); [Decree, p8 Section 22](#)).

State-owned financial institutions and AMCs were required to transfer all loans classified as substandard or below as of December 31, 2000 to the TAMC ([Decree, p10 Section 30](#)). Private

⁸ The TAMC Manual is available as an archived website; however, certain pages of the manual were not archived on the website which explains the reason why certain pages are missing from the PDF version.

⁹ The FIDF was established as an independent entity in 1985 and was managed by the Bank of Thailand (BOT) ([BOT 2000b, p1](#)). The FIDF was managed by the Fund Management Committee, which was comprised of the BOT governor as the chairman, the Secretary of the Finance Ministry as the deputy chairman, and nine committee members ([BOT 2000b, p3](#)).

financial institutions and AMCs could voluntarily transfer NPLs to the TAMC; however, they could only transfer assets that met a set of requirements, including the lack of a previous rehabilitation or restructuring agreement (Decree, p11 Section 31). For state-owned banks and AMCs, the purchase price was the value of the collateral excluding personal guarantees (Pornavalai 2002, p175). The TAMC Board was responsible for determining the pricing methodology for assets without collateral (Pornavalai 2002, p175). For private banks and AMCs, the purchase price was the lesser of either the value of the collateral excluding personal guarantees or the book value of the NPLs less the applicable reserves (Pornavalai 2002, p175).

The TAMC had explicit rules for profit and loss sharing with the transferring institution, as transferring institutions were jointly liable with the TAMC for profits or losses on the management of impaired assets (Decree, p16 section 48). At the end of the fifth year and the tenth year of operations, the TAMC calculated the profit or loss on the management of assets transferred from individual financial institutions, based on a pre-defined methodology in the royal decree (Decree, p16 section 48). Profits for the transferring institution were capped at the difference between the book value and transfer price, and losses were capped at 30 percent of the transfer price (Terada 2004, p18). In the case of a loss, the transferring institution could offset their loss through the FIDF-guaranteed bonds or by issuing ordinary shares to the TAMC (Decree, p17 section 52).

The TAMC had broad authority, as it had a “flexible and powerful framework for the management and resolution of distressed loans” (IMF 2001, p23). To manage and dispose of its portfolio, the TAMC could restructure debt, coordinate business restructuring, or ultimately sell the underlying collateral (TAMC Manual, p6). The TAMC established eligibility criteria for borrowers to be candidates for debt restructuring and business restructuring, which emphasized business continuity and viability (TAMC Manual, p7,12). If business restructuring or debt restructuring failed or if the borrower was deemed nonviable, the TAMC could utilize foreclosure and the sale of collateral assets as a “final resort” (TAMC Manual, p14). Unlike other state agencies, the actions and decisions of the TAMC could not be challenged in court, and the TAMC staff had immunity against criminal liability (Santiprabhob 2003, p71).

The royal decree included provisions for the wind-down of the TAMC (Decree, p29-30). After seven years of operations, the TAMC was required to begin planning to discontinue operations and liquidate (Decree, p30 Section 95). The royal decree specified that the TAMC was to cease operations ten years after it was established, in June 2011 (Decree, p30 Section 95). The TAMC was to complete liquidation by 2013 (Decree, p30 Section 95).

Outcomes

In 2001, there was some initial resistance to the establishment of the TAMC and its broad authority within the Thai legislature (Kazmin 2001). In addition, there were concerns about the method for valuing collateral which led to an amendment of the royal decree in September 2001 (Amendment). The TAMC cleared “the constitutional hurdles” and began accepting asset transfers in October 2001 (Pornavalai 2002, p185). The TAMC accepted its

first transfer of impaired assets on October 15, 2001, a total of 264 billion baht in book value of assets from nine state-owned institutions (TAMC 2001a). In its first year of operations, the TAMC accepted three tranches of asset transfers worth approximately 700 billion baht in book value (TAMC 2001c). After the first year of operations, the Managing Director of the TAMC was replaced, due to the Prime Minister's disappointment with the performance of the TAMC (Tang 2002).

Over the course of its operations, approximately 780 billion baht in assets were transferred from financial institutions and AMCs to the TAMC (BOT 2003, p39; 2006 BOT, p32).¹⁰ The TAMC acquired most of its assets in the early months of its operations, as approximately 760 billion baht (of 780 billion baht) had been transferred by the end of 2002 (BOT 2002, p18). The average transfer price was 34 percent of book value as of December 2003; thus, the TAMC spent approximately 265 billion baht to acquire 780 billion baht in book value of impaired assets (BOT 2003, p40).¹¹

State-owned financial institutions and AMCs accounted for the majority of assets transferred to the TAMC. As of December 2003, 81 percent of the book value of transferred assets came from state-owned institutions (BOT 2003, p40). Loans tied to the manufacturing or real estate sectors accounted for more than 62 percent of the total book value of assets transferred to the TAMC (BOT 2003, p40).

To manage its portfolio of impaired assets, the TAMC first attempted debt restructuring or business restructuring. By 2004, approximately 69 percent of assets had been addressed via debt restructuring or business restructuring (BOT 2004, p24). Installment payments, debt to equity conversions, and the transfer of assets to repay debt were used most frequently (BOT 2003, p41). As of 2003, the average haircut for debt restructuring cases was 38 percent of book value (BOT 2003, p41). The expected recovery rate for debt restructuring and business restructuring cases was 47 percent (BOT 2003, p41). In certain occasions, the TAMC outsourced the management of loans to other banks or AMCs, such as Krung Thai Bank (KTB) or Bangkok Asset Management Company (BAM), as these institutions “[had] the nationwide networks and resources to manage [the] small debtors scattered throughout the country” (BOT 2003, p39).

In its last year of operations, the TAMC sought to accelerate the disposal of assets. Though the president, Churairat Panyarachun, said that the last year of operations would “be quite difficult, as the remaining assets [were] not that attractive”, the TAMC worked to expedite the sale of remaining assets (Katharangsiporn 2010). The TAMC coordinated monthly auctions and roadshows across Thailand to meet its sales target (Katharangsiporn 2010). In its final year, the TAMC launched a special price campaign (the “Last Price” campaign) to

¹⁰ The BOT did not disclose the TAMC's activities in its annual Supervision Report after 2006. Therefore, the estimates for the total assets transferred are based on the totals reported in 2003 (781 billion baht), 2004 (777 billion baht), 2005 (777 billion baht) and 2006 (775 billion baht). See BOT Supervision Reports for the annual disclosures.

¹¹ The BOT did not disclose the total amount spent by the TAMC on the acquisition of assets, but the average transfer price was 34 percent of book value. Therefore, it can be estimated that the total amount spent on 780 billion baht in book value of assets was 265 billion baht (BOT 2003, p40).

accelerate the disposal of assets (Prachyakorn 2010; Chantanusornsiri 2011). Between January and May 2011, the TAMC sold 13 billion baht, compared to 19.5 billion in all of 2010 (Katharangsiporn 2011). Additionally, the TAMC travelled to meet with debtors outside of the Bangkok region to renegotiate debt repayment schedules or interest rates to expedite debt repayment before the TAMC ceased operations (TAMC 2011). The TAMC ceased operations on June 8, 2011 and transferred an estimated 10 billion baht in profits to the MOF (Katharangsiporn 2011).

The royal decree establishing the TAMC required that the TAMC submit a liquidation plan to the Cabinet in its seventh year of operations (Decree, p30 Section 95). The TAMC presented its dissolution preparation plan to the Ministry of Finance in June 2008 and held meetings with twenty-three transferring institutions regarding the profit and loss sharing arrangements (TAMC 2010). The original transferring institution had the first right to repurchase assets remaining on the TAMC's balance sheet; anything remaining would then be purchased by the Bangkok Commercial Asset Management Company (BAM) or Sukhumvit Asset Management Company (SAM), two state-owned AMCs (TAMC 2010; WTRI 2011, p86). However, it does not appear that the MOF disclosed detailed information about the repurchase of assets by transferring institutions or other activities related to the liquidation of the TAMC. According to BAM's 2012 Annual Report, it purchased 135.4 billion baht in NPLs and NPAs from the TAMC in 2012, and 33.6% of its portfolio of distressed assets came from the TAMC by December 2012 (BAM 2013, p18; BAM 2012, p24). Though SAM does not appear to have a public annual report, it reported an asset transfer worth 352 billion baht from the TAMC in 2012; this transfer included 330 billion baht in NPLs and 22 billion baht in NPAs (Chudasri 2012).

II. Key Design Decisions

- 1. Though the TAMC was not a part of the initial response to the financial crisis in 1997, it was established as a measure to address the high volume of NPLs in 2001.**

The Thai Asset Management Company was established in 2001, four years after the onset of the financial crisis in Thailand (TAMC History). In 1997, the Thai government suspended the operations of 58 finance companies (FCs) and required them to submit rehabilitation plans by year end (IMF 1999, p96). Only two companies were allowed to continue operations; the remaining 56 FCs were liquidated by the Financial Sector Restructuring Authority (FRA) (BOT 2000a, p10). The state-owned Asset Management Corporation (AMC) was established to be the "bidder of last resort" for the FRA (BOT 2000a, p11). The Thai government established the Corporate Debt Restructuring Advisory Committee (CDRAC) in June 1998 to "facilitate and expedite private debt restructuring negotiations" (BOT 2002, p18). In addition, the Thai government committed public funds to recapitalize viable banks and finance companies by establishing two schemes to provide capital support to viable financial institutions (IMF 1999, p99-100). Amendments to the Bankruptcy Law were passed in April 1998 and May 1999 to further promote effective corporate restructuring (IMF 2000, p16). In addition, the Thai government encouraged private- and state-owned financial institutions

to establish AMCs in the years following the crisis; there were four state-owned AMCs and twelve private-owned AMCs by 2004 (Terada 2004, p16). Despite the establishment of multiple AMCs and the CDRAC, 1.35 trillion baht in NPLs remained in 2001; therefore, the government established the TAMC as a centralized AMC to address the persistence of the NPL problem (TAMC History).

2. The Thai government established the TAMC via a royal decree, in order to expedite its establishment.

The TAMC was established by the “Royal Proclamation on Thai Asset Management Company B.E.2544 (2001)”, which was published in the Royal Thai Government Gazette (Decree, p1). The King, Bhumibol Adulyadej, signed the decree into law, and the Minister of Finance was given “the charge and control of the execution of the royal decree.” (Decree, p2 Section 4-5). The Cabinet approved the decree, and it became effective on June 9, 2001 (Amorn 2001; Decree, p1; TAMC History). The TAMC was established by a royal decree in order to expedite its establishment, as the decree allowed it to bypass debate and discussion in the parliament (TNS 2001b). Prior to the passage of the royal decree, the Prime Minister convened a conference with representatives from the Ministry of Finance, the Bank of Thailand, state-owned and private institutions, and academics (TAMC History). A working committee and four taskforce groups were established after the conference in order to oversee and design the framework for the TAMC (TNS 2001a). The taskforces included authorities from the Bank of Thailand (BOT), the Financial Institution Development Fund (FIDF), the Thai Bankers’ Association, the Bank of Asia, and the Ministry of Finance (MOF) (TNS 2001a). The taskforces were responsible for planning the general administration, asset management, debt repayment, and pricing frameworks (TNS 2001a).

An amendment to the pricing method for real estate collateral from private-owned institutions was enacted in September 2001 and published in the Royal Thai Government Gazette (Amendment). In the original version of the decree, the valuation for the land was equal to the price determined by the Land Department in its assessment for tax purposes. However, the Land Department did “not have the assessed price according to market price principle for all plots of land” (Amendment, p2). There was concern that submitting appraisal requests for the collateral property would add time to the transfer process, significantly delaying the timeframe of the TAMC and preventing economic recovery (Amendment, p2). Thus, the pricing method for the purchase of assets from private institutions was amended to conform to the BOT’s standards (Amendment, p1).

3. The TAMC was granted special legal powers and immunity in its operations.

The royal decree establishing the TAMC provided it with special legal authority and powers to achieve its objectives. The TAMC had “extraordinary powers to liquidate, restructure and dispose of assets” (Kazmin 2001). The actions and decisions of the TAMC could not be challenged in the Central Administration Court (Santiprabhob 2003, p71). TAMC staff were granted immunity against criminal liability if they acted within the mandate of the royal decree (Santiprabhob 2003, p71). If it saw fit, the TAMC could withdraw cases from the court and proceed with a different restructuring method (Santiprabhob 2003, p71). The TAMC

could put debtors into permanent receivership without investigation if the debtor attempted to hide assets or failed to cooperate with the TAMC (Santiprabhob 2003, p71). The TAMC's plans for business restructuring could be approved by the Bankruptcy Court without the approval of debtors (Santiprabhob 2003, p71). The TAMC could make decisions in lieu of a company's shareholders and could bypass procedures set forth in the Public Company Law (Santiprabhob 2003, p71).

4. The TAMC was a key component of Prime Minister Thaksin Shinawatra's election campaign and was framed as a necessary agency to addressing the NPL crisis to accelerate economic recovery.

In the 2001 prime minister election, Thaksin Shinawatra ran on a platform that included the establishment of a centralized asset management company (Kazmin 2001; Policy 2001; Santiprabhob 2003, p69). The TAMC was considered "a cornerstone of premier Thaksin Shinawatra's economic platform" (AFPR 2001). Reuters reported that the TAMC was "one of the factors contributing to [Shinawatra's] landslide win" (Kazmin 2001). The electorate viewed the quantity of NPLs as an obstruction to economic growth as they prevented new credit and business investment, delaying economic recovery in Thailand (Santiprabhob 2003, p69). Thus, the resolution of the persistent NPL problem became a key component of Thaksin's election platform (Santiprabhob 2003, p69). After taking office, Thaksin Shinawatra outlined his urgent policies which included the establishment of a national AMC in order to "comprehensively solve the problem of Non-Performing Loans (NPLs) in the commercial banking system swiftly, systematically, [and] comprehensively and to enable the financial system to resume their normal credit functions" (Policy 2001). When the TAMC was announced, the government said that it would work to resolve the NPL problem without placing "excessive burden on creditor financial institutions" (Amorn 2001). The TAMC was framed as a "last chance" to resolve the NPL crisis in Thailand, as other measures had already been attempted (Pornavalai 2002, p174).

The BOT Governor in 2001 stated that the TAMC would enable more effective management and disposal of distressed assets, though it could increase fiscal costs, but the costs would be "manageable" and "not abnormal in terms of international comparison" (Sonakul 2001, p10). His successor framed the TAMC as a body able to "deal effectively and speedily with the unresolved debts that involve multiple creditors" (Devakula 2001, p4). He stated that the TAMC had "vast executive powers" that enabled it "to take a comprehensive approach to debt restructuring and have the ability to deal with cases that might warrant corporate restructuring and change of management" (Devakula 2001, p4). However, the TAMC did face pushback as "[a] group of 100 senators [petitioned] the Constitutional Court to dilute the TAMC's powers, which they contend[ed were] excessive and arbitrary" (Kazmin 2001).

The TAMC prepared explanatory materials for the general public, which included a manual in which it stated that the "TAMC provides real and tangible benefits to debtors, financial institutions, and asset management companies, [and] to Thai society and the overall national economy" (TAMC Manual, p16). The benefits included allowing "honest and viable debtors" to continue business operations, the reduction in the cost of managing impaired assets, and the improvement in the overall financial system (TAMC Manual, p16). The TAMC emphasized

that its activities would allow banks to return to normal lending practices, “providing the necessary engine for growth and national development as well as economic recovery” (TAMC Manual, p16).

5. The MOF oversaw the TAMC, which had a Board of Directors responsible for determining the policies of the TAMC and an Executive Committee responsible for the processes related to the management of impaired assets.

The Minister of Finance had the “charge and control of the execution” of the TAMC (Decree p2 Section 4). The Minister of Finance was responsible for appointing up to eleven board members, who were approved by the Cabinet (Decree, p4 Section 12). The Board was required to have a representative from the Thai Bankers’ Association, the Chamber of Commerce, and the Federation of Thai Industries (Decree, p4 Section 12). The Board set the policies, regulations, guidelines, and framework for the TAMC (Decree, p6 Section 18). The Board was required to review plans and provide recommendations and comments for cases with a book value of more than 1 billion baht, as “these cases [were] usually sensitive and [had] significant impact on the economy” (BOT 2002, p74).

The TAMC also had an Executive Committee which was responsible for the management of impaired assets (Decree, p8 Section 22). The Executive Committee was composed of a CEO and three executive directors (Decree, p6 Section 19). The MOF, BOT, FIDF, Federation of Thai Industries, Chamber of Commerce, and private institutions nominated individuals to serve on the Executive Committee; the Board appointed executive directors from the list of nominees (Decree, p7 Section 20). The Board elected the Managing Director, who oversaw the administration of the TAMC (Decree, p7 Section 21). The Executive Committee reviewed and approved plans for debt restructuring, business reorganization and asset sales (Decree, p8 Section 22). The Executive Committee monitored the TAMC’s progress, appointed and hired staff, secured capital sources and reorganization partners for the debtors, and reported the results of operations to the Board (Decree, p8 Section 22). The TAMC “successfully implemented a check-and-balance control system for its policy and decision-making process” as the Board set the frameworks and guidelines under which the Executive Committee operated (BOT 2002, p74). In 2002, the TAMC Board approved an additional 130 staff roles, for a total of 330 staff (TAMC 2002). At the end of its operations, the TAMC had 400 staff (Katharangsiporn 2011).

6. The TAMC established risk management procedures and regular audits and posted information about its performance and auctions on its website.

The Minister of Finance was able to “assign the Bank of Thailand to examine the business, the assets and the liabilities of the TAMC” (Decree, p28 Section 83). However, the BOT was not able to take supervisory action against the TAMC (Fung 2004, p18). The TAMC followed proper accounting standards and established internal controls and an auditing system (Decree, p29 Section 87). The TAMC was required to prepare financial statements every sixth months (Decree, p29 Section 88). The State Auditor of Thailand was to audit the TAMC every six months and provide the results to the Minister of Finance (Decree, p29 Section 89). The TAMC was evaluated annually by an external, international accounting firm (Fung 2004,

p18). In 2004, the TAMC Board of Directors established a Risk Management Subcommittee to develop “a risk management system that [could] identify, measure, control and monitor risks in accordance with corporate governance principles” (TAMC Gov).

The TAMC was required to act in a transparent way and ensure availability of its reports and progress (Decree, p28 Section 84). The TAMC had a website where annual reports, press releases, FAQs, and other resources were available; in addition, the website had a platform that allowed for the user to search for property (TAMC History). Before an auction, the TAMC was required to post information in the press and on its website. The TAMC released monthly reports on its performance (BOT 2002, p74). The TAMC “release[d] information on debt restructuring plans of individual debtors, with their [consent]” (BOT 2002, p74). The TAMC developed an NPA database which included the surveyed and appraised market prices of the properties (TAMC History).

7. There was no predefined size for the TAMC, though it was initially estimated that it would acquire 1.3 trillion baht of bad debt.

The royal decree establishing the TAMC did not explicitly state a predefined size or limit to the TAMC’s purchasing (Decree, p4 Section 9-10). The initial expectations for the TAMC’s scope was 1.35 trillion baht of bad debt, with the majority coming from state-owned banks (Kazmin 2001; TAMC History).

8. The TAMC was owned by the Financial Institution Development Fund (FIDF) and funded by nontransferable ten-year bonds which were issued as consideration for transferred assets.

The TAMC was owned by the Financial Institution Development Fund (FIDF). (Pornavalai 2002, p174). The FIDF was established in 1985 as a subsidiary of the Bank of Thailand “to rehabilitate financial institutions to maintain stability in the financial system” (BOT 2000b, p1). The TAMC was funded by ten-year bonds from the FIDF and had initial capital of 1 billion baht (Decree, p4 Section 9). To increase capital, the TAMC could issue new shares, which required Cabinet approval (Decree, p4 Section 10); any unsold shares were purchased by the FIDF (Fung 2004, p30). The TAMC paid for the assets transferred by issuing the ten-year bonds to the transferring financial institution (Pornavalai 2002, p174). The bonds were nontransferable and paid interest yearly, “at a rate equal to the average deposit rate of the five largest commercial banks” (Santiprabhob 2003, p70).

9. Both private- and state-owned financial institutions and asset management companies were eligible to transfer NPLs to the TAMC.

Institutions eligible to transfer assets to the TAMC included financial institutions and asset management companies (Decree, p3 Section 7). Eligible financial institutions included commercial banks, finance companies (including those operating a securities business), credit foncier companies (mortgage loan companies), and others included by the Minister of Finance (Decree, p1). The private-owned and state-owned AMC established after the financial crisis in 1997 were also eligible to transfer assets. Financial institutions or asset management companies in which a state agency (i.e. FIDF) had more than fifty percent

ownership were required to transfer all assets that were classified as substandard and below as of December 31, 2000 to the TAMC ([Decree, p10 Section 30](#)). In 2002, the MOF announced that the Industrial Finance Corporation in Thailand was eligible to transfer assets ([BOT 2002, p69](#)). Trade creditors and non-Thai banks were ineligible to transfer assets to the TAMC ([Pornavalai 2002, p175](#)).

10.State-owned financial institutions and AMCs were required to transfer all assets, classified as substandard and below as of December 31, 2000, to the TAMC. Privately-owned financial institutions were allowed to transfer assets if they met a more stringent set of criteria.

All state-owned financial institutions and asset management companies were required to transfer all assets classified as impaired as of December 31, 2000, to the TAMC ([Decree, p10 Section 30](#)). The impaired assets included those that were classified as bad, possibly bad, doubtful or substandard ([Decree, p10 Section 30](#)). Substandard assets were those more than three months past due ([Santiprabhob 2003, p70](#)).

Private financial institutions and asset management companies were able to transfer NPLs to the TAMC only if the assets met the following criteria:

- The loans were secured by property;
- The borrower was indebted to two or more Thai financial institutions;
- The borrower had 5 million baht or more in NPLs;
- The borrower and financial institution did not have a finalized debt restructuring agreement in writing by July 2001; and
- The Bankruptcy Court had not approved a rehabilitation plan ([Pornavalai 2002, p175](#); [Decree, p11 Section 31](#); [Santiprabhob 2003, p70](#)).

Ineligible assets included those related to the FRA's activities or from companies the MOF suspended ([TAMC Manual, p18](#)). Assets that became nonperforming after December 31, 2000 were not eligible for transfer to the TAMC ([TAMC Manual, p18](#)).

Institutions that did not transfer eligible assets to the TAMC faced a penalty ([Decree, p12 Section 33](#); [Santiprabhob 2003, p71](#)). If a financial institution failed to transfer the assets as directed by the TAMC, the institution was subject to a daily fine of 500,000 baht ([Decree, p12 Section 33](#)). Furthermore, private institutions that did not transfer assets were required by the Bank of Thailand to reappraise the collateral backing NPLs within 120 days ([Decree, p13 Section 36](#)). The institutions were required to provision for all loans classified as substandard and below ninety days after the appraisal up to their uncollateralized portion; this provisioning was more stringent than the standard provisioning requirement by the BOT ([Santiprabhob 2003, p71](#)).

11. To initiate the transfer, the transferring institution submitted a request to the TAMC. Assets were sorted into tranches of assets, based on the number of creditors, institution-type, and amount of outstanding debt.

A financial institution interested in transferring assets to the TAMC was required to “notify TAMC of such in writing and [had to] transfer the assets to TAMC within the period of time fixed by the Board” (Decree, p11-12 Section 32). Asset transfers were irrevocable (Decree, p12 Section 32). The TAMC was required to publish “significant items or details” of asset transfers online and in a daily newspaper for at least three days before the effective date of the transfer (Decree, p13). The TAMC was required to issue evidence of the transfer of the impaired assets to the transferring institution; the transfer was considered effective the date the TAMC issued evidence to the transferring institution (Decree, p13 Section 38). The BOT allowed the transferring institution to “include promissory notes issued by the TAMC as eligible liquid assets as of the date of receipt of these notes” (BOT 2001, p71).

The TAMC accepted asset transfers in tranches (Fung 2004, p23). The TAMC announced that the first transfer of assets occurred on October 15, 2001; this tranche consisted of assets that had a borrower with at least 50 million baht in outstanding debt and with a state-owned institution as the single creditor (TAMC 2001a). The second tranche of assets was transferred on October 31, 2001, and included debt from borrowers with more than two creditors and included assets from both state-owned and privately-owned financial institutions (TAMC 2001b). The third tranche of assets was transferred on November 30, 2001, and included the rest of the assets with two or more creditors. The total book value of assets transferred at the end of the first year was approximately 700 billion baht (TAMC 2001c). The majority of assets transferred to the TAMC were transferred in 2001 in one of the first three tranches, and the TAMC had executed the transfer of five tranches of assets by 2003 (TAMC 2001c; Fung 2004, p23).

12. The purchase price for assets from state-owned institutions was the value of collateral excluding personal guarantees. The purchase price from private institutions was the lesser of either the collateral value excluding personal guarantees or the book value of the NPLs less the applicable reserves.

For the purchase of assets from state-owned institutions, the purchase price was “equivalent to the value of assets that is the security of the said impaired assets, excluding personal guaranty. In case there is no property held as security, the price shall be according to the bases laid down by the Board” (Decree, p15). For the purchase of assets from private institutions, the purchase price was the lesser of either the collateral value excluding personal guarantees or the book value of the NPLs less applicable reserves (Pornavalai 2002, p175). The book value was defined as the “principal amount of the loan as at the date of transfer, together with accrued interest for the three-month period prior to the transfer date” (Pornavalai 2002, p175). For the assets backed by real estate collateral, the pricing amendment enacted in September 2001 required that the property valuation be in accordance with the methodology used by the Bank of Thailand (Amendment, p1).

At the time of the transfer, the TAMC provided an initial price estimate but evaluated the information accuracy to ensure proper pricing. The TAMC was required to notify the transferring institution that it accepted the transfer or of any amendments to pricing within 180 days (TAMC 2001c). At the end of 2001, the average transfer price for assets from private institutions was 53 percent of book value and 29 percent for state-owned institutions (TAMC 2001c).

13. The royal decree established a profit and loss sharing arrangement for the TAMC and transferring institutions based on the TAMC’s results at its fifth and tenth anniversary.

The Royal Decree stated that “[t]he financial institution or assets management company that is the transferor of impaired assets shall be jointly liable with TAMC to the profit or loss from the management of impaired assets” (Decree, p16 Section 48). The TAMC took operating expenses into account when calculating the profits or losses (Decree, p16 Section 47).

In the case of a profit, the profit was allocated between the TAMC and the transferring institution as follows:

	Amount of Profit	Profit Distribution
1	First 20% of transfer price	Equal sharing between TAMC (10%) and transferring institution (10%)
2	Difference between book value and transfer price less the profit allocated to the transferring institution from (1)	Transferring institution
3	Any remaining profit	TAMC

Source: Decree, p16-17 Section 50

If there was a loss on the disposal of an asset, the loss was shared between the TAMC and the transferring financial institution as follows:

	Amount of Loss	Loss Distribution
1	First 20% of transfer price	Transferring institution
2	Next 20% of the transfer price	Equal sharing between TAMC and transferring institution
3	Any remaining loss	TAMC

Source: Decree, p17 Section 51

Therefore, a transferring institution's profits were capped at the difference between book value and transfer price, and its losses were capped at 30 percent of the transfer price. The TAMC and the transferring institutions calculated and recognized the profits on the management of assets at the end of the fifth and tenth years of the TAMC's operations (Decree, p16 Section 48).

14. The TAMC had broad authority to use debt restructuring as a method to address the NPLs of viable borrowers.

Debt restructuring was a primary tool for the TAMC to resolve its portfolio of impaired assets. The TAMC emphasized debt restructuring as a resolution method because "[t]he main objective of the process is to maintain the viability of the debtor's business" while still allowing the TAMC to recover "an appropriate amount of debt within a reasonable period" (TAMC Manual, p7). The TAMC had "broad authority to achieve its objective" in debt restructuring. Laws related to debt restructuring were waived for the TAMC. In order to be eligible for debt restructuring, the borrower had to be able to demonstrate ability to repay, business viability, or benefit to the economic recovery of Thailand (TAMC Manual, p11).

The TAMC had the flexibility to determine the method or combination of methods based on the debtor's circumstances and the complexity of the case (TAMC Manual, p7). The methods available to the TAMC for debt restructuring included the following:

- Reduction in principal, interest, interest rate, and time period for interest computation;
- Extension of debt repayment period;
- Debt to equity conversion;
- Acceptance of the transfer of non-collateral assets (from the debtor or a third party) to settle a debt;
- Debt repayment via a lease-back arrangement with the debtor;
- Acceptance of shares or purchase of capital increase shares of the debtor;
- Release from or termination of the liability;
- Or any other methods with that the Board approved (TAMC Manual, p7,9-11; Decree, p18 Section 57).

The Royal Decree granted the TAMC additional special powers to release debtors from indebtedness. "If the debtor pledge[d] additional unencumbered assets with at least the same value as the outstanding debts, [the TAMC could] remove any remaining obligation from the debtor's guarantor" (TAMC Manual, p11). The TAMC could also release the debtors

from their liability if the guarantor agreed to transfer assets with an appraised value of at least two-thirds of the value of the debtor's total outstanding debts after the debt restructuring process ([TAMC Manual](#), p11).

The BOT reported that “[t]he installment payment method was utilized the most [by the TAMC] as it offered more flexibility to debtors” ([BOT 2003](#), p41). The TAMC also frequently utilized debt to equity conversions and accepted the transfer of assets as a form of debt repayment ([BOT 2003](#), p41). The average haircut for debt restructuring cases was 38 percent as of December 2003 ([BOT 2003](#), p41).

15. The TAMC facilitated business restructuring for debtors to manage its portfolio of nonperforming loans.

Business reorganization was a tool available to the TAMC to manage its portfolio of impaired assets. Business reorganization could improve a borrower's viability through “more efficient management and a streamlining of its organization structure” ([TAMC Manual](#), p12).

In order to be eligible for business reorganization, the borrower had to meet the following criteria:

- The borrower was a limited company, a public limited company or a juristic partnership;
- The TAMC held at least 50 percent of the total outstanding debt of the borrower;
- The borrower had preliminary evidence to support business continuation and viability;
- The borrower expressed written intent and consent to the obligations and plan specified by the TAMC and the royal decree ([Decree, p20 Section 59](#)).

The TAMC could facilitate business reorganization independently or in tandem with debt restructuring. The original creditors and asset managers were involved in the restructuring process ([BOT 2002](#), p74). The Executive Board appointed a planner who would begin to arrange and organize a business reorganization plan for the borrower ([Decree, p20 Section 61](#)). The plan was required to include “the particulars, methods and targets, period of plan administration, and other details” ([Decree, p21 Section 62](#)). Business reorganization plans were limited to five years ([Decree, p21 Section 62](#)).

The TAMC had broad powers to facilitate business reorganization and could organize mergers, consolidations, dissolution of a part of the business, capital increases or reductions, rehabilitation by a third party, and change of management ([Santiprabhob 2003](#), p72; [TAMC Manual](#), p13; [Decree, p23 Section 69](#)). The TAMC could also enter into joint ventures and hold shares in companies, as long as the arrangement had both “clear objectives” and enabled the TAMC to “add value to and facilitate the management of assets for sale by TAMC” ([TAMC Manual](#), p13). If a business restructuring plan continued to the end of its term, “the

debtor and guarantor [would] be released from any remaining loan obligations” (Santiprabhob 2003, p72).

16. The TAMC had the authority to dispose of collateral property only after first attempting debt restructuring and business restructuring.

For viable debtors, the TAMC first attempted debt restructuring or business reorganization (TAMC Manual, p6). However, if it was determined that the borrower would be unable to repay the debt or that the borrower’s business was not sustainable, the TAMC was able to, “as a final resort”, sell the assets (TAMC Manual, p14). The TAMC had the authority to collect and enforce loans with property as collateral (TAMC Manual, p14).

The TAMC hired four independent asset managers to support debtors whose cases were under foreclosure or final receivership (BOT 2003, p42). The TAMC managed assets received through foreclosure, final receivership or debt repayment through the transfer of assets by adopting an asset-type based strategy (BOT 2003, p42-43). For “complete and saleable projects,” the TAMC sold the assets through its website, public auctions or in partnership with other institutions (BOT 2003, p43). For unfinished real estate projects with high potential, the projects were developed in cooperation with the private sector through joint ventures, property funds, or special purpose vehicles that enhanced the value of the property (BOT 2003, p43). For low-income housing projects, the development was to be completed in coordination with government agencies like the National Housing Authority (BOT 2003, p43).

In order to enforce the sale of collateral, the TAMC was required to send a notice to the borrower notifying them of the decision to enforce the debt and requiring full repayment within one month (TAMC Manual, p14). The TAMC was required to inform the borrower that the failure to repay allowed the TAMC to dispose of the property (Decree, p26 Section 75). If the debt was not repaid, the TAMC would then determine the liquidation method (TAMC Manual, p14). If the assets were to be transferred to the TAMC, the TAMC would have an appraisal done on the property to determine the amount to be credited against the borrower’s outstanding debt (TAMC Manual, p14). If the TAMC decided to proceed with the sale of the asset, the TAMC would organize a public auction to sell the property; the TAMC was required to provide advance notice to the public regarding the auction (Decree, p26 Section 76-77). If the TAMC determined that an alternate method “would be more beneficial to TAMC and the debtor, it [could] choose to dispose of the property by other method, or it [could] accept the transfer of the said property at a price not lower than the price receivable from the sale by public auction in lieu of the disposal” (Decree, p26 Section 76).

17. The royal decree that established the TAMC required it to cease operations ten years after the enactment of the decree and complete liquidation twelve years after the enactment of the decree.

The TAMC ceased operations on June 8, 2011 and transferred 10 billion baht in profits to the MOF (Katharangsiporn 2011). The decree that established the TAMC required it to be wound down ten years after its establishment and fully liquidated twelve years after its

establishment (Decree, p30 Section 95). Seven years after it began operations, the TAMC proposed a liquidation plan to the MOF and discussed profit and loss sharing arrangements with transferring financial institutions (TAMC 2010). A liquidation committee was appointed upon the decision to dissolve and liquidate the TAMC (Decree, p30 Section 93).

To liquidate the remaining portfolio of the TAMC, the original transferring institution had the first right to purchase the assets it transferred (WTRI 2011, p86). Any remaining assets were to be purchased by the Sukhumvit Asset Management Company (SAM) or the Bangkok Commercial Asset Management Company (BAM) (WTRI 2011, p86). SAM and BAM were two state-owned AMCs that were established in the wake of the financial crisis of 1997 (Santiprabhob 2003, p67). BAM purchased 135.4 billion in impaired assets from the TAMC in 2012 (BAM 2012, p24). In 2012, SAM reported asset transfers worth 330 billion baht in bad loans and 22 billion baht in NPA from the TAMC (Chudasri 2012).

III. Evaluation

When the TAMC was established, there were vocal critics who raised concerns in the press. The former finance minister, Tarrin Nimmanahaeminda, who “strongly opposed setting up a consolidated asset management company during his own tenure”, argued that the TAMC would become “a house for an inventory of things to be kicked around” (Kazmin 2001). Some worried that the TAMC would be “a bailout for the rich at the expense of ordinary taxpayers” (WSJ1997). Others worried that the TAMC had “excessive and arbitrary” powers and were concerned that the borrowers did not have the ability to appeal the restructuring plans from the TAMC (Kazmin 2001). Another critique reported in press coverage at the time was the “worry that the TAMC [would] end up as a means for powerful debt defaulters to be restructured at public expense” (Kazmin 2001). A senator was concerned that “the ‘rotten debts’ to be transferred to the TAMC would come mainly from companies run by people connected with incumbent politicians, including Prime Minister Thaksin Shinawatra” (BD 2001). An economist from the Standard Chartered Bank in Singapore was concerned that the TAMC would encourage Thai banks to “lend largely irrespective of the credit-worthiness of the debtors,” meaning that the banks “might fall back on former habits” (Chen 2001).

However, media coverage also included positive outlooks for the TAMC. The establishment of the TAMC “was applauded by the investment community, with brokers, fund managers and rating agencies all saying that the formation of the asset-management corporation may speed up the corporate debt restructuring and may provide the basis for a long-term recovery in ratings of Thai banks” (WSJ 2001). The economic adviser to the PM claimed that the TAMC was “off to a good start” and that the TAMC had accepted more than half of the NPLs in the banking system as of 2002 (Khanna 2002.).

During the first year of operations, the TAMC was “under political pressure to restructure a large amount of NPLs in no time” as the TAMC set the goal to resolve 500 billion baht in loans by the end of 2002 (Santiprabhob 2003, p75). Given the short timeframe to resolve a large volume of loans, some were concerned that the TAMC would “incur substantial public costs” and could unfairly benefit certain debtors (Santiprabhob 2003, p75). However, the TAMC

met the objective, as the BOT announced that the TAMC had reached conclusions on 501.2 billion baht by the end of 2002 (BOT 2002, p18).

The IMF evaluated the TAMC's operations as of 2004 and stated that the progress of the TAMC and its impact on the resolution of NPLs and economic recovery was unclear. The IMF team recognized that "the restructuring progress by the AMC has been impressive. Of the [761 billion baht] transferred to the TAMC, resolution of [535 billion baht] worth of assets (or 70 percent of total) have been approved by the Executive Committee" (IMF 2004, p45). However, the IMF team continued that "[t]he initial picture of substantial progress is less clear once more detailed information about the resolution process is analyzed. Of the 795 debt restructuring cases, only 294 cases have been signed by the debtors, and almost two third of the cases under this heading still have some way to go before a final agreement can be reached" (IMF 2004, p46). The IMF team argued that "[i]n order to evaluate the progress of the TAMC, more information will have to be disclosed on a frequent basis" (IMF 2004, p46). The authors also evaluated the success of the TAMC by examining the cash recoveries, which amounted "to around [8 billion baht] or 1.5 percent of the [535 billion baht] book value of all the 'resolved' cases" (IMF 2004, p46).

Another criticism of the TAMC's structure was its inability to purchase more broadly from private institutions, which decreased its effectiveness in addressing the NPL problem. Of the NPLs transferred to the TAMC, approximately 81 percent were from state-owned institutions, primarily SAM and PAM (Santiprabhob 2003, p73). The TAMC had purchased a total of 137 billion baht from private institutions by the end of June 2002 (Santiprabhob 2003, p73). The "[s]tricter than expected conditions for private commercial banks to transfer their loans to the TAMC" prevented the TAMC from being effective at addressing the bad loan problems in private banks (Kazmin 2001). The TAMC could not purchase NPLs with a previous court ruling or restructuring agreements; because the TAMC was set up four years after the onset of the crisis, "the majority of NPLs on the balance sheets of private FIs had either been restructured or achieved a court ruling", which meant that the structure of the TAMC limited its effectiveness in addressing NPLs in private banks (Santiprabhob 2003, p73). In 2001, the IMF predicted that the TAMC would not have a significant impact on private banks, given that private banks had a "fairly small share of the total loans eligible for transfer" (IMF 2001, p34). The governor of the BOT recognized that "a substantial share of distressed assets remain[ed] outside the purview of the TAMC" and called for additional action to expedite debt restructuring through reformations to the bankruptcy law (Devakula 2002a, p3). Furthermore, it was argued that "[t]he lack of success with private banks is mainly due to the fact that the TAMC's offer price is generally below what is acceptable to private banks" (Sharma 2003, p116).

Others worried that the TAMC prolonged NPL resolution, as it accepted assets from state-owned AMCs that were already established and working to resolve the NPLs. Veerathai Santiprabhob, who later became the Governor of the BOT, argued that the "TAMC not only failed to assist private FIs in eliminating their NPL burden, but also contributed to the delay in the restructuring of NPLs that had already been transferred to PAM and SAM" (Santiprabhob 2003, p73). The resolution of NPLs from state-owned banks was fragmented, as the establishment of the TAMC "severely disrupted" resolution procedures due to the

uncertainty of the timeline and procedures surrounding the TAMC, which led to “further asset deterioration” (Santiprabhob 2003, p78). Santiprabhob also argued that the TAMC “increased FIs’ workload markedly, especially during the initial stage” (Santiprabhob 2003, p74).

The World Bank released a Project Performance Assessment Report in 2006 which evaluated the effectiveness of the loans made to Thailand in response to the 1997 financial crisis. In the evaluation, the World Bank authors expressed concern about the lack of transparency in the TAMC’s resolution operations, and specifically addressed “the need for more information about actual and projected cash recoveries from all types of resolution procedures” (WB 2006, p18). At the time of the evaluation, the TAMC had projected a 46.28 percent recovery rate of the book value, but the cash recoveries had thus far been 2.5 percent of the “resolved” cases (WB 2006, p18). In order to decrease the burden transferred to the public, the World Bank called for “more careful monitoring” of cash flows (WB 2006, p18).

In a 2004 analysis of the experience of Asian AMCs, Akiko Terada-Hagiwara and Gloria Pasadilla evaluate the moral hazard effects of AMCs on the lending behavior of Thai banks (Terada 2004, p14). The authors evaluate Thailand because it adopted various AMC regimes, specifically decentralized privately-owned, decentralized state-owned, and centralized state-owned AMCs. They find that the effect of the TAMC is significant, implying that fewer NPLs were created under the TAMC as the economy improved (Terada 2004, p20). The authors conclude that the TAMC “work[ed] to decrease the new NPL ratio, presumably due to better control measures addressing potential moral hazard effects on banks” in comparison to the decentralized AMC structures (Terada 2004, p26).

In 2016, Masahiro Inoguchi from Ritsumeikan University evaluated the performance of the TAMC and estimated its effectiveness at reducing the number of NPLs in Thailand. He compares the effectiveness of Danaharta in Malaysia with the TAMC in Thailand and concludes that “selling loans to public asset management companies was effective in reducing NPL, especially in Thailand” (Inoguchi 2016, p629). The author finds that the TAMC had a significant negative effect on the number of NPLs and concludes that “the purchase of loans by TAMC may reduce the NPL ratio of Thai commercial banks” because the TAMC had a greater impact on the number of NPLs than on the total number of loans (Inoguchi 2016, p628). The author recognizes that the improvement in macroeconomic conditions also improved the NPL ratio in Thailand. Without the TAMC, “solving the NPL problem would have largely depended on the general improvement in macroeconomic conditions” which implies that the macroeconomic policy “may have played an important role in resolving the NPL problem” (Inoguchi 2016, p630).

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