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PM-BANK MERGER

BANKS ALLOWED TO DECIDE ON LEAD BANKS, SAYS DR MAHATHIR

KLANG, Oct 12 (Bernama) -- Prime Minister Datuk Seri Dr Mahathir Mohamad today said banks would be allowed to decide among themselves on the lead or anchor banks under Bank Negara Malaysia's accelerated merger programme.

"I hope they will decide as soon as possible," he said at the opening of the 53rd annual general assembly of the Associated Chinese Chambers of Commerce and Industry Malaysia here.

Dr Mahathir said the National Economic Action Council has decided to re-look at the number of lead banks and is not in a hurry to push for the mergers too quickly.

"We are not in a hurry although unsolicited foreign advisers have urged us to do it quickly," he said.

On the memoranda of understanding entered into by various financial institutions for the mergers, he said "I hope they will honour their undertaking."

Dr Mahathir said the government is not rigid on the number of lead banks, adding that "six is possible if everyone agrees."

Speaking at a press conference later, he said the NEAC, being flexible, has decided to review the merger programme following protest on the number being restricted to six and the banks chosen to lead the merger.

The six anchor banks are Malayan Banking Bhd, Multi Purpose Bank, Bumiputra-Commerce Bank Bhd, Perwira Affin Bank Bhd, Public Bank Bhd and Southern Bank Bhd.

He explained that the authorities had earlier decided on the six banks as anchors to instigate response from the banking community and to wake them up to the call for mergers.

Dr Mahathir expressed satisfaction that the accelerated merger program had made the domestic banking institutions realise the need to merge in preparation for competition from big foreign banks when the market would eventually be opened up.

"There is a commitment to merge now. There was none in the past," he said referring to the memorandum of understanding (MOUs) signed by the banks.

Although it has been the government's intention to reduce the number of local financial institutions from the present 58, Dr Mahathir said the NEAC decided not to push too hard the merger exercise as "forcing too much on people is not good for the economy."

NEAC, he added did not want to decide on something that would damage the confidence in the banking industry as the loss of confidence in this sector might cause a run on banks.

Calling on the banks to comply with the merger deadline, Dr Mahathir said if for some reason the banks are not able to do so, the authorities would not "ram it on them".

The deadline has been set for the completion of due diligence by Nov 15, 1999, signing of sales and purchase agreements by Dec 31, 1999 and Feb 29 next year for the securing of approvals from the regulatory authorities and shareholders.

The institutions have until April 1, 2000 to commence business as merged entities.

The authorities no not have to be too rigid with the deadlines, he said, adding that financial institutions have until next year to decide on

how to execute the merger exercise.

Dr Mahathir said the government is open to suggestions and would leave it to the banks on how to merge among themselves but "if they can't decide among themselves the government will have to decide".

He added, apart from transforming local banks into fairly big financial institutions, another rationale for the merger was to turn them into national banks but "not Sabah bank, Sarawak bank, Perlis Bank and all that."

Asked whether financial institutions would be given free reign on the merger process, he said if the banking community has a strong reason for not accepting the government's arrangement, they should inform the relevant authorities.

"If they protest, they must show why they can't accept," stressed Dr Mahathir.

Earlier in his opening address Dr Mahathir said with the uncertainty over the merger now removed, banks should now be able to function better in terms of loan provision.

He said there were a lot of complaints over banks' reluctance to lend due to the uncertainty over the merger exercise like whether it would go on and who would be the anchor banks.

"We need them to borrow so that they can help with the economic recovery process," he added. -- BERNAMA

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