



## *Deposit Insurance Corporation of Japan*

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News Release No.66-2002

Date: December 20, 2002

### **Deposit Insurance Corporation of Japan The Resolution and Collection Corporation**

#### *Liquidization and Securitization of Assets*

The Japanese government announced on Oct. 30, 2002, in the Financial Sector Rehabilitation Program, that the RCC will accelerate the disposal of non-performing loans (NPLs) through expediting the collection and selling them to maximize the loan recovery under close coordination with corporate rehabilitation funds and enhanced activities in loan securitization as well.

Along with the policy direction mentioned above, DICJ and the RCC will continue to strive for the effective and smooth implementation of loan recovery through enhancing function of the RCC for corporate rehabilitation. With a view to diversify the measures of loan disposal and hence to support the promotion of loan sales market, DICJ and the RCC will positively undertake the responsibility to liquidize and securitize the loans held by the RCC under the policy described below.

#### 1. Policy

- (1) It is the primary objective for DICJ and the RCC to maximize the loan recovery and minimize the cost of taxpayers. When the RCC considers it an appropriate to liquidize and securitize the loans in the hand of the RCC, DICJ and the RCC will expand the activities further in liquidizing and securitizing the loans as those are also significant way in the loan recoveries.
- (2) In considering loan liquidization/securitization, it might be more efficient in some cases to leave the collection to other parties due to the features of loans (i.e. relationship between claimant and debtors, possible loan purchasers, etc.) from a view point of effective loan recovery. With view to maximize the loan recovery, DICJ and the RCC will be in active to liquidize and/or securitize loans through selling them to corporate rehabilitation funds or servicers intending to rehabilitate the debtor corporations, or loans not expected further recovery will also be liquidized. And therefore, DICJ and the RCC would positively contribute to the corporate rehabilitation and the promotion of loan sales market in Japan.
- (3) Due consideration shall also be made on the stringent policy for loan recovery through the maximum use of investigation authority of DICJ from a view point of avoiding moral hazard of debtors and pursuing the management responsibilities of failed financial institutions as well.

#### 2. Implementation

- (1) The review of loans held by the RCC shall be conducted by DICJ and the RCC first. And then, due consideration shall be given for the loans which would not be expected the full recovery in a certain period of time for the possible securitization and liquidization.

- (2) In case the self assessment<sup>1</sup> of the future loan recovery value made by the RCC is below the level of the assessment conducted by the third party<sup>2</sup>, positive consideration shall be given for those loans to be liquidized/secured.
- (3) DICJ and the RCC will consider the optimum way to dispose loans to accelerate the loan liquidization and/or securitization from a view point of efficient loan recovery by grouping of the features of loans.

### 3. The new office in charge

In order to challenge the mandate given to DICJ and the RCC as described above, the RCC established “Asset Liquidization Office” at its head office as of Dec. 18, 2002. The RCC will undertake its responsibility to exercise efficient and effective loan recovery including liquidization/secured of loans through unified portfolio management.

For further inquiries, please send e-mail to [inter-info@dic.go.jp](mailto:inter-info@dic.go.jp).

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<sup>1</sup> Self assessment (Net present value): The loan value calculated based on discounted cash flow by deducting the total costs of recovery from the amount of future expected recovery taking collecting cost, interest, collateral depreciation and recovery period into consideration based on discounted cash flow basis.

<sup>2</sup> The third party assessment (Market value): The value in the market assessed by the evaluation companies or offer prices made by bidders in the market.