

Comparative Analysis of NPL Resolution Strategies: Experiences and Lessons

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- A Comparative Analysis of NPL Resolution Strategies During the Asian Financial Crisis, Global Financial Crisis and Eurozone Debt Crisis: The Performance of Asset Management Companies and Other Critical Lessons
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Overview

- Context
- Asian Financial Crisis experiences
- Global Financial Crisis experiences
- Eurozone Debt Crisis experiences
- Lessons and implications

AFC 1997:

Thailand, Indonesia, Malaysia, Korea

- Pre-crisis weaknesses
 - Prevention / protection
 - Resolution
- Crisis resolution
 - Speed
 - Approach: closure vs restructuring
- AMCs

China

- Background
- Restructuring
- Resolution

Global SIBs 2008:

Switzerland (UBS), UK (RBS), US (Citi)

- Framework: Legislation / contract
- Capital injections
- Switzerland: NPL transfer
- UK / US: guarantees + restructuring
- Funding recovery
- Confidence then restructuring

Eurozone debt crisis:

Spain, Ireland, Italy, Greece

- Pre-crisis factors
 - Prevention / protection
 - Resolution
- Resolution
 - Speed
 - BRRD

Lessons and implications

- Prevention
- D-SIBs, R-SIBs, G-SIBs, others
- Evolution of IMF approach: from closure / liquidation to restructuring / AMCs, recapitalisation, regulatory reform
- Differing types of problem assets may lead to different approaches (eg securities, derivatives vs loans)

International standards: G20/FSB 2B2F approach

- Identification
- Prevention: Regulation + Supervision –
Macroprudential + Basel III
- Crisis management: liquidity, RRP
– BCBS Weak Banks
- Resolution
 - FSB Key Attributes
 - Principles for Cross-Border Effectiveness of Resolution Actions
 - Guiding Principles on the Temporary Funding Needed to Support the Orderly Resolution of a G-SIB
 - TLAC

Definitions: Consultations

- IFRS9
- BCBS, Prudential Treatment of Problem Assets
 - Definitions of NPEs and Forbearance
- BIS, Regulatory Treatment of Accounting Provisions
- ECB, Draft Guidance to Banks on NPLs

Regional standards

- SSM
- SRM
- BRRD
 - Preparation and prevention
 - Early intervention
 - Resolution
 - Cooperation and coordination

Possible Asian Regional Approaches

- Prevention: ASEAN/ASEAN+3, EMEAP, FSB / BIS / BCBS regional groups, AMRO, ADB / peer reviews
- Market development
- Definitions and standards
- SIBs
- AMC and deposit insurance / resolution groups