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PUTRAJAYA: The Government will issue up to nine new banking and insurance licences until 2011 and allow foreigners to own up to 70% equity in the country's Islamic banks, investment banks and insurance companies.

Prime Minister Datuk Seri Najib Tun Razak said the liberalisation package, comprising six thrusts, was aimed at enhancing Malaysia's linkages with international economies.

It will also bring about greater confidence into the economy and promote better economic regional integration, Najib said when announcing the steps at his office yesterday.

Najib, also the Finance Minister, said there would be flexibility in allowing for an increase in foreign equity ownership limits of investment banks, Islamic banks, insurance companies and takaful operators from 49% to 70%.

Such alliances will strengthen business potential and enhance growth prospects of financial institutions through the international expertise and global networks of foreign shareholders, he said.

However, the foreign equity limit for commercial banks would remain at the current 30%, said Najib.

He said new licences for seven banks and two family takaful players would also be issued.

Under this, a maximum of two new Islamic banking licences would be issued to foreign players to establish banks with paid-up capital of at least US\$1bil (RM3.62bil).

Also, two new commercial banking licences for foreign players that would bring in specialised expertise would also be issued.

These four licences would be issued this year, together with the two new family takaful licences.

In 2011, up to three new commercial banking licences would be issued to world-class banks.

The Government, Najib added, would offer operational flexibility to foreign institutions to increase the number of branches, while locally incorporated foreign commercial banks could establish four new full-fledged branches from 2010, and 10 micro-finance branches starting this year.

Effective June 1, holding companies in Labuan, incorporated under the Offshore Companies Act 1990, would be given flexibility to establish an operational and management office in Kuala Lumpur.

Najib said that offshore banking institutions and insurance companies licensed by the Labuan Offshore Financial Services Authority (Lofsa), which met the predetermined criteria, could be allowed to have a physical presence onshore from 2010 and 2011 respectively.

Greater flexibility will also be accorded for employment of expatriates in specialist areas able to contribute to the development of the financial sector, he said.

Najib said that over the last three years, the finance and insurance sector had expanded by 8.8% per annum, outpacing the growth in real gross domestic product of about 6%.

Source: <http://thestar.com.my/news/story.asp?file=/2009/4/28/nation/3785823&sec=nation>