

02 OCT 1999

Mahathir-Banks

GOVT WANTS BANKS TO BE STRONG, SAYS MAHATHIR

By: Wan A.Hulaimi

LONDON, Oct 2 (Bernama) -- The government has to take the first step to encourage Malaysian banks to group together into stronger entities because, if left to their own devices, the banking institutions will be dragging their feet, Prime Minister Datuk Seri Dr Mahathir Mohamad said.

Although the banks had only just signed the Memoranda of Understanding among them, the process towards leaner, stronger banks had started, he said.

"The government will give their eventual marriages its blessing," he said responding to a question about the mergers from an audience of Malaysians at Malaysia Hall here Friday.

Dr Mahathir arrived here from New York on Thursday for a stopover before going to Zimbabwe to attend the 1999 South Africa International Dialogue.

An accountant with a large city firm here, asked why the figure six was chosen for eventual mergers, and why some banks like RHB, were in the process of being taken over by smaller banks.

Dr Mahathir said that the figure six was an arbitrary one and it was not a certainty that there would be six merged banking institutions to replace the myriad smaller ones.

"The government stepped in and said: +Well, we want you to consolidate and we want six banks.

"It's a figure. If we had said one, they'd say 'Why one?', if we'd said eight, people would've said, "Why eight?"...Well, that's an almost arbitrary figure that we've chosen - six banks - but it is not necessary that there will be six, what we want them to do is to sign the Memorandum of Understanding among them so that they can move on towards mergers," he said.

The question of who would become the lead bank in these mergers was not important to the government provided that they found the right management, Dr Mahathir said.

Referring specifically to the RHB merger, he said: "We did not direct so rigidly that they must do exactly as we want them to do. Why not Rashid Hussein (as the lead bank)? Well, it's up to them. It may be that there's some weakness which we don't know which has caused the banks to request that maybe a smaller bank should take the lead, I don't know."

The prime minister said he was aware that people were very reluctant to merge because in the process of merging some people were going to lose their positions as senior partners, or that they would not be the lead bank, so they did not make any serious attempt to merge and the government had to step in.

He then went on in a lighter vein: "Of course the foreign press will say this is merger by fiat. I don't know what Fiat has got to do with it."

He said one of the things the government was worried about with these mergers was the loss of jobs as this would mean branch closures and retrenchments.

Dr Mahathir added: "Jobs will be found for those who are found to be superfluous, or they may have arrangements for severance payments which will be beneficial to them.

"The government will make sure that nobody loses out simply because we want our banks to be strong."

-- BERNAMA

WAH RYN