



BANK OF THAILAND NEWS

Communications and Relations Office, Management Assistance Department
Tel. 0-2283-5016-7 FAX 0-2281-5648 www.bot.or.th

No. 127/2544

BOT relaxes Regulations on Financial Institutions Collateral Valuation

Mr.Thirachai Phuvanat naranubala, Assistant Governor, Financial Institutions Policy Group, Bank of Thailand, announced that BOT issued a circulation to all financial institutions informing a relaxation on Regulations for Collateral Valuation.

According to the previous regulation on collateral valuation issued in 1998 to calculate the required provisions for possible loan loss on debt restructuring, financial institutions were required to use independent appraisers for all large-sized loans. The regulation was pre-planned to enforce all financial institutions to use independent appraisers for small-sized loans in 2002.

In this regard, large-sized loan refers to loan with book value of over 25 million baht for financial institutions with capital under 8,000 million baht, and for loan with a book value of over 50 million baht for those with capital equal or higher than 8,000 million baht. Small-sized loan, on the other hand, refers to loan with book value over 10 million baht or over 20 million baht for the financial institutions with capital under 8,000 million baht and equal or over 8,000 million baht, respectively.

During the past few years, most financial institutions have significantly improved standard of their internal appraisal. This couples with the current regulation requiring the financial institutions to set up a committee comprising at least 3 members to oversee and be responsible for the issue. In this respect, BOT thus considers that it is appropriate to allow financial institutions to use their internal appraisers so as to help them manage a better cost saving.

Consequently, BOT amends the regulations on collateral valuation allowing small-sized loan not to use independent appraisers.

In addition, BOT also sets a clear guideline for cases where the committee and independent appraiser differ in valuation opinion. It states that in cases where an independent appraiser is required, financial institutions' appraisal committee has no authorization to make any change of appraised value. The committee, however, can hire a new independent appraiser to recheck the collateral value. The final appraised value may be chosen within the range of two quoted values along with reasons in written statement.

The improvement of aforementioned regulations will enable financial institutions in a cost saving management as well as give more flexibility in debt restructuring. The new regulation should give a committee more room to have an authorization over the collateral value under a certain limit. BOT would like to ensure that the new improved regulation is in line with international supervisory standard.

Bank of Thailand

28 November 2001