

M'sia may open door wider to foreign banks
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Malaysia said today it was ready to ease bank ownership rules and spur more foreign investment, declaring it was open to Australia & New Zealand Banking Group to double its stake in Malaysian lender AMMB Holdings.

Prime Minister Najib Razak told Reuters he would consider allowing Australia's fourth-largest bank to raise its AMMB stake to 49 percent, well above the current 30 percent cap on foreign ownership of local banks, provided the central bank approved.

"On ANZ, our policy is really to cap the limit on foreign investment in banks to about 49 percent or so, so within the scope of the policy we can look at what kind of request ANZ bank will make to the central bank," Najib said in Melbourne, a day after discussing the issue with his Australian counterpart.

ANZ bank owns about 24 percent of AMMB Holdings, Malaysia's fourth-largest bank by market value, and there has been market talk that AMMB's other major shareholder, Azman Hashim, may look to sell his 16.7 percent indirect stake in the bank.

AMMB has a market value of about US\$6.2 billion, with Azman's interest worth around US\$1 billion. Azman holds the interest through his vehicle Amcorp Group.

An ANZ spokesman declined to comment on its plans for further investment in Malaysia when asked about Najib's comment.

"We have a substantial investment in Malaysia, however we don't comment on speculation about future plans," he said.

ANZ has ambitions to buildup its presence in Asia, aiming to generate 20 percent of its profit from Asia by 2012, up from the current 14 percent.

However, its recent efforts to expand through acquisitions have been thwarted. It lost a bidding war for Korea Exchange Bank in November and plans to buy a controlling stake in Indonesia's PT Bank Panin also fell through last year.

Gillard had hinted at a fresh Australian investment after meeting Najib on Thursday, telling reporters they had discussed "very specific companies" and adding: "We have one of our banks also seeking to invest."

Asked about that comment today, Najib cited the possibility of ANZ increasing its stake, saying it would send a good signal to other foreign investors if such a deal came off.

"It's good in the sense that we have adopted a policy of gradual liberalisation of our banking sector and that will encourage more and more foreign investment," Najib said.

Under pressure to find foreign partners

Malaysia has nine local banks, led by Malayan Banking Bhd and CIMB, but that number is considered too large for a relatively small and mature emerging market like Malaysia, where

domestic growth is increasingly hard to achieve.

Smaller banks, such as Affin Holdings and Alliance Financial Group, are under pressure to find foreign partners with deep pockets and expertise to help them compete - or else risk being swallowed up by a larger local rival.

Apart from ANZ, the Abu Dhabi Commercial Bank also has a stake in a local bank, having bought a 25 percent stake in RHB Capital three years ago.

Investors and analysts agreed that allowing foreign banks to go beyond 30 percent would be good for the local industry, even though Najib made it clear on Friday that the government was not considering allowing ANZ to take a majority stake.

"It means a more open market, but it looks like it's more of a move for foreign banks with already existing stakes in local banks such as ANZ and the Abu Dhabi group," said Raymond Tang, chief investment officer for CIMB-Principal Asset Management.

Haggling continues over smelter's power prices

In discussing greater investment ties with his Australian counterpart this week, Najib also looked to revive hopes for a US\$2 billion aluminium smelter proposed almost four years by Anglo-Australian miner Rio Tinto.

Najib said the smelter was still on the drawing board and that the project hinged on talks over power prices, which could begin as early as this year with the company.

Rio Tinto had agreed under a memorandum of understanding to investigate the feasibility of building a 550,000-tonnes-a-year smelter in Sarawak, which could have been scaled up to 1.5 million tonnes a year.

The smelter would have been powered by the 2,400-megawatt Bakun hydroelectric dam, now almost complete, but the question of power price is still an open question, with Bakun still the subject of various studies and state-ownership issues.

However, when asked if Malaysia could be in a position to start negotiating power prices with Rio Tinto by year-end, he said: "It's possible but I don't want to be hemmed in by specific time frames," he said.

A Rio Tinto spokesman had no immediate comment and wanted to consider Najib's remarks before responding.

-Reuters