

A MORE OPEN BANKING INDUSTRY

BANK NEGARA BLUEPRINT TO INCLUDE BIGGER PRESENCE OF FOREIGN BANKS

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PETALING JAYA: The banking industry in Malaysia is set to become more open with Bank Negara getting ready the blueprint for further liberalisation, which may entail not only a bigger presence by incumbent foreign banks but also the entry of new foreign banks.

The blueprint, which is part of the third phase of the Financial Sector Master Plan (FSMP), is expected to be announced in the next few weeks.

Bank Negara governor Tan Sri Dr Zeti Akhtar Aziz had recently said the domestic financial system was “in a greater state of readiness to have greater foreign participation.”



On the cards, according to a report by a bank-backed brokerage, are moves to allow more branches for foreign banks as well as allowing them access to the national automated teller machine (ATM) network.

Other changes may include increasing the limit for foreign shareholding in local financial institutions from the current cap at 30%, granting new Islamic banking licences to foreign parties and opening up the hire purchase market segment, which is currently dominated by local banks, according to the same report.

The FSMP, launched in 2001, involves three phases.

The FMSP calls for the development of a more resilient, competitive and dynamic financial system by building the capability of domestic financial institutions, maintaining stability of the financial system and promoting a more market-driven financial infrastructure.

Analysts who track banking stocks are generally positive about the impending changes, saying it will enhance competition and result in more choices for consumers in terms of both the number of banks and the products and services offered.

A more competitive market would spur banks, both local and foreign, to improve on their services, and might also prompt local banks to expand abroad or look for strategic partners, the analysts said.

A local analyst with a Singapore-based bank said the change to look out for was the increase in the limit for foreign shareholding, which foreign investors favoured.

“Everybody wants it (increasing the limit on foreign shareholding) because Malaysia has one of the most restrictive foreign shareholding limits in the region,” she said.

Vietnam had just changed its banking regulations to allow foreigners to take up to a 49% stake in local banks while in Indonesia, foreign investors could own up to a 99% stake, she noted.