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Danaharta may need only RM15b to buy NPLs

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ASSET management company Pengurusan Danaharta Nasional Bhd (Danaharta) - which was specially set up earlier this year to help local banks reduce the amount of NPLs on their books - may only need total funding of RM15 billion instead of the previous estimate of RM25 billion.

Prime Minister Datuk Seri Dr Mahathir Mohamad said Danaharta is now estimated to need less funding because of greater liquidity and lower interest rates in the banking system, besides the reclassification of the length of time it takes for a loan to be declared non-performing from three months to six months.

He said Danaharta will acquire up to RM8 billion of NPLs from 21 financial institutions by December. In addition, Danaharta has agreed to manage the NPLs of financially broke Sime Bank Bhd worth a gross RM6 billion.

To promote transparency in its dealings, Danaharta will publish starting Dec 31, 1998 all details of NPL acquisition and disposal. It will also apply international best practices in all activities, especially in the valuation of NPLs.

The prime minister also said to further help local banks, the government has proposed that 50% of the amount in the interest-in-suspense account of local banks be exempted from income tax. The exempted 50%, however, will be taxed if realised. Under current practice, interest due from NPLs are credited into an interest-in-suspense account and is taxable.

In addition to Danaharta, the government has also set up Danamodal Nasional Bhd to recapitalise banks and a Corporate Debt Restructuring Committee to help viable companies avoid liquidation. A total of 23 companies with accumulated debts of RM5.5 billion have applied for help from the Committee.

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