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Haggling over anchor bank status goes on

MALAYSIANS would never do anything without bargaining for the best deal. This takes place at pasar malam and even when buying a house, a car or any type of property or service.

So, some say we should not be surprised when those who are being asked to give up their banks are haggling until they turn blue in the face - some want better terms, some just refuse to let go.

Bank Negara Malaysia announced on Sept 30 that all 58 domestic banking and finance institutions had signed in-principle agreements to merge under six core banks.

The signing is the first step in the central bank's consolidation plan expected to be completed by March next year.

However, since Prime Minister Datuk Seri Dr Mahathir Mohamad's statement last Wednesday that the number of core banks might be raised, the rumour mill has not stop working.

And neither have the affected bankers. Two or three have been lobbying hard to get themselves out of the arranged marriage.

"In the early days, when the consolidation was proposed with the figure six, the (Government) had prepared itself that the number would not satisfy everyone.

"The banks concerned would bargain for more, and true enough, they did. The (Government) was quite prepared that the number might have to be adjusted later, perhaps to eight.

"Of course, if everyone was happy with the proposal, it would have stayed at six. Then again, it might still stay at six," said a source.

He added that the number might be raised now, but in the long-term, it might get back to the original figure due to market forces.

"The global trend is towards having no single largest shareholder where all substantial shareholders will hold five per cent or less in a bank. Therefore, they will employ a professional to manage the bank to watch out for their interest."

It is understood that this is the situation in most foreign banks in Malaysia. The main shareholders of HSBC Bank Malaysia Bhd, for example, only hold between five and four per cent stakes.

"Even if Arab-Malaysian Bank Bhd wants to be on its own now, will it be strong enough to face the future? We are not talking about competing with local guys. When the market is liberalised under WTO arrangement in the next three or four years, the big foreign boys are coming. What then?" he added.

Bank Negara deputy governor Datuk Dr Zeti Akhtar Aziz yesterday said she did not want to speculate on how many core banks would eventually emerge from the consolidation exercise.

"I am not going to speculate on the number. We are working towards six and we will address the issue as such," Zeti told reporters at the 1999 Asian Securities Analysts Federation conference in Kuala Lumpur.

Another source, whose bank would be merged with several others under one of the six anchor banks and also rumoured to be asking for an anchor role, denied that he would lobby for it.

"No. We are happy with the current arrangement. After all, in my group, we are combining financial institutions which are weak or having problems.

"Big numbers do not mean that you are strong," he pointed out.

The banker also said he sympathised with those who have to give up

controls of their banks.

"But, the situation does not allow one to be sentimental about such matters."

Another observer said there was no better time to have the arranged marriage of the banks than now.

"Tun Daim is a no-nonsense man and is not in some popularity contest. While he is still in charge of the Finance Ministry, he is seen as the best person to pursue this."

He added that it was also easier now because the Asian financial crisis has forced some of the banks' shareholders to take stock of their business and admit the need for certain changes.

The six core banks under Bank Negara's proposal are Malayan Banking Bhd, Multi-Purpose Bank Bhd, Bumiputra-Commerce Bank Bhd, Perwira Affin Bank, Public Bank Bhd and Southern Bank Bhd.

The three which have been rumoured to ask to break away are Arab-Malaysian, Hong Leong Bank Bhd and RHB Bank Bhd.

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