

# PM: Futures trading should be 'meaningful'

KUALA LUMPUR, Fri. — Datuk Seri Mahathir Mohamad said today that those who wanted to conduct futures trading should concentrate on "meaningful trading", adding that trade in derivatives was akin to gambling.

The Prime Minister said this in reply to questions by newsmen on the collapse of Barings plc at his Hari Raya open house at Sri Perdana.

The venerable British merchant bank was brought down by a Singapore-based trader who lost an estimated US\$900 million (RM2.3

billion) through trading in risky derivatives.

Dr Mahathir said he was not well-versed on the subject, but after the bankruptcy of Orange County in the US, he had advised against derivatives trading.

Bank Negara's response was that if such activities could be regulated, it is alright, he added.

"In the meantime, we notice that with a small mistake a very large bank can collapse," he said, referring to Barings.

"Therefore, what is the use of such derivatives trad-

ing, especially since we did not have it before.

"If we want to have futures trading we should concentrate on meaningful trading, but this is speculation and is similar to gambling. It is not business... it is gambling.

"It is like trying to predict which horse is going to win. You predict which interest rate is going to go up or which Index is going to go up or down.

"I think this is carrying speculation too far. I don't see the need for it."

When asked whether Ma-

laysia should continue with the futures market, he said in the futures market there is meaningful trading, such as commodities trading "which is good".

"Sometimes you can even trade in the value of a currency, but there are too many things being traded, including interest rates and others which is not necessary and is similar to gambling," he said.

"We should only deal with items that are meaningful such as commodities where there must be commodities to deliver. We have been

cheated before because of futures trading.

"What is the use of dealing with items which can bring such high losses such as those faced by Barings. To cover the losses they have to get involved further until the whole bank collapsed because the losses were more than the assets of the bank.

"The authorities are there to oversee the trading, but no matter how you oversee, in the final analysis it depends on the honesty and the skill of the people who are involved in the trading."