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Bank-guideline

BANK NEGARA ANNOUNCES NEW GUIDELINE ON RINGGIT SWAPS

KUALA LUMPUR, Aug 3 (Bernama) -- Bank Negara Malaysia, in an effort to thwart further speculative attacks on the ringgit, today announced that banks in the country are required from tomorrow to observe a limit of US\$2 million on outstanding non-commercial related ringgit offer swap transactions with each foreign customer on a group basis.

A swap allows a company to exchange the currency it holds for the currency it needs.

The central bank said the introduction of this measure is in line with the policy objective of promoting an environment that is stable and more predictable for genuine investments.

It added that banks which have exceeded the limit will not be allowed to transact in any further non-commercial related ringgit offer side swaps with such foreign customers until the outstanding amount has been reduced to below the limit.

Hedging requirements of foreigners for trade related and genuine portfolio and direct investments in Malaysia are not affected by this measure.

This measure will allow domestic interest rate to be more reflective of domestic conditions, the central bank said.

Bank Negara had effected a similar move in mid-1992 to discourage inflows of speculative funds.

The move by the central bank is seen as discouraging further speculative attacks on the local currency.

The ringgit, which was pegged at about RM2.5000 to the US dollar in early July, had slid to 2.6320 last Friday.

Following the return of Prime Minister Datuk Seri Dr Mahathir Mohamad from his two-month working holiday, he met Deputy Prime Minister and Finance Minister Datuk Seri Anwar Ibrahim, Bank Negara officials and top officials of financial institutions on ways to tackle speculative attacks.

Dr Mahathir had cited rogue speculators as behind the attacks and named US financier George Soros as being responsible although the latter had repeatedly denied. -- BERNAMA

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