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ZETI-CONSOLIDATION

BANK NEGARA WILL NOT INTERVENE TO SPEED UP BANK CONSOLIDATION

KUALA LUMPUR, Sept 16 (Bernama) -- Bank Negara Malaysia Governor Tan Sri Dr Zeti Akhtar Aziz said today that the central bank will not intervene to speed up the second phase of consolidation of banking sectors.

"And right now if there are synergies between two financial institution, yes we encourage the merger but otherwise we would like them to really consolidate their own position and provide high quality service, product and services and give access to financing at competitive pricing," she said.

Dr Zeti was speaking to reporters after delivering a key note address at the Asian Bankers Summit 2003 here.

"We are very pleased. As you can see, it is not easy to achieve a consolidation. You can see it happening across the region...for us to have been able to consolidate such a large number of banking institution. We have very fragmented financial system and now we have formed domestic banks," she said.

The Governor added that the first phase on consolidation was a major structural achievement, "and we would like the full benefit reaped from this."

Last week, Rating Agency Malaysia (RAM) Bhd said that Bank Negara should intervene in the second round of banking consolidation with pricing and management control being speculated as the stumbling blocks to some recently failed bank merger negotiations.

"Although the central bank had clearly indicated that the next round of mergers would be entirely based on market forces, some form of intervention or incentive from BNM would be required," the rating agency had said.

The first round of banking consolidation was initiated by the Government in 2002 when it imposed a RM2 billion capitalisation requirement of banks which resulted in 54 banks being whittled to 10 core banking groups operating today.

Prime Minister Datuk Seri Dr Mahathir Mohamad had said that the government would not be rigid over the deadline of the second round of the banking sector consolidation exercise.

It has been reported that the targeted deadline is 2005. -- BERNAMA

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