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`Govt not rigid about banking consolidation'

Hamisah Hamid

PRIME Minister Datuk Seri Dr Mahathir Mohamad said yesterday that the Government will not be rigid over the second round of banking sector consolidation.

He said that while Bank Negara Malaysia Governor Tan Sri Dr Zeti Akhtar Aziz had said 2005 is the deadline, "we are not very rigid about it".

Dr Mahathir, who is also Finance Minister, said the Government initially wanted only six anchor banks but because of some difficulties, 10 core banks were allowed to be set up.

"Maybe later, they will see the light and want to reduce the number of banks (further)," he told reporters after launching the Proton Arena and Proton Waja 1.8 in Putrajaya.

On Tuesday, Dr Zeti said Bank Negara expects the second phase of domestic banking sector consolidation to take place in three or four years' time.

She said the central bank will not intervene in the merger process, but will allow the competitive environment to determine the number of banks.

The previous round of banking consolidation was initiated by the Government in 2000 when it imposed a RM2 billion capitalisation requirement on banks.

This resulted in 54 banks being reduced to 10 core banking groups operating today.

The last of the first-round mergers, that between Bank Utama Bhd and RHB Bank Bhd, is expected to be completed by December 15 this year.

According to the Financial Sector Masterplan, Malaysia ideally needs three to four large banks to provide a full range of financial operations, and another three to four medium-sized banks to offer more specialised services.