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DOES KOPERASI ANGKATAN TENTERA MALAYSIA BHD MEET BANK SAFETY AND SOUNDNESS CRITERIA TO BECOME A CO-OPERATIVE BANK?

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This case was written by Lim Chee Chee and Zunarni Kosim, Universiti Utara Malaysia. It is intended to be used as the basis for class discussion rather than to illustrate either effective or ineffective handling of a management situation.

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Opening Paragraph

On 16 July 2018, the chairman of Koperasi Angkatan Tentera Malaysia Bhd (Koperasi Tentera), Datuk Zulkiflee Mazlan, was approached by a group of reporters at Menara Ilham after attending a 30-minute meeting with the Council of Eminent Persons. The reporters were trying to find out from him about Koperasi Tentera's transformation programme to become a co-operative bank.

"Our plan to become a co-operative bank is still on the move. Now, we are awaiting the higher authority to make a decision on this," Datuk Zulkiflee replied. "In fact Koperasi Tentera already has in place a core banking system, and it is now behaving more like a financial institution," he added.

When asked whether the higher authority would issue a decision for Koperasi Tentera to become a bank before year-end, Datuk Zulkiflee said "We are optimistic". He continued, "We think Koperasi Tentera meets bank safety and soundness criteria and is ready to become a bank but at the end of the day, we are only ready to be a bank if the regulator says so."

About Koperasi Tentera

Koperasi Angkatan Tentera Malaysia Bhd (Koperasi Tentera) was established in 1960. It was a military thrift and loan co-operative at its inception. Over the years, it had progressively emerged to be one of Malaysia's leading credit co-operatives.

Three distinct levels of leaderships were at the helm of Koperasi Tentera to ensure accountability, good governance and business growth. The heads of Malaysian defence and military command were the honorary appointees in Koperasi Tentera: (i) Minister of Defence, (ii) Chief of Defence Force, (iii) Chief of Army, (iv) Chief of Navy, and (v) Chief of Air Force. The board of directors was responsible for the corporate governance of Koperasi Tentera. The board had 15 directors. Ten of them were elected during the annual general meeting (AGM) and the remaining five were appointed as the representatives of the army, navy, air force, civil and armed forces director of salary. The management team was responsible for the daily operations of Koperasi Tentera in driving business growth and service excellence. The team was led by a chief executive officer (CEO) along with a group of accomplished individuals from diverse backgrounds to oversee the various aspects of the co-operative's operations: (i) channel management with FINTECH and electronic banking, (ii) customer banking, (iii) human resource, (iv) operation support, (v) information technology, (vi) risk management and compliance, (vii) credit process, (viii) strategic planning, (ix) business banking, (x) legal and secretariat, (xi) finance and treasury, and (xii) branch operations and account. Refer to Figure 1 for the organizational structure of Koperasi Tentera.

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