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BANK NEGARA'S MOVE TO CURB SPECULATION, SAYS DR MAHATHIR

LANGKAWI, Aug 5 (Bernama) -- Prime Minister Datuk Seri Dr. Mahathir Mohamad says Bank Negara's latest move to limit swap transactions was to curb speculation on the ringgit and encourage productive trade-related transactions.

He said the government has decided to allow for lower conversion rates for trade related loans in the foreign exchange market to curb speculation and provide stability to the currency market.

Those who sought loans for speculative purposes in the forex market would have to pay more, he said in response to Bank Negara's ruling announced on Sunday.

The central bank said it had directed banks to observe a US\$2 million limit on outstanding non-commercial related ringgit offer-side swap transactions with each foreign customer effective yesterday.

This means that banks which have exceeded the limit would not be allowed to transact any further swaps with the particular customer.

Swap transactions are agreements to buy or sell a currency at a later date while a swap rate is the price at which individuals are willing to exchange currencies.

Dealers said that Bank Negara's move to limit non-commercial sales to foreigners should be welcome news to borrowers as it should give the central bank greater flexibility to maintain lower interest rates.

Dr Mahathir said if the transaction is trade related, it will be facilitated and the rate will be lower.

If it is not related to trade and "we do not know what it is for, then it will have be higher interest rate," he told reporters here.

Some senior bankers, in welcoming the move, said the recent depreciation of the ringgit against the US dollar appears to be the result of indiscriminate activity of currency speculators seeking opportunities to make short-term profits.

Meanwhile, since the Bank Negara ruling, the ringgit has relatively stabilised rising up to 2.6115/35 yesterday from 2.6260/90 to the US dollar, but the currency eased today to 2.6325 after Malaysia recorded a trade deficit of RM2.8 billion in June this year. -- BERNAMA

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