

# Stockbroking mergers pick up speed as deadline nears<sup>16</sup>

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By DEBRA MOREIRA

STOCKBROKING merger announcements are on the rise as firms rush to meet the end-December 2000 deadline for tax incentives offered.

And yesterday, PM Securities Sdn Bhd, a subsidiary of Pan Malaysia Capital Bhd, entered into a merger agreement with Malpac Securities Sdn Bhd. Under the proposal, PM Securities will also acquire certain fixed

assets like land, buildings, and office and computer equipment from Malpac for up to RM87 million in cash.

PM Securities is currently in the process of merging with MBf Northern Securities Sdn Bhd as well.

The two exercises upon completion will allow PM Capital to secure "universal broker" status.

Universal brokers, which include at least four existing stockbroking companies, are set to enjoy a number of incentives if their mergers are affirmed before the end of the year.

The Securities Commission had said that stockbroking companies which meet the deadline will be allowed to utilise 50 per cent of tax

losses of the acquired companies as tax credit to be used within two years. They will also enjoy stamp duty and real property gains tax exemptions.

Those which merge after the deadline will still qualify for tax breaks but according to a diminishing scale.

Stockbrokers which qualify as universal brokers will also be granted the right to open additional branches for every licence it surrenders to the SC. They will be allowed to offer a full range of capital market services.

Last week, TA Enterprise announced the acquisition of Kota Bharu Securities Sdn Bhd, the third company it has acquired, and thus also qualifying it for universal

broker status.

Similarly, Commerce Asset Holding Bhd has announced plans to buy Labuan Securities Sdn Bhd.

At least eight stockbroking companies have firmly indicated that they are aiming for universal broker status. They are RHB Capital, Arab Malaysian Securities, OSK Holdings, Hwang-DBS, KL City Corp, TA Enterprise, Multi-Purpose Holdings, and JF Apex Securities.

Some have already started on their acquisition drive. Hwang-DBS has acquired Omega Securities and Taiping Securities, and has proposed to buy PJB-OUB Securities.

RHB has proposed to acquire Mercury Securities, SJ Securities, and Straits Secu-

rities, while OSK has bought Premier Cap Securities, and is eyeing KE-Zan.

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At the end of 1999 there were 65 stockbroking companies in the country.

Although the increased number of mergers is mainly due to the attraction of the December 2000 deadline benefits, some analysts suggest that stockbroking firms are finding it tough to survive individually given the protracted weak market conditions.

"Even if the SC did not set

See Page 24, Col. 6

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FROM PAGE ONE

the deadline, stockbrokers would have had to move towards mergers. The low volumes of late have put incomes under pressure. They cannot continue to operate as before... they have to cut costs or merge," an analyst said.

It is logical for them to seek out synergies and maximise the benefits arising from mergers which include cost savings, pooling of re-

sources, and economies of scale, he added.

However, not everything is smooth running as far as negotiations are concerned. Apparently some have been held up over pricing.

"It is hard to agree on a price at this point of time. While the big players want to take advantage of the weak market and buy at current market value, the target companies do not want to sell at such low prices," another analyst said.