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Bank merger plan does not discriminate: PM (HL)

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THE ongoing banking merger programme does not discriminate against non-Bumiputera controlled banks and allegations to the effect are baseless, Prime Minister Datuk Seri Dr Mahathir Mohamad says.

"Bank Bumiputra was the first to undergo a merger, Sime Bank was another. These are Bumiputera banks. We don't discriminate. Of course, some people like to make it a racial thing. That is the way the opposition works," Dr Mahathir said yesterday.

Financial institutions should not be identified along racial lines, he said, pointing out that Chinese banks also have Bumiputera shareholders as much as Bumiputera banks have non-Bumiputera shareholders.

That the banks have been directed to merge into large groups ahead of the liberalisation of the industry should therefore not be politicised, the Prime Minister said at a press conference after opening the first Africa-Asia Business Forum in Kuala Lumpur.

Bank Negara had originally said that all of the country's domestic commercial banks, merchant banks and finance companies would merge into big banking groups, with the exercise being spearheaded by six anchor banks.

It subsequently announced that the banks would be granted greater flexibility to pursue the mergers and they were free to choose their own partners and anchors. The number of merged groups was also no longer fixed at six.

They are given until the end of 2000 to complete the entire exercise. Asked if the original six anchor banks might be upset by the change in policy, Dr Mahathir said: "They shouldn't be unhappy now that we give them the freedom to make decisions on who should be anchor banks. I suppose the stronger ones will be anchor banks, but that is up to them to decide." He warned, however, that if the banks fail to agree among themselves, the Government will intervene.

"In which case, we may find some tiny banks to be anchor banks. So they had better watch out. By the end of 2000, if they do not do something about it we will find some small banks to become anchor banks," Dr Mahathir said.

He said the Government hopes to achieve an optimal number of domestic banks in the country, and it need not necessarily be six. "Maybe six, maybe five, maybe four. Optimum is a very flexible word."

The decisions on bank mergers are made collectively by the National Economic Action Council (NEAC), the Prime Minister added.

"I would like to clarify that this is not my decision, this is a decision by the NEAC. No single person can make a decision like that," he said.

Both the original proposal for six merged entities and the relaxation of the requirement following feedback from the banks were decided by the NEAC, the Prime Minister said.

"We had to shock these bankers, otherwise they would take their time... We have been telling them to merge for a long time and they did nothing. "So we thought one way to get them moving was to say, 'if you do not merge we are going to squeeze you', and that worked very well. Everybody was up jumping and now they want to merge on their own free will, with a little bit of urging from the Government," Dr Mahathir said.