

11/09/1998

US bank appointed adviser to Government (HL)

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KUALA LUMPUR, Thurs. - American investment bank Salomon Smith Barney Holdings Inc, which is part of the world's largest financial group, Traveler's-Citicorp, has been appointed financial adviser to the Government to help Malaysia raise foreign funds to meet the nation's needs over the next two years.

It will also advise Danamodal Nasional Bhd in the restructuring and recapitalisation of the banking industry.

Salomon Smith Barney will advise the Government "... in the design and implementation of a substantial financing programme", said Prime Minister Datuk Seri Dr Mahathir Mohamad today.

Dr Mahathir said he had discussions with Salomon Smith Barney co-chairman and co-chief executive officer Deryck Maughan on how funds are to be raised for the Government.

Endorsing the latest measures taken by Malaysia, Maughan said he expected the measures to help strengthen the economy.

"We believe the Government of Malaysia has acted decisively and we are going to assist them in their endeavours," he added.

Dr Mahathir, when asked about the appointment of a foreign institution to be the Government's adviser, said: "We appreciate any help coming from any quarter, whether they are foreign or (local), if it is relevant to us.

"We are not anti-foreign, we are not so local (in our outlook) that we reject something that we think will fit in with our scheme of things," he told a Press conference held at Carcosa Seri Negara.

Asked if other institutions were interested, he said: "... we have not heard from them. Anybody willing to give a helping hand, we would welcome (them)".

On the terms of the Salomon Smith Barney's appointment as adviser, Dr Mahathir said: "We have not specified the period."

Salomon Smith Barney, which has a representative office at Menara IMC here, was also adviser for the US\$4 billion (RM15.2 billion) South Korean Government bond issue in April this year.

Currently, Salomon Smith Barney operates 503 offices in 27 countries and employs over 35,000 staff worldwide. As at June 30, 1998, it handled clients' funds valued at US\$724.3 billion in total.

It is ranked among the top three investment banking firms in the US in terms of equity and debt underwriting. Its parent, Traveler's Group, is currently merging with Citicorp Holdings Inc - the parent company of Citibank.

Asked to comment on the sharp fall in share prices at the Kuala Lumpur Stock Exchange on Tuesday, after strong gains on Monday, Dr Mahathir blamed investors in Singapore.

He said investors in Malaysian shares on Singapore's Closed Limit Order Book had sold shares on the KLSE to take advantage of arbitrage gains when CLOB opened for trading on Wednesday for one week.

Given this situation, Dr Mahathir said: "We are looking at... the possibility of capital gains tax," when asked about such a tax being imposed on share transactions.

Dr Mahathir, who is also First Finance Minister, added that banking institutions had sufficient funds to finance economic activities and these institutions must achieve the eight per cent loan growth target set by Bank Negara for this year.

"Banks will have to try to achieve this eight per cent target (to finance the economic recovery). If they don't, they are not doing their duty as a banker."

He said although Bank Negara had capped loans growth to 15 per cent at the start of the year, "... bankers reacted badly and did not lend any money so much so that credit growth was only at about three per cent".

Dr Mahathir also said since these bankers had a tough time in achieving the 15 per cent target, "... we have reduced it to eight per cent".

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