



Public Asset Management Companies: International Experience

POLICY BRIEF

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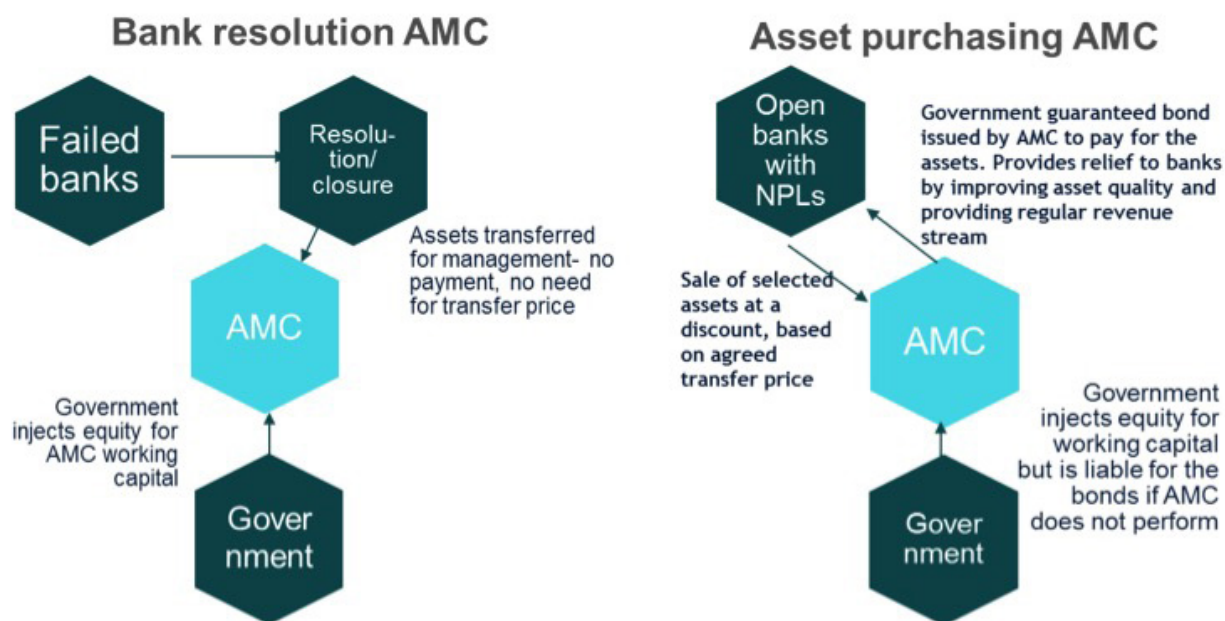
This policy brief looks at the experiences of public Asset Management Companies (AMCs) as a tool to help address financial crises and solve the accompanying high level of non-performing loans. AMCs have a mixed track record. They can lessen the cost of a crisis by managing assets whose value has temporarily declined. However, improper design, political interference, and poor management can erode any benefits, increasing the burden on taxpayers. The decision to create an AMC should not be taken lightly. Experience has shown that successful AMC's are subject to meeting certain pre-conditions, are designed with a commercial focus, and require adequate funding, strong governance, and a high level of transparency. Public AMCs alone cannot solve all NPLs in a financial system and should be complemented by a comprehensive set of reforms to strengthen bank resolution and supervision, enhance creditor rights and debt enforcement, and facilitate corporate insolvency and restructuring.

1. What is an AMC?

An AMC is a corporate entity established to manage and enhance recoveries of distressed assets removed

from the banking system. It can be established either as an entity tasked with resolving failed financial institutions and liquidating their assets (RTC in the US, Securum in Sweden, SDIF in Turkey), or as an entity that purchases assets from open banks (KAMCO in Korea, and recent EU cases in Ireland, Spain, and Slovenia). In the first case, the AMC does not select and purchase the distressed assets. Instead, under the banking law, it is appointed to restructure or liquidate insolvent banks in whole or in part (usually after the protected deposits have been transferred). Thus, no financial transaction or purchase takes place and the AMC's assets are very diverse in size and type. In the second case, the AMC purchases assets which meet certain criteria, as broadly defined by legislation and/or more specifically by the AMC itself, from banks that are still operating. Usually the AMC issues a government-guaranteed bond to pay for the purchase. In both cases, the value of the assets must be established by a prior assessment or valuation of the assets by the supervisor, or by the AMC through a transparent, market-based, due diligence process conducted by an independent third party experienced in valuation. Figure 1 illustrates the two types of AMCs.

Figure 1: Two schematic types of public AMC



Source: Cerruti and Neyens, pg. 4. The asset-purchasing AMC reflects the KAMCO, Danaharta and EU-model. In the 1990s, these AMCs did not issue bonds to the banks; instead the Government issued these bonds (as in the case of Eastern European countries and the Indonesian Bank Restructuring Agency-IBRA). In Ireland and Spain, AMCs were created as public-private entities to avoid consolidation in the public accounts.

2. Possible benefits and drawbacks of a public AMC

A public AMC, complemented by comprehensive bank resolution and restructuring tools may provide various benefits:

- **It forces banks to recognize losses, and may restore confidence in the financial system by making bank recapitalization needs transparent.** In Ireland this was the primary reason for the establishment of NAMA. The banking crisis was fueled by a property boom. Neither banks nor developers had the ability to work out the distressed exposures. In late 2008, the Government announced a blanket guarantee of all Irish banks liabilities, then amounting to EUR 440 billion or twice the annual GDP. But this blanket guarantee was ineffective at decisively addressing capital needs. Applicable accounting rules did not require banks to make forward-looking provisions, and as a result, banks unveiled losses slowly, only when they were effectively incurred. The lack of a clear exit strategy and the uncertainty on bank recapitalization needs weighed heavily on the creditworthiness of the Government which was expected to recapital-

ize the banks. NAMA was thus created to cap the government's exposure by crystallizing losses on the banks' balance sheets, thereby making recapitalization needs transparent.

- **It improves the asset quality, income, and liquidity of the banks transferring assets.** The use of cash or a coupon-paying, government-guaranteed security to purchase non-earning assets improves asset quality and provides income to open banks. Also, these securities may provide liquidity if they can be used as collateral for borrowing from the central bank (as is the case of all EU AMCs).
- **A centralized AMC manages assets more efficiently.** By gathering a large volume of homogeneous distressed assets, the AMC can package them for sale to outside specialist investors. It has enhanced bargaining power with both purchasers and borrowers, especially when all debtor connections are transferred (as in the case of NAMA). This reduces the fixed cost of asset resolution.
- **It may enable banks to refocus on financial intermediation.** When NPLs exposures reach systemic proportions, banks stop originating credit.

By carving out the largest and most complex exposures, the AMC allows banks to refocus on financial intermediation, as long as their credit underwriting practices are significantly strengthened (to prevent more bad loans from being originated).

However, if not designed and managed properly, a public AMC may generate significant losses for the taxpayers and undermine credit discipline.

- **The AMC may be undermined by undue political interference.** This may happen when the AMC's purchases are politically and not commercially driven and aim to provide relief to well-connected companies. Robust governance and specific protection against political interference in the underlying law may prevent this.
- **The AMC may engage in "mission creep".** For instance, the law of AMCON in Nigeria allows the purchase of performing loans in strategic sectors, but it is not clear how this purchase helped restore financial stability. Mission creep can be addressed by a narrow mandate in the enabling law and a strict definition of eligible assets.
- **The AMC may weaken credit discipline with successive asset purchases at inflated prices.** Banks may hold on to their assets expecting a better deal from the AMC at the next purchase. During the Asian crisis, borrowers who were in a position to meet their obligations would default ("strategic defaulters") in hopes of being transferred to the AMC where they could repurchase their obligations at a deeply discounted price. Inflated asset purchases may end up building contingent liabilities for the government who funds the AMC. A thorough valuation process to determine the transfer price and a one-time purchase can mitigate this risk. Danaharta in Malaysia, NAMA in Ireland and SAREB in Spain had one-time asset purchases.
- **Failure to dispose of assets in a timely manner i.e. "warehousing".** There is an inherent trade-off between warehousing and rapid disposition or "fire sales". The AMC is created because assets are deemed to have lost value temporarily and that this "impairment" will be recovered as markets improve. Successful AMCs, however, recognize that for this to happen the loans need to be repaired during this holding period either through restructuring in line with the borrower's capacity

to repay and the viability of the business, or the institution of legal proceedings for debt enforcement or liquidation. The more passive approach of just waiting for market recovery leads to further deterioration in the assets and overall lower recovery rates. It is good practice to fix a sunset clause in the AMC legislation in line with the nature of the assets (for Danaharta's commercial exposures this is 7 years, for SAREB's real estate exposures it is 15 years), and require the AMC in its strategic plan and operations manual to develop specific timebound strategies for the disposal of each category of assets it holds, for instance, grouping assets by specific location, borrowers' repayment capacity, or maturity, and assign defined time frames for disposal.

3. Pre-conditions and specific design features required

a) Pre-conditions in the enabling environment

The first pre-condition is the political will to recognize losses and undertake comprehensive reforms.

Governments, particularly those in weak fiscal condition, may be unwilling or unable to recognize credit losses which have already occurred but have not been recognized due to weak regulation and supervision. However, the longer it takes to recognize the problem, the larger the losses (Czech Republic and Slovakia in the 1990s delayed the recognition of NPLs, which opened room for substantial asset stripping, thereby increasing the losses). Political will should extend to a comprehensive package of reforms to address existing weaknesses in bank regulation and supervision, creditor rights, as well as the resolution of impaired assets.

The second pre-condition is a systemic crisis and public funds at risk.

A high level of NPLs is not, in and of itself, a sufficient condition to establish a public AMC. If banks are well capitalized but plagued with high NPLs they should be required to provide higher provisions, set up dedicated workout units, and draw on external expertise to solve their own problems. Use of a public AMC should be considered only when financial system weaknesses are systemic and put public funds at risk, in order to limit the ultimate cost to the taxpayer of resolving financial sector failure.

A third pre-condition is a solid diagnostic of the banking system and a critical mass of homogenous impaired assets. The diagnostic is necessary to determine the mandate of the AMC, either as a bank resolution entity if many institutions need to exit, or as an asset-purchasing entity in case most of them can continue operating. The diagnostic will identify whether there is a critical mass of homogenous NPLs that can lend themselves to recovery and the quality of the security attached to these NPLs. The recovery process is costly and best implemented on large and complex loans. To attract professional buyers, assets may be bundled according to common characteristics (hotels, commercial offices...). Thus, the ideal targets for AMCs are large and complex NPLs that can gain in value through the application of specialized expertise and share similar characteristics (real estate backed loans or large industrial loans). For instance, Danaharta removed about 70 percent of the banking sector's NPLs with only 3,000 loans. The SAREB acquired about 40 percent in value of the real estate assets owned by banks.

A fourth pre-condition is a tradition of institutional independence. An AMC is created within a local institutional framework and culture. As there is potential for its business to be vulnerable to interference, since it must often collect from politically connected parties, it should enjoy strong protection from any third-party influence (the law of NAMA provides for such protection). One way to protect an AMC is to require transparency of and accountability for its performance in its enabling law. Countries that have a challenging governance environment and weak rule of law are not good candidates for a public AMC.

A final pre-condition is a robust legal framework for bank resolution, debt recovery, and creditors' rights. Many countries that created AMCs launched comprehensive reforms of their bank resolution framework, insolvency, foreclosure laws, and out-of-court restructuring process for firms (e.g. Korea, Ireland, Spain, Indonesia, and Turkey). A corporate restructuring process is particularly needed when the assets are loans to large distressed corporates. These reforms not only support the work of the AMC, but are also critical for banks to manage the NPLs left on their balance sheet.

Latvia and Greece show the need to find different solutions when pre-conditions are not met. In Latvia, NPLs reached 18 percent of total loans by end 2010 and 90 percent of residents had loans in foreign currency. But public funds were not at risk: 60 percent of banking sector assets were held by large Scandinavian banks, which could be recapitalized by their parent. Banks created specific distressed assets units funded by their parents and took early provisions. In Greece, NPLs reached 45 percent of total loans in Q3 2016; arrears are scattered across all types of borrowers (i.e. non-homogenous) with the highest concentration in SMEs and small businesses/professionals for which a public AMC has no competitive advantage. In addition, the authorities have been unable to gain public support for a robust reform program; restrictions on the collection of mortgage arrears remain; and, governance concerns persist. As few of the preconditions for a successful AMC exist, alternative solutions are being explored. These consist of strengthening the insolvency and debt-enforcement frameworks including out-of-court solutions; setting bank specific supervisory targets for NPL reduction; and strengthening credit underwriting practices as well as bank governance to reduce political interference.

b) Commercial focus, robust governance, and comprehensive NPLs management strategy

Experience shows that a strong commercial focus is a key success factor. This requires that the AMC's legal mandate emphasizes the need to recover assets quickly to avoid "fire sales", but prevents warehousing of NPLs and protects the AMC against any political interference.¹ The AMC should employ professional distressed asset management²; and be required to adhere to good governance practices, robust transparency, and strong internal controls. Strategic and operating plans should be aligned with its mandate as well as the internal and external environment in

1 Example in the NAMA act (article 10): NAMA should "deal expeditiously with the assets acquired by it and protect or otherwise enhance the value of those assets in the interest of the State". Section 221 states that any attempt to influence NAMA is an offence.

2 Providing market based compensation to management has proven a challenge to many AMCs particularly during times of fiscal constraint. Danaharta instituted staff bonuses tied to meeting key performance indicators. More recently BAMC came under fire when it was disclosed that key staff members were receiving fees from BAMC borrowers for services such as directorships as part of their compensation. Beyond compensation, another important feature is the legal protection of their staff to allow them to pursue recovery actions effectively.

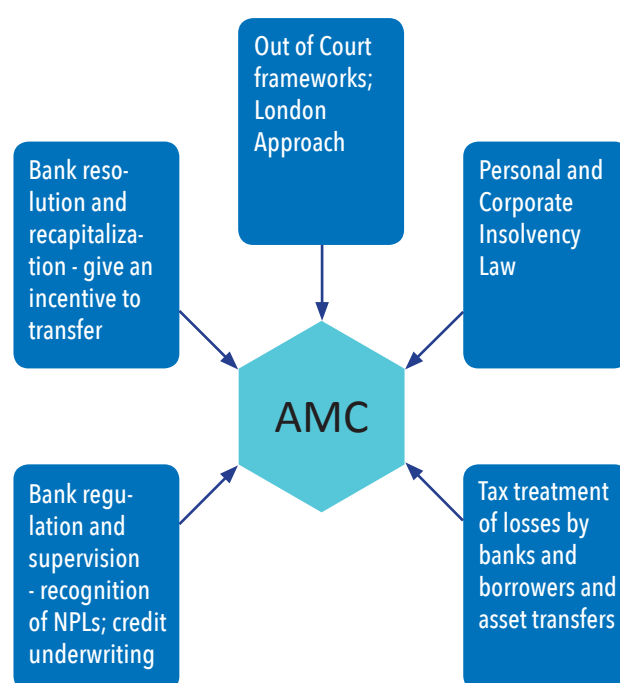
which it operates. And the AMC should be provided with adequate, timely funding in line with its mandate. To ensure public support and oversight, the AMC should be subject to frequent reporting such as: public quarterly reports, bi-monthly reports to Parliament, periodic progress evaluation conducted by an external auditor, and public annual audited report.³

Robust corporate governance practices support a commercial focus. Legal provisions on the composition, term, appointment, and removal of the board and key management staff should be clearly spelled out in the founding act. Fit and proper criteria, relevant experience, and declarations of interest should be required of board members and key management. The law should also spell out the responsibilities of the board as well as the establishment of key committees such as the audit committee. The IBRA (Indonesia) case shows the difficulty of enforcing good governance when the law is silent. Some practices have been developed to strengthen good governance. These have included the appointment of international experts on the board (as was done for Danaharta, NAMA, and IBRA to correct initial deficiencies), or as advisers to the board; the adoption and publication of key performance indicators (KPIs) to measure the success of the AMC (Danaharta); and the establishment of internal staff rules requiring that all communications that attempt to influence staff be reported to the board (SAREB). AMCs may also benefit from periodic progress evaluations conducted by third parties.

Public AMCs work best if they are part of a comprehensive NPL management strategy. Several AMCs (Indonesia, Malaysia, Turkey) were provided with special powers such as transferring loans in and out of the AMC without borrowers' consent, or appointing a special administrator in debtor companies without the need for judicial approval to speed up corporate restructuring. However, in the case of IBRA and SDIF (Turkey), many banks refused to participate in an informal out-of-court corporate restructuring process as they feared that the AMC's powers would place other creditors at a disadvantage. Therefore, the AMC's special powers should be subject to over-

sight to ensure they are not abused⁴, and should be complemented by a comprehensive NPL management strategy consisting of: i) tighter bank supervision to recognize and provision early for NPLs; ii) a bank resolution framework to facilitate the exit of failed banks and incentivize the transfer of NPLs to the AMC; iii) out of court workout processes to save viable businesses⁵; iv) personal and corporate insolvency reform to rehabilitate viable enterprises and facilitate the liquidation and exit of nonviable ones; v) tax reform to allow the restructuring of loans (for instance by preventing a "gift tax" whereby the borrower may be taxed on the portion of the loan that is forgiven and forgone by the financial institution).

Figure 2: Comprehensive NPL management strategy



4 For instance, Danaharta instituted an oversight committee composed of three representatives (one from the Ministry of Finance, one from Central Bank, one from the Securities Commission) to oversee, approve, and terminate special administrator appointments.

5 Out of court workouts are nonjudicial, private contractual arrangements between the debtor and its creditors (all or just some of the creditors). They are not typically provided for in insolvency legislation, but are instead the result of consensual negotiations, which is why many workouts are considered "informal." Parties are free to negotiate the terms of their restructuring agreement without involving the court. This typically means that workouts are flexible, fast, and less expensive than litigation.

3 The European Commission's recently published AMC blueprint provides a comprehensive discussion of reporting requirements to meet both EU and national standards.

The funding of the AMC should provide time to realize the underlying value of the assets while preventing a permanent warehousing of bad loans.

Asset purchasing AMCs need initial capital for working capital and payment of interest on their bonds; in year two or three of the AMC's life, cash collections should pay for any recovery expenses and financial cost. AMC examples show that initial capital primarily came from the governments because the banking sector was very weak. In Ireland and Spain efforts were made to enhance the private sector's "skin in the game". In Ireland, NAMA issued 5 percent of the purchase price of its assets in the form of subordinated debt payable only if performance targets were met. The banks were required by the supervisor to write this debt off. In Spain, 55 percent of SAREB's capital is owned by international and local banks and insurance companies.

4. EU guidance and rules for transfer price

The European Commission published in March 2018 an AMC blueprint to provide practical guidance for member states when considering the design and set-up of a public AMC. AMCs should be fully compliant with the EU legal framework including state aid rules, the Bank Recovery and Resolution Directive (BRRD), and the Single Resolution Mechanism Regulation.⁶ The Commission envisions four scenarios of transfer of NPLs from a bank to a publicly supported AMC:

- Scenario 1: No State Aid. Publicly supported AMC purchases NPLs from a bank at market value.
- Scenario 2: Resolution. In the context of a resolution of a bank, the use of the asset separation tool requires the creation of an AMC to take over selected assets of the bank.
- Scenario 3: Insolvency Proceedings under National Law: Separation of the "good" part of an ailing bank for sale, from the "impaired" part managed by an AMC, under ordinary insolvency proceedings.

- Scenario 4: Precautionary Recapitalization. Exceptional state aid when a bank is not failing or likely to fail, but is likely to become distressed if economic conditions were to worsen materially. Transfer of NPLs to an AMC can be associated with a state recapitalization of a bank under certain conditions.

Scenario 4 reflects the cases of Ireland, Spain, and Slovenia where the creation of a public AMC was associated with the public recapitalization of banks which continued to operate (most as state-owned institutions). To comply with state aid rules, the transfer price of assets to the AMC may be above the market price, as long as it is not above the "real economic value" (REV). The REV is defined as the "underlying long-term economic value of the assets, on the basis of underlying cash flows and the broader time horizon".⁷ It is intended to be the market price without the illiquidity and credit risk premium required by private investors due to the absence of reliable market prices. Simply put, the discount rate to value the assets using a discounted cash flow (DCF) methodology would be higher in a market price scenario than in a REV scenario.

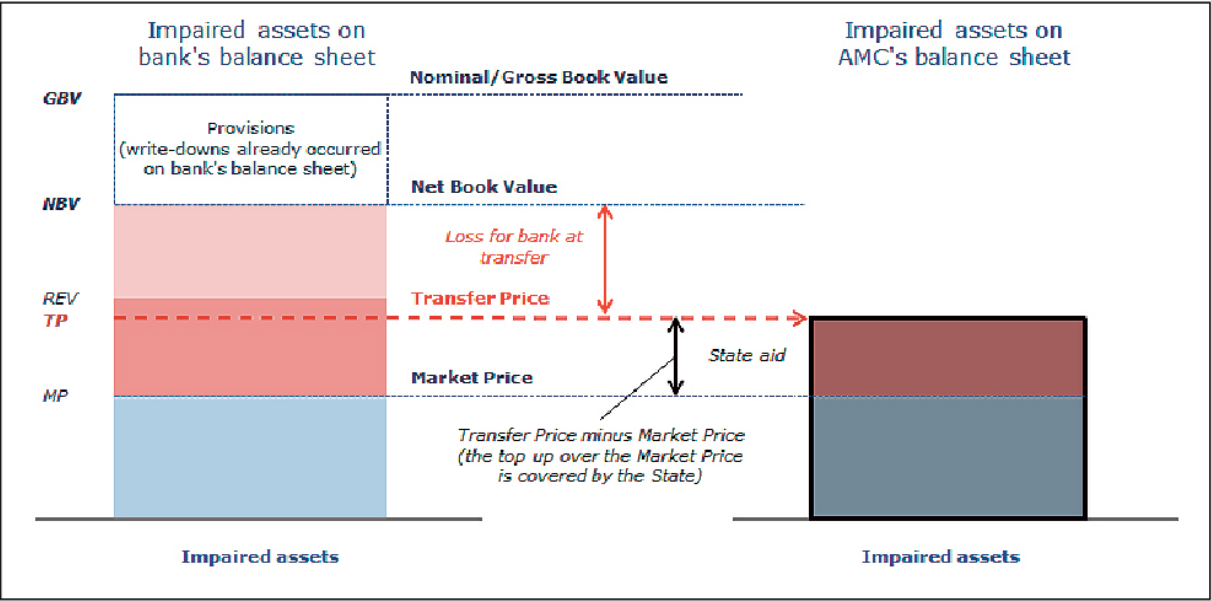
Figures 3 and 4 illustrate how the amount of state aid is determined and was applied in previous cases. In the case of Ireland, the EU Commission granted the maximum amount of state aid since the transfer price was at the estimated REV of EUR 31.1 billion out of a gross asset value of EUR 74.4 billion. The transfer price was 8.3 per cent higher than the estimated market price (NB: the difference between 35 per cent and 43 per cent on figure 4).

The analysis of asset purchasing AMCs shows a significant discount on the gross value of assets. These range from 52 per cent (SAREB) to 68 per cent (BAMC/DUTB) even after applying an uplift factor. This discount does not only depend on the level of distress of the borrower, but also on the strength of creditors' rights. The main lesson is that the transfer price must result from a thorough process of asset valuation, involving third parties experienced in valuation, a consistent methodology, and public disclosure. The lower the purchase price, the easier for an AMC to recover the purchase price and show financial success, but the higher the capital deficiency of the selling institution.

⁶ Directive 2014/59 EU on bank recovery and resolution; EU regulation 806/2014 establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of a Single Resolution Mechanism and a Single Resolution Fund.

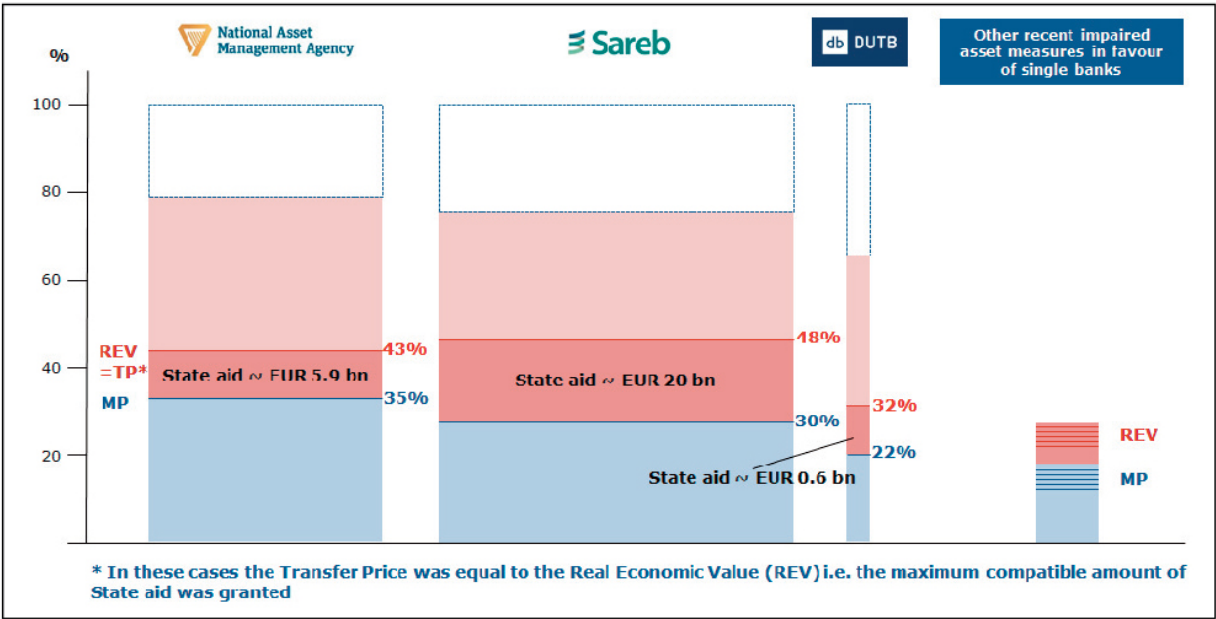
⁷ Impaired Asset Communication, section 40.

Figure 3: State aid in the transfer of impaired assets



Source: European Commission

Figure 4: Real economic value from previous cases



Source: Galand, Dutillieux, Vallyon "Non-Performing Loans and State Aid Rules"

5. Examples of Public AMCs

a) Early stage: RTC (US) and Securum (Sweden)

The RTC and Securum represent bank resolution AMCs which received a portfolio of diverse loans from failed banks. They were both very successful at disposing of the assets (at termination they had respectively 3 per cent and 2 per cent of the initial assets left) and at recovering on their gross value. The RTC's high recovery rate was in part due to the high-quality assets it received. Only 20 per cent of the loans were classified as non-performing and less than 7 per cent were in the form of distressed real estate. The RTC's disposal strategies were also supported by the deep and liquid capital markets which allowed it to dispose of a large volume of assets without disrupting real estate prices or relying on individual transactions.

Securum's success was due to various factors: i) homogenous portfolios being transferred (large corporates with commercial real estate including the Nobel industries), ii) a strong tradition of rule of law which allowed the restructuring of state-owned companies without political interference, and an efficient insolvency framework so that Securum did not require any special powers (70 percent of the companies with loans in Securum were forced into bankruptcy), and a rapid economic recovery following the banking crisis which helped the corporate sector to get back on its feet.

b) Asian and Turkish Crisis: KAMCO (Korea), Danaharta (Malaysia), IBRA (Indonesia), SDIF (Turkey)

KAMCO is an example of an AMC purchasing from a wide variety of financial institutions. It purchased over 300,000 NPLs from commercial and merchant banks, investment trust companies, and securities companies, which was explained by the severity of the crisis in the corporate sector exposed to multiple financial institutions. One percent of borrowers accounted for 90 per cent of the face value of NPLs, illustrating the *chaebol* economy⁸. KAMCO is credited with creating a distressed debt market, but its recovery efforts were overshadowed by high operating

expenses which averaged 30 percent of collections. Danaharta was a successful asset-purchasing AMC with a clear mandate and strong governance. It was part of a comprehensive framework to recapitalize viable banks, merge them, and support voluntary corporate workouts. It carved out 70 percent of banks NPLs with only 3,000 loans. It also benefitted from an economic recovery which helped borrowers to stay afloat. Danaharta adopted a strong system of corporate governance with quarterly reports, publication of KPIs, collegial decisions in committees, and professional staff remunerated on the benchmark of local banks.

IBRA epitomizes a lack of preconditions, poor governance, and too large a mandate which undermined the AMC's performance. None of the pre-conditions for effective AMCs (political consensus, strong bank resolution and corporate insolvency framework, credit culture, institutional independence) existed in Indonesia. IBRA was tasked with resolving banks, recovering the misused liquidity support, supporting corporate restructuring, and managing distressed assets; as a result, it only focused on asset management in the last two years of its life when it realized 87 percent of its sales. IBRA was intended to represent a new approach in the spirit of *reformasi*⁹, but a lack of transparency coupled with political interference in many of the loan restructurings harmed IBRA's credibility in its early years. In the end it only recovered 22 percent of the face value of NPLs transferred.

The SDIF shows that asset management can be performed by an existing institution. This Turkish deposit insurance fund was given the mandate to resolve failed banks and manage their assets in 1999. The use of an existing agency avoided a prolonged start-up period. However, the SDIF's bank restructuring mandate forced it to focus on resolving the banks as quickly as possible, and asset management activities started only four years after the crisis began. A special power to collect former bank owners' NPLs, most of which related to the misuse of liquidity support in the early stages of the crisis, as state receivables (no discount coupled with the ability to seize assets not serving as collateral) allowed SDIF to realize 72 percent of its collections from these loans.

⁸ Chaebols are family-owned large conglomerates which dominated the South Korean economy and played a significant role in politics (e.g. Daewoo, Hyundai).

⁹ Reform movement in the post-Suharto era.

c) Latest examples: NAMA (Ireland), AMCON (Nigeria), SAREB (Spain) and BAMC (Slovenia)

All these AMCs arising from the 2008 global financial crisis were set up as asset-purchasing entities. They purchased assets from open banks at a pre-determined price through the issuance of government-guaranteed bonds. The EU AMCs share common features with asset transfer at real economic value, and recapitalization of the banks following state aid rules. But they faced different challenges.

- **NAMA redeemed its senior debt in October 2017, seven years after starting operations and ahead of schedule.** It benefitted from strong political consensus and its founding law enshrined independence, accountability, and strong commercial focus. NAMA was also helped by a concentrated portfolio (19 percent of debtors in number represented 78 percent of the nominal debt acquired); a sizable portfolio in the UK which generated 80 percent of sales in the first two years; and a consolidation of all debtor connections so that 20 percent of all loans acquired were performing and generated income in early years. The share of NPLs remained high within the banking sector after NAMA's intervention (culminating at 27 percent of total loans in 2013) and therefore personal insolvency reforms and supervisory guidance on NPL reduction on a bank by bank basis has complemented NAMA's efforts.
- **SAREB came into existence as a last resort tool under an EU and IMF program designed to restore financial stability.** It took on its balance sheet about 200,000 assets, a much higher number than NAMA or Danaharta. The same banks which transferred assets were servicing them at inception which was fraught with conflicts of interest. Thus, SAREB launched a competitive process in 2014 to consolidate its servicing agreements with professional companies. As of end 2017, SAREB had redeemed 25 percent of its government guaranteed debt, but has reported losses due to financial and operating costs in each of its fiscal years. Specific accounting treatment from the Bank of Spain was issued to address the revaluation of assets after they were assumed by SAREB and allowed SAREB to remain solvent.

- **Issues of independence have been raised in the case of BAMC after several senior management resignations.** In late-2015, amendments were made to the BAMC law, clarifying that (i) the BAMC is operationally independent, and that the Ministry of Finance (representing the state) may not issue instructions to the BAMC for action on individual cases; (ii) responsibility for management of the BAMC rests with its executive directors; and (iii) the BAMC has broad powers to restructure companies in its portfolio. BAMC received a more challenging asset mix compared to NAMA or SAREB, mainly large conglomerate loans in various sectors.

Though set up as a purchasing asset management company, AMCON also had to absorb the negative equity of eight failed banks. It is thus carrying a significant negative equity on its books which has no prospect of recovery. The definition of eligible assets in its founding law was broad, and allowed AMCON to purchase strategically important assets that were not NPLs. AMCON also purchased in 2010-2011 unsecured loans and loans backed by shares (margin loans), which do not require active asset management. Successive asset purchases raise the question of the adequacy of the transfer price. Information on the transfer price is not available nor are online audited financials. Finally, the significant powers of the Central Bank over AMCON as the mandate setter, regulator, and creditor (it is the only institution holding AMCON bonds) create conflicts of interest with the mandate of supervisor. Overall AMCON's experience gives the impression that it was created with the intention to hide losses arising from the resolution of banks rather than to protect the taxpayer.

In conclusion, AMCs are not a silver bullet for a high level of NPLs. They can help in the context of a comprehensive NPL resolution strategy, as long as certain pre-conditions are met to ensure they do not represent an undue burden on the taxpayers, and to avoid using them as a tool to hide losses. When preconditions are met, experience shows that a commercial focus, and robust governance practices are critical success factors. Table 1 below summarizes key data on AMCs.

Table 1: Examples of Public AMCs

	RTC (US) 1989	Securum (Sweden) 1993	KAMCO (Korea) 1997	IBRA (Indonesia) 1998	Danaharta (Malaysia) 1998	SDIF (Turkey) 1999	NAMA (Ireland) 2008	AMCON (Nigeria) 2010	SAREB (Spain) 2012	BAMC (Slovenia) 2013
Mandate	Resolve thrifts (banks)	Restructure NPLs of state-owned Nordenban- ken, later expanded to include Gota bank	Asset management	Resolve banks, admin- ister deposit guarantee, recover mis- used liquidity support	Asset management Receiver for 2 banks	Resolve banks, admin- ister deposit guarantee, recover mis- used liquidity support	Asset Management (AM)	AM; recap- italize failed banks; invest in equities	Asset management	Asset Management
Special Powers	None	None	None	Yes	Yes	Yes	Yes (but not used)	Yes	None	None
Lifespan	7 years	10-15 years envisioned, reduced to 5 years	None specified	6 years	7 years	None specified	Expected to close in 2020, but ahead of schedule	None specified	15 years	10 years (till 2022)
Asset transfer price	Did not purchase	Did not purchase	Internal pricing based on DCF Discount = 64%	Did not purchase	Apprais- als Dis- count=54%	Did not purchase	Appraisals. REV uplift of 8.3% Discount from Book Value= 57%	Guidelines from Central Bank Discount = 54%	Bank of Spain & indepen- dent valua- tion. REV with uplift ~18% Discount = 52.4%	Independent valuation. REV with uplift ~10% Discount = 68%
Eligible Loans	n.a.	n.a.	Priority to sizeable NPLs & with multi- ple creditors	n.a.	Large and industrial loans	n.a.	Large real estate loans	Any loan reasonably expected to become substandard	Large real estate loans	Large loans multi-sector
Recovery from face value	87% (on assets only)	n.a.	46.8%	22% (on NPLs)	58%	16% (NPL sales only)	54% (as of June 2017)	N.A.	19% (as of June 2017)	23% (as of June 2017)

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