

STRIVE FOR A HEALTHY STOCK MARKET: PM

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KUALA LUMPUR, Tues. — Datuk Seri Dr Mahathir Mohamad said today that a concerted effort by everyone involved in the capital market is needed for the development of the industry.

The Prime Minister said that everyone in the industry must strive towards developing a healthy stock market that should be able to attract local and foreign investments.

"With positive factors such as a robust economy, a sound infrastructure, and a stable political climate, investment opportunities in the Malaysian economy in general and the capital market in particular are immense," he said when opening the

Malaysian Capital Growth Opportunities convention and exposition at the PWTC here.

Dr Mahathir said that besides the Government and the Kuala Lumpur Stock Exchange, stockbrokers also had a "crucial role" to play in the growth of capital market, especially in attracting foreign investors.

This called for broking houses to upgrade their infrastructure capabilities, staff efficiency and capital base, he said.

"Many broking firms continue to be burdened with the old problems linked with the lack of capital and efficiency as evidenced by the inability to cope with the surge in trading activity earlier

this year.

"It was to rectify this shortcoming that the Government made it mandatory for a \$20 million minimum paid-up capital on broking firms in the Klang Valley by the end of the year, and the rest of the country by the end of next year.

"In today's world of ever-increasing globalisation in securities trading, broking firms must be armed with the latest technology coupled with professionalism and international-level research capability in order to face the challenges. Otherwise, they will be left behind," he said.

Dr Mahathir added that stock brokers must also be prepared to compete

internationally.

"To do this, they must beef up their financial strength as well as enhance their research and marketing efforts.

"The Government will encourage 'tie-ups' with international broking houses as a means of tapping the international market," he said.

Dr Mahathir said there were "a few peculiarities" which should be overcome or minimised to ensure firmer growth of the securities market.

"It would seem that our market is unduly influenced by rumours. This exposes the market to manipulations by the unscrupulous rumour-mongers out for some quick profits.

"While market rumours exist in all stock exchanges, the situation in the Malaysian market appears to be excessive," he said, adding that the small player or the serious investor was usually the victim in such cases.

Dr Mahathir said that share prices should at least reflect company performance, if not actual dividends and profit.

The Prime Minister said that while there must be some element of speculation in any stock market, excessive speculation was unhealthy.

He said the Government hoped that this trend would be "progressively reduced" as the stock market became more mature.