

02/09/1998

Definition of NPLs may be reviewed

THE Government is considering revising the definition of non-performing loans (NPLs) as part of efforts to revive the economy, Prime Minister Datuk Seri Dr Mahathir Mohamad says.

"We can perhaps do as in many countries, where there is no time limit for NPLs, or where it is nine months or six months. We are not planning on doing that (for sure) but we are thinking," he said in a 90-minute live television interview to explain the new economic measures yesterday.

The level of NPLs has increased since Bank Negara Malaysia started last year to classify loans not serviced for three months, compared to six months previously, as non-performing, Dr Mahathir said.

New Straits Times Press editor-in-chief Datuk Abdul Kadir Jasin was the moderator for the special interview, with Bernama Economic Services acting executive editor Yong Soo Heong and Public Bank director of economic division Nasaruddin Arshad making up the panel.

On the exchange control measures, the Prime Minister said:

"We have looked at other ways of trying to stabilise the exchange rates as well as the share prices ... all these things we have examined ... finally we decided that the only way we can manage the economy is to insulate us from the activities of the currency traders and the share market speculators.

"To do this, we have to take the exchange away from them."

With the controls, Malaysian companies can be revalued according to their net assets, he said.

"Then, the NPLs will not be as bad because the collaterals which use the value of the companies would now appreciate again and will go perhaps above the value of the collateral before.

"There are a lot of things we can now do because we do not have to fear their actions to stop us by devaluing our currency or by pushing down our share market," he added.

"Once we regain control of our exchange rate, we can actually reduce interest rates and not have somebody devalue our currency... our companies will be revived because they can now borrow more money.

"In addition, of course our ringgit is revalued upwards. Then if companies have to borrow to purchase something from outside, they would not need so much money as they do now," Dr Mahathir said.

The Prime Minister also dismissed fears that the public's savings in the banks will be frozen following the implementation of the measures.

"There is no reason. The internal economy is not touched in this matter. The domestic financial system will become stronger and there is no reason for us to freeze fixed deposits, for instance. The money in the bank is safe and will not be touched."

Later at a press conference, Dr Mahathir said Malaysia will scrap RM500 and RM1,000 notes to make it more difficult for individuals to repatriate ringgit in cash. Banks will no longer allow individuals to repatriate ringgit to local banks after October 1.

"We are going to demonetise the 500 and 1,000 notes. So they cannot bring it back (after October 1) unless they carry it in very small denominations," he said.

Dr Mahathir also said the Government sees no immediate need to establish a currency board.

"The most important thing is whether we can control the movement of the

currency ... do we have the power to control? At the moment, we don't see the need for a currency board."

On whether the Government will introduce more drastic measures, Dr Mahathir said he cannot guarantee that there will not be anymore.

"Well, there will be consequential actions to be taken after this, such as amending some laws related to the stock market like the use of nominees, in order to hide dealings from the Kuala Lumpur Stock Exchange," he said.

Except for unit trusts, he does not see why businessmen need to use nominees.

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