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First tranche to recapitalise banks (HL)

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SHAH ALAM, Thurs. - Between RM2.5 billion and RM3 billion will be used to recapitalise several banks through Danamodal Nasional Bhd in the next few weeks, Deputy Prime Minister Datuk Seri Anwar Ibrahim said today.

Anwar said this was the first tranche of the RM16 billion which would be allocated to Danamodal to recapitalise banks in a bid to strengthen the banking system.

Speaking to reporters after a closed-door briefing on economic projects and programmes in Selangor, Anwar said although a few banks had been identified as beneficiaries of the first tranche, he would not name them as yet.

The briefing was attended by Menteri Besar Datuk Abu Hassan Omar, State executive councillors and senior State Government officials.

He was asked whether Danamodal Nasional would recapitalise financially-troubled Sime Bank Bhd.

Anwar said the amount would be sufficient to recapitalise the banks identified as initial beneficiaries.

"Many banks will require (funds from Danamodal) from then on (after the first tranche) but I think Danamodal will announce it very soon."

Bank Negara announced on Tuesday that Danamodal Nasional, the special purpose vehicle to spearhead the recapitalisation of the banking sector, would begin operations next month with a seed capital of RM1.5 billion.

The central bank has estimated that in a worst case scenario, some RM16 billion would be required to bring the risk weighted capital ratio of all domestic banking institutions to at least nine per cent.

The risk-weighted capital ratio of the banking system was at 11.3 per cent as at the end of last month, well above the minimum Bank for International Settlements requirement.

These funds will be raised in the form of equity, hybrid instruments or debt in both the domestic and international markets.

Bank Negara also said the economic slowdown would result in further increases in the level of non-performing loans which would erode the capital base of the banking institutions.

On the Aug 31 deadline to implement Federal and State Government projects, meant to improve the quality of life of the people, Anwar said the States were determined to implement them with more urgency.

Anwar added that the States had also set up special machinery to monitor the implementation and progress of the small and medium-scale projects.

"This is a progress that I am proud of," he said.

Anwar's remarks came two weeks after he had issued a stern warning to State implementing agencies that they should implement the projects before Aug 31, especially those for which allocations had been approved.

These projects cost between RM20,000 and RM100,000 each. They include road and drain repair and improvement works in villages.

Other projects which had been delayed included those improving facilities in schools and mosques in rural areas.

Anwar said Rural Development Minister Datuk Annuar Musa, Works Minister Datuk Seri S. Samy Vellu and Housing and Local Government Minister Datuk Dr Ting Chew Peh would visit States regularly to monitor the development of these projects.

Asked why it had to take a warning before such projects were implemented, Anwar said he had intervened on the request of Prime Minister

Datuk Seri Dr Mahathir Mohamad to ensure that the projects be carried out speedily in the wake of the economic problems.

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