

# 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- ECB, Draft Guidance to Banks on NPLs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