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PM reminds banks of national interest (HL)

THE Prime Minister has urged banks to "exercise wisdom" when making margin calls, reminding them to give priority to national interest and comply with government directives in the wake of the current economic problems.

While the Government has decided not to totally prevent margin calls because this may jeopardise the banking sector, Datuk Seri Dr Mahathir Mohamad said the local banks must give priority to national interest.

He said although Malaysia's financial sector is in a stronger position than in many other countries, this would not remain so for long if the economy continues to face problems.

It is important, therefore, that local banks comply with government directives and cooperate in efforts to overcome the economic problems being faced now, he added.

Commenting on the tendency by some banks to make too many margin calls despite a government directive to keep it to a minimum, Dr Mahathir said:

"We have instructed them not to make margin calls but they (are doing it) apparently to protect their own banks.

"We are aware of this, and we have issued directives to them not to make margin calls. They claimed that they want to protect their respective banks. But when the country's economy is weakened, their banks' performance would also deteriorate.

"That is why they should give priority to the health of the country's economy and not only their own interests," he told reporters after officiating the Prime Minister's Department Family Day celebration in Kuala Lumpur yesterday.

Margin calls are payments demanded by banks from investors to top up the difference between their respective loans and the value of shares they had pledged as collateral.

Dr Mahathir also took to task some Malaysians who withdrew their savings from local banks, convert them into another currency, and deposit them in foreign financial institutions.

"We know of people who have lost confidence in the ringgit. Because of fear of depreciation, they changed their ringgit to other currencies and save them elsewhere, sometimes abroad.

"This action pushes down the ringgit's value further. It is no longer the foreigners who weaken the country's currency. Some of the locals are doing it too," he added.

The ringgit ended trading last week at 3.50 against the US dollar and has shed more than 30 per cent of its value against the greenback since July.

Economic Adviser to the Government Tun Daim Zainuddin has said last Tuesday the ringgit's current level against the world's major currencies was "grossly undervalued".

Daim had also outlined some of the things that local banks need to do to remain resilient. These include more prudent lending to property and equity sectors, with the manufacturing and services sectors continuing to be supported. Banks were also asked to help give the export sector a much-needed push.

All 37 commercial banks in Malaysia recorded profits last year.

Malayan Banking Bhd led the pack with RM1.4 billion in pre-tax profit for the year to June 30. It was also the leading bank in terms of assets (RM82.9 billion), loans and advances (RM45.3 billion), deposits (RM46.9

billion), capital and reserves (RM7.0 billion) and the number of branches (248).

Bank Bumiputera Malaysia Bhd was ranked second, with assets of RM44.6 billion, loan and advances RM22.2 billion, deposits RM27.9 billion, pre-tax profit RM540 million, capital and reserves RM2.8 billion, and branches 191.

The smallest bank in terms of asset size, RM674 million, was Wah Tat Bank Bhd. It was also placed at the bottom in pre-tax profit (RM37 million), and in capital and reserves (RM52 million).

The Chase Manhattan Bank (M) Bhd was ranked lowest for loans and advances, at RM299 million. The Bank of Nova Scotia Bhd was lowest in terms of deposits, at RM174 million, according to the Associations of Banks Malaysia.

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