

## **Press Statement**

### **Merger of CIMB, RHB & MBSB is not in interest of consumers and Business.**

1. The Sarawak Bank Employees Union and MTUC Sarawak Branch is very concern that BNM has given approval to CIMB Bank ,RHB Capital Bank and Malaysian Building Society Bhd to merge to create an enlarged Islamic banking Franchise with MBSB
2. We believe that the merger will not be in the interest of consumers and businesses, especially small business as it will reduce competition. The Competition Commission must look into the adverse impact of the merger on competition
3. Large banks with major market share can become too big to fail, and the government may be forced to bail them out to avoid consequent economic disruptions and the cost to taxpayers will be significant. Such big banks might be even encouraged to take greater risk, knowing that the government would be likely to bail it out.
4. This is exactly what happened and lead to the Global Financial crisis where Governments have to pump on billions in US and Europe to save the behemoth and so call secure banks. In their relentless drive for profits, bank has compromised integrity and ethics. Global Banks like HSBC, BNP Paribas, Barclays & UBS have been fined Billions of USD for money laundering activities or manipulating interest rates.
5. It seems that the proposed merger is driven from the top and designed by a very few selected individuals without inclusive consultations with key stakeholders. It seems that they are only concern on creating value for shareholder s only.
6. It seems that Board of Directors of EPF, a major shareholders of all three banks are kept in the dark. Such lack of transparency is very disturbing and calls into question that the merger is not market driven.
7. We are very disturbed that the EPF, a custodian of workers retirement fund is taking a key role in the proposed merger, which will result in severe job losses as well. EPF should remain a passive investor and cannot use its dominant position to control the market. This may discourage investment in our capital markets and dampened efforts to make KL a regional financial centre.
8. In 1999 BNM merge the country banks into 10 large banking groups. As a result several household banks disappeared. Several are Sarawak based Kong Ming Bank, Wah Tat Bank, MUI Bank, Bank Utama, Delta Finance & Hock Hua Bank.

9. When the plan was announced, we warned that such mergers will make access to banking much harder and more expensive for small business and consumers.
10. Malaysia has a sizeable rural population and different levels of development in different regions, especially those in the east coast of Pen Malaysia and in Sabah and Sarawak. There is still a need to have small banks that understand the local conditions and able to serve the particular need of small business and depositors.
11. In this regard we note that MBSB has played the role of a small bank concentrating on personal loans to consumers.
12. In most countries small banks are flourishing and are offering a very important alternative to the bigger international banks. Small banks have a higher proportion of their assets in loans to small businesses than larger banks.
13. In Malaysia the small and well-managed banks and finance company are performing a very useful role and service to the small business and rural communities. Removing them will encourage money lending to be driven underground and the increase in loan sharks.
14. 15 years on, our fears are realised.
15. Already we have seen big banks closing down branches in small rural towns and move them to high-density urban areas. If this goes on, very soon the rural areas will not have any bank branches.
16. One can help but notice the explosion of moneylenders outlets, credit companies over the past 15 years. Quite a few of these occupy premises of bank branches that have been closed.
17. While headline figures of the Financial master plan may be impressive, it cannot be ignored that it has also driven banking into informal and the shadow banking system. This has little regulations or supervision.
18. We have also warned that banking will get more expensive. These days bank charge you for anything and everything - from audit reports to sending statements to you. They "force" you to subscribe to e-statements. E - statement may be free- but you need to pay a printer, printer ink and paper to print your own statements.
19. Recently all banks started charging 50 sen for each cheque issued as announced by the Association of banks. This will force consumers to go for

online banking-which is not free. Most banks charge a fee for each transaction.

20. It is easy to assume that mergers should be a good thing- *that a few mega-institutions will lead to economies of scale that should result in cheaper fees for consumers. This has turn out to be a fallacy.*
21. Let us remind on the mega merger of plantation giant- Sime Darby and what happen in the aftermath of the merger.

Andrew Lo  
Chief Executive Officer, SBEU  
Secretary, MTUC Sarawak

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