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DAIM-MERGER

DAIM WANTS TO SEE MORE FINANCIAL INSTITUTIONS' MERGER

KUALA LUMPUR, June 10 (Bernama) -- First Finance Minister, Tun Daim Zainuddin, would like to see the merger of more financial institutions in the country, so as to create bigger and stronger entities.

He said that the current progress of merger exercises "is a bit slow," and needed to be speeded up.

Although some banks have either completed or almost completed their acquisitions, such as RHB Bank Bhd and Sime Bank Bhd, BSN Commercial Bank Bhd and Perwira Affin Bank Bhd, and Bank Bumiputra Malaysia Bhd and Bank Of Commerce, Daim regarded the merger process in the country as still very slow.

"I am trying to push for a faster merger," he said.

"I would like to see more mergers. I want to see strong banks. I am not interested in size but the important thing is the strength," he said in his briefing to foreign journalists, who were invited to Malaysia by the National Economic Action Council (NEAC).

Asked how many banks he would like to see merging into big entities, he said: "Maybe eight private banks."

Earlier, Bank Negara's Assistant Governor Dr Awang Adek Hussein in his briefing, said for commercial banks, to-date, one merger has been completed while two others are expected to be completed by the end of 1999.

For finance companies, he said 10 absorption and two merger cases have been completed while nine others are to be absorbed or merged by end-1999.

On the subject of ringgit's pegging, Daim, who is also Special Functions Minister, concurred with Prime Minister Datuk Seri Dr Mahathir Mohamad's view that the RM3.80 to a US dollar peg would remain for a long time.

"The country sees no hurry to change the pegging regime," Daim said.

He also dismissed claims by certain quarters that Malaysia would lift its capital control measures, on Sept 1, 1999.

"We never interpret that and I am not aware about any announcement to withdraw the capital control measures. Nothing will change until there is a strong financial architecture," he said.

Capital control measures were introduced in September last year.

Daim also said that Malaysia does not need foreign direct investments (FDIs) from foreign banks to restructure the banking system as it has plenty of cash.

Asked whether Malaysia would like to see the development of more diversified pension funds, as currently the Employees Provident Fund (EPF), is the only dominant institution in the country, Daim said:

"We are going to study it. We do not want to face the situation like in Britain where they make use of the pension fund to prop up their stock market," he said.

On views by economists and analysts that Malaysia may record higher than one percent growth in its Gross Domestic Product (GDP) this year, he said: "We have to be patient, just wait until the end of the year."

"As far as I am concerned, we are happy in what we are doing, we are in the stage of recovery and are confident of meeting the one percent growth this year," Daim said.

He said that the country expects a five percent growth next year and "around the same level in 2001."

Daim also expressed satisfactory on the performance of Pengurusan

Danaharta Nasional Bhd and Danamodal Nasional Bhd, saying that "they have done a good job."

Danamodal was set up to recapitalise ailing banking institutions and has so far injected RM6.2 billion into 10 financial institutions, while Danaharta was established to purchase non-performing loans (NPLs) from banking institutions.

As at March 31 1999, Danaharta has cleared out a total of RM23.1 billion of NPLs, which represents 32 percent of the banking system's NPLs of RM72.7 billion. -- BERNAMA

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