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Banks: Govt No to higher foreign stake (HL)

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FOREIGNERS will not be allowed, for now, to acquire more than 50 per cent stake in local banks, Prime Minister Datuk Seri Dr Mahathir Mohamad said.

"(The Government allows) only a certain amount of foreign participation. At the moment, we do not allow for more, even if we are (being) pressured to allow for 100 per cent equity for foreigners," he told reporters at the Sultan Salahuddin Abdul Aziz Shah International Airport in Subang on his return from Germany yesterday.

Earlier yesterday, a group of Taiwanese investors said they were keen to acquire controlling stakes in Malaysian companies, including banks.

The Prime Minister said Malaysia accepts investments from Taiwan or other countries.

However, when told that the investors were interested in controlling stake in the banks, Dr Mahathir said: "If they ask for more than 50 per cent (in a local bank), then (the local bank) will become a foreign bank."

When asked if the Government would consider allowing foreigners up to 49 per cent equity in local banks, Dr Mahathir said, "The Finance Ministry will be studying the implications of this."

Foreigners are allowed to hold up to 30 per cent stake in local banks, after obtaining approval from the Finance Minister.

In the securities industry, foreigners may hold up to 49 per cent of the equity in a stockbroking firm.

They can hold 100 per cent stake in fund management companies if they cater only to foreign investors but only a 70 per cent stake if they cater to both foreign and local investors.

Earlier in the morning, a 27-member delegation from Taiwan, in a meeting with Deputy Prime Minister Datuk Seri Anwar Ibrahim, wanted to know if Malaysia would liberalise its investment policy, particularly in the banking sector, in a bid to encourage more investments from the republic.

Anwar told reporters that the ministry would study the request by the Taiwanese.

The delegation's leader, China Development Corp chairman Dr Liu Tai Ying, said the meeting with Anwar centred on foreign equity participation and liberalisation in the banking sector.

Liu said Taiwanese investors have requested that they be allowed to acquire 50 per cent equity in local companies, including banks.

"Some have requested to be allowed to take up a 100 per cent stake in companies, particularly those involved in the construction sector," he added.

The delegation arrived from Bangkok last Thursday on a South-East Asia tour. They left for Indonesia yesterday. They will stop by the Philippines on their way home.

Last week, CDC signed an agreement with RHB Sakura Merchant Bankers Bhd (RHBS) for an establishment of a RM100 million venture capital business in Malaysia.

The two venture capital companies to be formed - Venture Capital Fund Company (fund company) and Venture Capital Management Company (management company) - will focus on providing equity financing to emerging companies.

RHBS will own a 30 per cent stake in the fund company and a 51 per cent stake in the management company while the remaining stakes in both companies will be owned by CDC.

The fund company will carry out business of an investment holding

company, sourcing and providing funds to target companies while the management company will identify, evaluate and advise on the appropriate investments for the funds.

Liu said the CDC is keen to invest in Malaysia because it is still the most attractive country to invest in South-East Asia.

Liu said Taiwan is also interested in Malaysia's high technology and steel sectors such as the Lion Group as the energy cost here is much lower compared with Taiwan.

Also present at the meeting between Anwar and the Taiwanese delegation was Lion Group chief executive Tan Sri Willaim Cheng who said the Taiwanese investors were eyeing several banks in Malaysia.

"In Thailand, for example, they have injected capital into several financial institutions and acquired 50 per cent equity in some," he said.