

CNS5424

R CE 28-08 00186 E430

REPEAT aae tbe

Mahathir-banking

(Embargo: For release at 2230 hrs Aug 28)

KUALA LUMPUR, Aug 28 (Bernama) -- The modern Malaysian banking system envisaged in Vision 2020 is service-oriented, committed, efficient, sophisticated and resilient, Prime Minister Datuk Seri Dr Mahathir Mohamad said tonight.

This vision of a dynamic banking system is not over-idealistic, he said when outlining the qualities needed to be adopted by the financial community in achieving the 2020 target of a prosperous, developed nation.

If Malaysia is to make the progress towards developed nation status, short-term gains must be subordinated to the longer term vision... (which) involves sacrifices and prudence, he said when addressing the annual dinner of financial institutions here.

Banks and financial institutions would play a crucial role and shoulder heavy demands in the progress towards becoming a developed nation, he said, adding the nation expected certain qualities from the industry.

These qualities were for the industry to be: caring and service-oriented; committed to supporting productive activities; competitive and efficient, innovative and sophisticated; and stable and resilient. -- more

▼28/08/18-45MST

CNS5321

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Mahathir-banking 2 Kuala Lumpur

Referring to the need for care and service, Datuk Seri Dr Mahathir said it was the quality of service that determined the support of depositors and borrowers in a bank, not products per se.

+Despite the introduction of sophisticated banking product ITEM CLOSED

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CNS5416

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Mahathir-banking 3 Kuala Lumpur (Embargo)

Datuk Seri Dr Mahathir urged public-spirited bankers to adopt a friendlier role towards potential rural depositors to encourage them to invest money wisely as well as to help educate them against being attracted to get-rich-quick schemes.

He said the banking industry must ensure that sufficient credit at reasonable cost is directed at all times to finance productive activity which would generate real wealth, value-added goods and services, and employment.

Banks must also be prepared to fund large-scale industrial investments by the private sector following the expected prominent role to be played by the manufacturing sector in the Sixth Malaysia Plan, he added.

It was the industry's responsibility to ensure that the scarce savings of the nation were channelled to genuine entrepreneurs, and not diverted to finance non-productive speculative investments and conspicuous consumption.

Banking institutions, he said, should also co-operate when necessary to arrange large loan syndicates and be more innovative in utilising the capital market to complement the demand for funding.

He also urged banks to finance smaller feeder industries and to considerably increase lending to the manufacturing sector. -- more

▼28/08/18-39MST

CNS5418

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The third quality of efficiency and sophistication would help banks to handle the escalating competition predicted in the years ahead for the financial sector, he said.

Banking inefficiency and dependence on large margins retarded economic growth and obstructed progress towards a developed nation, he added.

Referring to the need for innovativeness, he said financial innovations such as securitisations and financial futures, which have proved their economic usefulness, would continue to feature prominently.

These innovations were essential for the domestic financial system to evolve into a strong market-oriented centre, enabling the risk-bearing capacity of the economy to increase and promote capital formation, savings and stable economic growth, he added.

The final requirement for resilience and the ability to withstand shocks was, perhaps, the most important characteristic because a stable banking system kept national savings intact and provided a continual flow of credit for national progress, the Prime Minister said. -- more

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CNS5420

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Mahathir-banking 5 (last) Kuala Lumpur (Embargo)

The severe recession in 1985-86 saw the government rebuilding and strengthening weak links in the banking system such as rehabilitating or absorbing ailing banks, and consolidation of smaller institutions, he said.

The global trend for consolidation appeared irreversible, with many Japanese banks doing so, and locally, the process was expected to be more vigorous, he added.

Datuk Seri Dr Mahathir said the authorities would continue to develop the supervisory framework to preserve a safe and stable operating environment.

He added: +The stability of the Malaysian banking system, like any other banking system, ultimately hinges on public confidence in the safety of their deposits.

+The banking industry must conduct its business with the highest degree of integrity and financial prudence would continue to be the cornerstone of banking stability no matter how modern and sophisticated the system has become.+

Datuk Seri Dr Mahathir also emphasised the importance of possessing quality staff whom, he said, were a bank's +greatest assets.+ -- Bernama