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No racial undertones in bank mergers (HL)

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KUALA LUMPUR, Tues. - The merger of banks has no racial undertones and people should stop making an issue out of it, Prime Minister Datuk Seri Dr Mahathir Mohamad said today.

The exercise would continue to be carried out according to the ability of banks themselves following the flexibility given to them to choose their partners and anchors, he said.

To a question on the number of Chinese-controlled banks after the mergers, Dr Mahathir said: "I don't know because I don't look into this kind of thing, whether Chinese or Malay.

"Most Chinese banks have Bumiputera shareholders and most Bumiputera banks have non-Bumiputera shareholders."

Speaking after opening the Africa-Asia Business Forum, he said the people should not put a racial slant into the exercise.

Dr Mahathir said the first two merged entities were Bumiputra Commerce Bank Bhd and Sime Bank Bhd, both Bumiputera-owned banks.

"Some people would like to make this a racial thing, that's the way the Opposition works," he said.

He also said there was no reason for bankers to be unhappy because they now had the freedom to decide on their merger partners and anchor banks.

"I suppose the strongest one will become the anchor but that is up to them to decide. Otherwise we might decide for them, in which case we might find some tiny bank to be the anchor bank.

"They have to look out (because) by end of 2000, if they don't do something about it, we will find some little bank," he said.

Bank Negara had announced last week that it was relaxing the merger conditions to allow banks to choose their own partners. They have until the end of January to do so and until December 2000 to complete the exercise.

Previously, Bank Negara put all the banking institutions into six proposed merger groups with Sept 30 as the deadline to sign the memoranda of understanding and April 2000 to finalise the mergers.

The six "chosen" anchor banks were then Malayan Banking Bhd, Multi-Purpose Bank Bhd, Bumiputra Commerce Bank Bhd, Perwira Affin Bank Bhd, Public Bank Bhd and Southern Bank Bhd.

Dr Mahathir also said the decision to relax the merger conditions was not made by him but by the National Economic Action Council executive committee.

"The original decision (to merge) was made in the NEAC exco and (also) the decision to relax (the conditions) after the response was received."

He was clarifying a comment by Tan Sri Azman Hashim, the Arab-Malaysian banking group chairman, who was present at the Press conference in his capacity as the Malaysian South-South Corporation Bhd chairman.

Azman, whose flagship Arab-Malaysian Bank Bhd was reportedly eyeing an anchor bank status, was asked whether his bank would now seek to be the core bank of a new banking group.

"I have been avoiding questions about this. All I can say is that I am very grateful to the PM and I will be approaching the authorities and negotiating with partners," he said.

Dr Mahathir immediately responded that it was not his (Dr Mahathir's) decision.

"It was the decision of the NEAC. There should be no perception that any

one person can make a decision like that," he said.

Dr Mahathir had previously commented that six anchor banks was an arbitrary number.

Asked what would be the optimal number of banks, he said it was flexible and up to the banks to decide.

"It's entirely up to them, we want to have an optimal number. Six was the number suggested but we are not rigid about this. We have always been very flexible," he said.

Dr Mahathir also said the initial merger conditions was to "shock" the bankers into taking the matter seriously as "otherwise, they would take their time, maybe in the year 2005."

He said the Government wanted the bankers to act quickly.

"We have been telling them to merge for a long time and they did nothing. It's one way to get them moving or to tell them that if you don't, we will act. And that has worked very well.

"Everybody was up (and) jumping. Now they want to merge of their own free will, of course with a little bit of urging by the Government," he said.

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