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End to forced mergers welcomed by most groups

Baidura Ahmad

THE bankers like it, the stock market reacted positively to it.

In fact, with the exception of one or two spoilsports, Wednesday's decision by Bank Negara Malaysia to drop its earlier "forced bank marriages" in favour of free-to-choose partners was endorsed all around.

The banking institutions are now given the flexibility to form their own merger groups and to choose their own leader in each group to lead the merger process.

"We bend the rules but we did not abandon it," says a source familiar with the bank merger process when asked to comment on Wednesday's decision which some had criticised as "flip-flopping" by the Government.

"In the first place, there is no such thing as the perfect plan. This is especially so when we talk about something as major and sensitive as merging banks.

"As we go along, we'll find what is lacking and whenever we could, we try to accommodate."

The source was adamant that the revision of the decision should not be seen as a failure by Bank Negara, "because at the end of the day, they get what they wanted - which is to get the banks and finance companies merged".

As early as 10 years ago, Bank Negara had advised the 55 banking institutions to look for the right partner and then merge. But things were not happening as fast as they should.

Enter the forced merger and short deadline. And it did get things moving.

All the hard work put into the 20-odd memoranda of understanding signed among the proposed partners earlier could still amount to concrete partnerships provided the concerned parties are happy with their arranged partners.

It is only those who want to break away that may have to return to the drawing board.

"After this there is no more excuse. It does not matter who they want to marry or what the final number (of anchor banks) will be. The number is irrelevant as long as the number is reduced," he added.

Banking analysts and other market observers said they have never been against the merger exercise, "that is the way forward". It is the choice of partners and anchor banks that they questioned.

"In one or two cases, it is obvious that the proposed partners came from a different culture; how do you expect them to get married?," asked an analyst.

With the revision, the number of anchor banks is most likely to be expanded to either nine or 10.

The front runners are Arab-Malaysian Bank Bhd, RHB Bank Bhd and Hong Leong Bank Bhd which are widely rumoured to be breaking away from the previously arranged marriage of the six anchor banks.

Bank Negara said banks were required to revert to the central bank by the end of January 2000 on their merger partners, as well as an agreement in principle from their major shareholders giving their assent to a merger.

In the event that the shareholders of the banking institutions do not make full use of the flexibility accorded to merge among themselves, Bank Negara will intervene directly to select the merger partners to ensure

that the consolidation objective is achieved.

There are also those who chose to look for the invisible message in the decision as proof that Prime Minister Datuk Seri Dr Mahathir Mohamad and his economic adviser, First Finance Minister Tun Daim Zainuddin, are at odds on this matter.

Sorry to disappoint the non-believers, but this is what you'd call "consultative engagement". If Size M does not fit the body, we take Size L or XL if we have to. As long as the body gets dressed, everyone is happy.

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