

**US firms leery of Bank Negara's role, says leaked cable**  
**The Malaysian Insider**  
**October 10, 2011**  
**By Debra Chong**

KUALA LUMPUR, Oct 10 — Bank of America (BoA) was pressured by Bank Negara to give out low-cost home loans and set up a global online banking server locally to expand its business here, a US envoy here cabled to Washington in October 2007.

Malaysia's central bank also imposed rules on other US firms, including laying down quotas as well as constructing buildings and hiring local workers in exchange for allowing them to operate in the country, said the leaked cable.

But to the US firms, Bank Negara's actions were biased towards Putrajaya's development plans and raised serious questions about its role as a neutral financial regulator, said the WikiLeaks document posted this morning on the Malaysia Today website.

"US firm [sic] in Malaysia believe concluding an FTA that includes obligations to liberalize the financial services sector will be the most effective way to address this issue," the cable said.

According to the cable, Bank Negara directed BoA to finance 50 low-income housing units at less than RM60,000 each despite the latter bank saying it was a corporate lender and had no experience in handling private mortgage lending in Malaysia.

Bank Negara caved in but imposed a RM20 million quota in loans to small and medium-sized enterprises, which led to BoA paying a fine yearly because it failed to meet the quota.

The US envoy also reported Bank Negara refused to let the local branch of BoA connect to its parent company's servers outside the country and forced it to carry out loan transactions through fax, which seriously dented its expansion plans in Malaysia.

Officially, Bank Negara explained that connecting to a server outside the country was equivalent to "outsourcing" and also cited secrecy provisions, but the cable said BoA reported the key part of the negotiation revolved around the question of "what the bank would 'bring back into Malaysia' if it were allowed to 'take this out'."

The cable said it took years of talks with Bank Negara before BoA was allowed to connect to its global server in the US after promising to "compensate" by "reinvesting" in Malaysia, by building a US\$1.5 million Global Disaster Recovery Centre for its Internet banking system and hiring two Malaysians to operate the system.

Bank Negara also appeared slow on the uptake when it came to large-scale investments even when courted, and cited as example the hurdles for local market entry faced by GE Money, the finance component of General Electric (GE), ranked by Forbes today as the sixth largest company in the US.

In working with the Malaysian government, it was necessary to show them how Malaysia

would benefit from any proposal, the cable cited Stuart Dean, GE's Southeast Asia president, as having said.

The US conglomerate was eager to set up shop in Malaysia, which it saw as having the largest consumer finance market regionally, including Thailand, Indonesia, Singapore, and the Philippines.

The cable said Dean needed to spell out to Bank Negara that Malaysia would gain from GE moving 100 of its backroom positions to Cyberjaya to serve Singapore, Hong Kong, and the Philippines as well as pumping in scholarships to boost the shortage of skilled labour in the country.

The cable ended, saying: "Clearly some of the policies imposed by BNM on the banks actually undermined their global risk management capabilities.

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