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Govt will not stop financial institutions' margin calls

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THE Government will not stop margin calls as that could affect the performance of the banking sector, Prime Minister Datuk Seri Dr Mahathir Mohamad said.

"We need to be judicious in this matter ... if it is stopped completely, banks can get into trouble. On the converse, if banks ask for margin calls too early, investors will be in trouble," he told reporters after chairing a two-hour Barisan Nasional Supreme Council meeting in Kuala Lumpur yesterday.

The Prime Minister was asked to comment on the action taken by some banks which have requested for margin calls following the weak stock market performance over the past few weeks.

A margin call is a request made by financial institutions to investors to put up more collateral, whether in cash or shares, when the ratio of the value of their collateral drops in relation to the shares which they have bought.

Falling share prices on the Kuala Lumpur Stock Exchange have left many investors, who pledged shares as collateral for share financing, in financial difficulties.

Dr Mahathir said the banking and financial sector in Malaysia, practising prudent management, will be able to decide on the best course of action.

"Prudent banking practices must be followed. Banks will not take any action that they themselves will not benefit and that will trouble their clients. Banks must also guard the interest of their clients," he said.

He also advised Malaysians to have confidence in the country's economic fundamentals.

"If you get carried away and just follow blindly what others do, you will ultimately end up as a loser," he added.

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