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Follow directive on margin calls, banks reminded

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PRIME Minister Datuk Seri Dr Mahathir Mohamad yesterday reminded banks that they should give priority to the interests of the nation and comply with government directives in the wake of the country's economic problems.

Dr Mahathir said although banks in Malaysia were in a stronger position than those in many other countries, they would also face problems if they failed to adhere to government directives.

Commenting on the tendency by some banks to make too many margin calls despite being told to keep such activity to a minimum, he said: "We have instructed them not to make margin calls but they (are doing it) apparently to protect their banks.

"But, if the country's economy suffers, banks will also suffer. Hence, they must give priority to the country's economy and not their own interests."

Dr Mahathir was speaking to reporters at the Prime Minister's Department's Family Day at Taman Tasik Titiwangsa, Kuala Lumpur.

Margin calls are demands made by financial institutions for payment of the difference between the loan and the price of shares pledged as collaterals, if the value of the stocks should fall.

Dr Mahathir said last week that banks would not be prevented totally from making margin calls as the move would affect the banking sector.

Following the fall of the stock market due to manipulative attacks on the shares, investors had problems meeting margin calls as the value of their shares, placed as collateral for loans, had dropped sharply.

Dr Mahathir also lashed out at the selfish attitude of some Malaysians who took advantage of the current economic slowdown to sell the ringgit in exchange for foreign currencies and deposit them in foreign financial institutions.

"We know some people have lost confidence in the ringgit for fear it will drop further. So, they change it to foreign currency and transfer them to foreign financial institutions.

"This action itself will devalue the ringgit. Now, it's no longer foreigners who are doing things like this but also our people," he said.

He, however, declined to name them.

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