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AZMAN

AZMAN: INTEREST RATES COULD STABILISE ON LOWER OFFSHORE RINGGIT RATES

KUALA LUMPUR, June 19 (Bernama) -- AMMB Holdings Bhd chairman Tan Sri Azman Hashim said today local interest rates could stabilise if offshore interest rates on the ringgit fall.

"With the intervention by the US and Japan to support the ailing Yen, I was told that the overseas ringgit rates have now come down to 11 percent, hurting the speculators," he added.

The speculators had offered rates on the ringgit as high as 30 percent on the expectation that the local currency would drop further, he told newsmen after Prime Minister Datuk Seri Dr Mahathir Mohamad officiated the UMNO general assembly here.

"With ringgit offshore rates having fallen to 11 percent, I hope there will be no incentives for funds to flow out of the system and maybe then our rates can stabilise," he added.

Borrowers of domestic financial institutional funds feel that the rates charged on them are quite high, he said.

"Even for the banks themselves, the existing cost of funds (COF) that they have to bear is not fair.

"Banks' interest rates are with the COF, which is how much we pay for the deposits," he said.

Currently, banks are offering up to 11 percent interest on deposits but when statutory reserves, overheads and margins are added, the rates are higher at about 16 percent, Azman added.

On the actual spread of interest charged, he said it varies from one customer to another.

"The stronger and less riskier the customer, the lower the spread will be," he added.

He said banks have to make an effort to lend to help resuscitate the economy but, still, they have to balance this with the need to lend to "good borrowers." -- BERNAMA

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