

The Establishment of an Asset Management Company (AMC)

1. The law should be a so called framework law giving the authorities the legal right to set up the company. The law should only contain the broad outline and no details. Operational details about how the company should operate should be spelled out separately in an operational guideline to be drafted by the Ministry of Finance with the assistance of a consultant.
2. Drop reference to national significance since that is almost impossible to clearly define.
3. I have attached a copy of the law I proposed to the Ministry of Finance. As can be seen all the details have been dropped and the law only broadly outlines what the AMC is supposed to do.
4. In my view, the AMC should basically be a managerial company staffed initially with foreign expertise who should both train and educate local experts on debt restructuring and provide assistance to the banks. Over time I would envisage the number of foreign experts to go down and the number of local experts to go up.
5. I envisage a team of experts to go into the banks to assess problem loans and to work out how they should be solved and become viable again. In my view, the preferred option would be to keep the loans in the books of the banks instead of transferring them to the AMC. The AMC, however, should also have the right to transfer loans to its own book if deemed necessary. Could for example be loans in which the borrowers have gone bankrupt or loans in which many borrowers are involved.

Bill of Legislation

on the establishment of a limited liability company to promote the operational and financial restructuring of the corporate sector,

(Submitted to the 136th Legislative Session of the Alþingi 2008-2009)

Deleted: commercial undertakings of national significance¶

Article 1

The Minister of Finance is authorised to establish a limited liability company to assist banks in restructuring loans extended to corporate borrowers or to take over, restructure and sell such loans,

Deleted: intended to

For the purposes of this Act, the company should primarily focus its operations, although not be limited to, commercial undertakings of national interest,

Deleted: own, restructure and sell commercial undertakings of national significance in accordance with the objectives of this Act.

The operational guidelines for the company will be defined separately in a regulation to be issued by the Ministry of Finance.

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Article 2

The purpose of the company is:

- to provide assistance to banks in the financial and operational restructuring of loans to the corporate sector, The preferred option should be to keep the loans in the books of the banks, but, if needed the loans can be transferred to the company
- to work on the financial restructuring of the companies concerned, with the aim of avoiding suspension of operations;
- to work on further restructuring of the operations e.g. by winding up or divesting unprofitable operating units, merging companies or taking other measures deemed necessary to bring such undertakings into profitable operation;
- to dispose of holdings referred to in this Article in a transparent manner and in compliance with currently applicable legislation;
- to build up comprehensive expertise within the company on the financial and operational restructuring of highly indebted commercial undertakings.

Deleted: shall mean companies performing functions of such significance to the interests or security of the general public that suspension of their operations, for a longer or shorter period, would result in substantial disruption to the entire society. ¶

Deleted: negotiate the purchase of holdings or secured claims in commercial undertakings of national significance which require restructuring and are owned by the state banks or other Icelandic financial undertakings

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Deleted: in consultation with other owners and creditors,

Deleted: of such commercial undertakings in consultation with other owners and creditors,

Deleted: as soon as possible

Deleted: ¶ the financial and operating basis of highly

Article 3

The company shall pursue the objectives of this Act as efficiently and rapidly as circumstances permit, so that the commercial undertakings can become sustainable and profitable and can operate in accordance with their purpose.

The aim shall be to dispose of holdings in commercial undertakings acquired by the company and which have become profitable as soon as market circumstances permit.

Article 4

The company will be owned, managed and controlled by a holding company owned by the Ministry of Finance. The Minister of Finance, in consultation with the Minister of

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Deleted: or a company owned by the Treasury shall control the state's holding in the asset management company.

Commerce shall be responsible for the establishment of the asset management company.

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Article 5

The company's Board of Directors shall be comprised of five directors and two alternates.

The directors and the managing director must have suitable educational qualifications and expertise in financial matters and company operations.

The directors and the managing director must be legally competent. They may not, during the last five years, have been declared bankrupt or been convicted of an offence in connection with business operations, which is punishable under the Criminal Code, the Competition Act, the Act on Financial Undertakings, the Acts on Public Limited Companies and Private Limited Companies, and laws on accounting, financial statements or bankruptcy.

The directors and the managing director shall not participate in dealing with matters in which there may be a conflict of interest, nor matters concerning parties connected with them personally or financially.

Deleted: where they have substantial interests at stake

Article 6

7.

Article 7

The company's share capital upon establishment shall be ISK 20 million, provided by the Treasury.

Article 8

The Minister of Finance shall set detailed provisions on the implementation of this Act in a Regulation.

Article 9

The company shall have completed its work and been wound up no later than five years from the date of its establishment.

Article 10

This Act shall enter into force at once.

Deleted: After receiving the opinion of the Central Bank of Iceland and social partners, the board shall propose to the Minister of Finance for approval general criteria according to which an undertaking can be considered of national significance, in the understanding of the second paragraph of Article 1. ¶

Based on the second paragraph of Article 1 and the approved criteria as referred to in the first paragraph of Article 6 in a Regulation, the board shall make decisions on the purchase of individual commercial undertakings, provided the acquisition can be accommodated within the company's budget as determined in accordance with the second paragraph of Article

Deleted: A committee of three appointed by the Minister of Finance shall, no later than two months following the establishment of the company, assess the total amount of initial capital or need for its increase based on the estimated scope of its activities and the company's annual need for operating capital. The Minister of Finance, Minister of Commerce and National Audit Bureau shall each appoint one member of the committee

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<#>general criteria for commercial undertakings of national significance, as referred to in the first paragraph of Article 6, and ¶
how sale of holdings in commercial undertakings shall be carried out.