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BUDGET-NPLS

DANAHARTA NOW REQUIRES A LESSER AMOUNT FOR OPERATION

KUALA LUMPUR, Oct 23 (Bernama) -- Pengurusan Danaharta Nasional Bhd, the asset management company set up to buy over non-performing loans of the banking system, now only needs RM15 billion as opposed to RM25 billion for its operations, thanks to the improved liquidity and lower interest rates.

In announcing this here today, Prime Minister Datuk Seri Dr Mahathir Mohamad said that the reclassification of NPLs from three to six months would result in the moderation of the growth of NPLS.

Danaharta would require up to RM8 billion of NPLS from 21 financial institutions by end-1998, he said.

He said that it has also agreed to manage the NPLs of Sime Bank Bhd with a gross value of RM6 billion.

"Danaharta is expected to take over NPLs at a much faster rate than anticipated when it was first set up," Dr Mahathir said when presenting the 1999 Budget.

Turning to Danamodal Nasional Bhd, the special purpose vehicle which would recapitalise weak banks, he said that from the RM16 billion it requires, Bank Negara would provide RM3 billion as seed capital.

Salomon Smith Barney, which has been appointed as financial adviser to the government, would advise on the management of Danamodal and determine the viability of any one particular recovery effort based on due diligence.

On the corporate debt restructuring committee (CDRC) set up to assist viable Malaysian corporations from being forced into liquidation as a result of the financial crisis, he said that 23 companies with accumulated debts of RM5.5 billion have applied for the committee's help.

Despite the presence of Danaharta, Danamodal and the CDRC, Dr Mahathir said that more importantly, banking institutions should be more efficient, transparent and characterised by integrity.

To this end, Bank Negara would closely monitor the banking system and would not hesitate to take action against management that is negligent.

He also said there has been some revival in economic activity with foreign exchange reserves having risen from US\$20.2 billion at end-August 1998 to US\$22.99 billion as at Oct 22, 1998.

Besides this, the trade balance for the first eight months of 1998 showed a surplus of RM32 billion, while sales of passenger cars rose from 5,641 units in February to 12,338 units in Sept 1998.--BERNAMA

MR KTC