

Boost for brokers

By SHARIF HARON

FOREIGN stockbroking companies can now hold 49 per cent equity in Malaysian stockbroking firms, up from 30 per cent previously, in certain cases.

Prime Minister Datuk Seri Dr Mahathir Mohamad said yesterday that higher foreign participation will be allowed if the foreign stockbroking partners can show they can contribute positively to the business of the local companies.

He made the announcement when opening the conference of 10th Asian Securities Analysts Council (ASAC) and of the 7th East Asian Stock Exchanges (EASEC) in Kuala Lumpur.

With the new ruling, it is hoped that corporatised Malaysian stockbroking companies, especially those with significant foreign participation, will be more aggressive in projecting their image abroad and capture a larger share of foreign business and promote the local stockbroking industry, he said.

"At present, the Malaysian market gets bypassed essentially due to lack of exposure. We hope that through foreign participation in the corporatisation programme, the image of local stockbroking companies will be enhanced. These foreign partners have a significant role to play in promoting and internationalising Malaysian stocks," Datuk Seri Dr Mahathir said.

He added that no effort will be spared to restore confidence and to create a suitable environment for a healthy development of the capital market, and assured foreign investors the Government will endeavour to assist them in any way possible to overcome bur-

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eaucratic and other obstacles.

"The Government may even consider the liberalisation of the corporatisation process to further boost the Malaysian stockbroking industry," he added.

The Government issued new licences to the three largest domestic banks in late 1987 in an effort to expedite the corporatisation process. With their capital resources and technical expertise, these banks are expected to spearhead the corporatisation of the stockbroking industry.

The Prime Minister said this is the

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opportune time for investors, particularly foreigners, to tap the potential of the Malaysian stock market.

"With the improvements made by the Kuala Lumpur Stock Exchange (KLSE) to facilitate trading, the stage is now set to project the KLSE as a leading exchange in this part of the world," he said, adding that it is Malaysia's objective to develop its capital market into one comparable with those of advanced nations.

The KLSE has taken measures to improve its systems and procedures, to widen and deepen its market, and to keep pace with developments in international stock exchanges. These include the proposed establishment of the

Centralised Depository System, the Advanced Warning and Surveillance Unit, and the introduction of the Second Board.

Datuk Seri Dr Mahathir said the KLSE, identified as one of the five largest emerging markets among developing countries by the International Finance Corp, boasts of a good selection of plantation stocks not commonly available on other stock exchanges.

"In addition, the potential development of our bond market, unit trusts, property trust and the Second Board on the KLSE will provide further avenues for investment opportunities to the investors," he said.

He noted public companies listed on the KLSE are reasonably profitable despite the sluggish economic conditions during the past years.

"The growth in corporate profits during these years was reported at 13.2 per cent. It is envisaged that with the current economic recovery, the corporate sector will respond even more positively to the turnaround.

"With the relatively lower price earnings multiples of Malaysian equities, the KLSE will be a relatively cheaper bourse and should be more attractive to foreign portfolio investors," he said.

Datuk Seri Dr Mahathir said it is desirable that the market performance reflects the economic situation with reasonable accuracy, but unfortunately, speculation and rumours distort the market.

He said he believes Malaysia has much to offer foreign investors if those who are responsible will provide them with good, reliable information.