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Mahathir-Banks

BANKS CAN DECIDE ON WHO SHOULD LEAD, SAYS MAHATHIR

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

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

The National Economic Action Council (NEAC) has decided to re-look at the number of lead banks and was not in a hurry to push for the mergers too quickly, he said.

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

At a press conference later, the prime minister elaborated that the NEAC, being flexible, had decided to review the merger programme following objection to the central bank restricting the number of anchor banks to six and fixing which ones should 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.

The prime minister said 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 programme had made the domestic banking institutions realise the need to merge in preparation for competition from big foreign banks upon eventual opening of the market.

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

While the government intended 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."

The NEAC 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, he said.

While he called on the banks to comply with the merger deadline, Dr Mahathir assured them that if for some reasons the banks were not able to do so, the authorities would not "ram it on them".

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

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

The prime minister said the authorities did not have to be too rigid with the deadlines, adding that financial institutions have until next year to decide on how to execute the merger exercise.

He said the government was 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".

Besides 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.

When addressing the ACCCIM general meeting earlier, 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 numerous 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.

-- BERNAMA

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