

Indonesia, M'sia give their banks more access to each other's markets

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Indonesia and Malaysia have agreed to give their banks greater access to each other's markets, part of wider integration efforts among South-East Asian economies.

The move would link the two largest Islamic banking sectors in the region, and give Malaysian banks a potential lead in accessing the world's biggest Muslim-majority country which remains restrictive to foreign lenders.

The heads of Indonesia's financial regulator and Malaysia's central bank Bank Negara Malaysia signed the pact at the state palace in Jakarta, the Indonesia Financial Services Authority (OJK) said in a statement late yesterday.

"The agreement is aimed at reducing an imbalance in the market access and banking activities of both countries through the presence of banks that fulfill certain conditions in each jurisdiction, based on the principle of reciprocity," the statement said.

Under the deal, each country will allow the formation of three banking groups which would be afforded the same treatment as local lenders. In the case of Malaysian banks, this number will include banking groups that are already operating in Indonesia, the statement said.

Malaysian lenders CIMB and Maybank already have businesses in Indonesia.

Indonesian state-controlled lender PT Bank Mandiri Tbk plans to expand in sectors such as retail banking and remittance services in Malaysia, corporate secretary Rohan Hafas told Reuters in a text message today.

- Reuters

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