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Labuan offered as location for proposed trading centre

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MALAYSIA plans to offer Labuan as the location for the proposed international currency trading centre under the auspices of the International Monetary Fund, the World Bank and other global financial bodies.

A source said plans are now being drafted to allow the new international currency exchange to operate round the clock so as to support existing trading activities in New York, London and Tokyo.

The Labuan exchange will operate as a regulated market where all quotes and trade from other financial centres will be featured real-time so as to promote complete transparency in the trading regime.

Trading will also be conducted at Labuan itself, under the supervision of a new body to be set up under the auspices of the Labuan Offshore Financial Services Authority, with representatives from global institutions.

This plan is part of Malaysia's proposals to the IMF, the World Bank and the World Trade Organisation to prevent recurrence of the currency crisis that has plagued the region since July 2 this year.

On Wednesday, Prime Minister Datuk Seri Dr Mahathir Mohamad said the World Bank has asked for a Malaysian to be seconded to the organisation to assist it in looking into ways to regulate currency trading.

Dr Mahathir said Malaysia also hopes to play host to a meeting here as soon as possible to study its proposal for prudential regulations for currency trading, particularly in relation to hedge funds.

He had said that when he was in Hong Kong recently, the heads of the World Bank, the International Monetary Fund (IMF) and the World Trade Organisation (WTO) were supportive of Malaysia's proposal.

Yesterday, Deputy Prime Minister Datuk Seri Anwar Ibrahim said a delegation from the WTO including its director-general Renato Ruggiero is scheduled to visit Malaysia at the end of the month to get feedback on Malaysia's proposal.

He said the visit was related to the proposal Malaysia mooted in Hong Kong recently, aimed at curbing currency speculation.

Anwar had said Malaysia was proposing prudential supervision and full disclosure for both types of trading. "We need to know who is buying and who is selling, so trading is not hidden."

Anwar noted that provisions and guidelines for the "prudent management of international institutions" already existed within the IMF. If this can be used to manage banks, why can't it be considered for hedge funds?"

Individual hedge funds are thought to be as large as US\$10 billion, with portfolios spanning bonds, currencies, equities, derivatives, commodities, real-estate and even other hedge funds.

The IMF said in 1994 that such funds were less regulated than other big players in global markets, expressing concerns about possible credit risks, excessive volatility and the potential for market manipulation.

Analysts contacted said the move would also be a major boost to the efforts to spur the growth and development of Labuan as an International Offshore Financial Centre.

\* Labuan as an IOFC: P28

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