

28 AUG 1997

PM ANNOUNCES ACTIONS TO STOP MANIPULATORS DRIVING DOWN STOCK MARKET

KUALA LUMPUR, Aug 28 (Bernama) -- Datuk Seri Dr Mahathir today announced various measures, including stopping the lending of securities, to prevent foreign funds from driving down the local stock market through manipulative short-selling.

The Prime Minister told local editors here that he had evidence that these foreign funds, including those managed by American financier George Soros, had shifted their attention from the foreign exchange to the equities market in Malaysia.

Meanwhile, local institutions such as the Employees Provident Fund, Kumpulan Wang Amanah Pencen and Permodalan Nasional Berhad, as well as private investors "willing to join the government" have been asked to buy actively on the Kuala Lumpur Stock Exchange.

There would be "no limit" to the buying-in and billions of ringgit would be committed in this exercise if necessary, he added during the 90-minute briefing

A sombre Dr Mahathir also warned that the government would take stern action against anyone found doing anything against the interest of the country.

These actions, coupled with the delivery before sale ruling governing the 100 stocks which make up the market's benchmark Composite Index which took effect this morning, are expected to have a massive impact against the manipulators.

The prime minister said he accepted having open markets as well as foreign participation in the markets. "I even accept speculation in the share market but I will not accept manipulation of the market," he added.

He described the manipulation of the huge foreign funds who know that they can influence the direction of the market and what the result of their actions in the markets would be as being akin to insider trading, saying that the latter was taking advantage of fore-knowledge from the inside while the former was doing it from the outside.

He said these funds had taken advantage of the liberal market environment in Malaysia to borrow scrip from banks and other institutions in the country to sell short and drive down the market to make a killing.

The same scrip can be used repeatedly for this purpose and "this can go on ad infinitum", Dr Mahathir said, adding that in the process they keep pushing the shares down and aggravating the situation.

Today, the CI plunged 35.74 points to 812.18 under continued selling pressure.

Dr Mahathir said the situation had reached a point where there was a total dichotomy between the share market and the profitability of the companies whose shares were listed on the KLSE, citing as an example the drop in the price of Malayan Banking Bhd's shares despite the announcement of record profits of RM2.2 billion by the country's biggest banking group.

He added that while the "delivery before sale" ruling announced yesterday might have caused share prices to drop, the same result would have been seen within two weeks or less if no action had been taken.

He said that while the actions being taken might "make some people unhappy with us, we are going to see this through."

"We are not going to allow these people to manipulate our economy as if they have a right to have a free ride on us," he added.

Dr Mahathir said the government's actions were justified because when

something legal was abused, it was the responsibility of government to make it illegal. "My view is that this level of manipulation must be made illegal."

He cited as examples the enactment of the anti-trust law in the United States after the government became aware of the unhealthy monopoly wielded by the Rockefeller oil trust, the change in rules by the London Stock Exchange after the "dawn raid" on Guthrie shares and the last-minute rule change by the London Metal Exchange to save the traders who had sold tin short but were unable to deliver when the contracts matured.

He said that domestically Malaysia was making it illegal to engage in such manipulation and internationally it would speak out to tell the world why it should be made illegal.

He also called on Malaysian investors to enter the market and revive the stock exchange.

He added that prices were now so attractive that local shares would be a good investment, just for their dividend yield even if capital gains were overlooked. -- BERNAMA

LKC SHY