

29 AUG 1997

PM: GOVT WILL REVOKE LICENCES OF BANKS LENDING SHARES FOR SPECULATION

PASIR PUTEH, Aug 29 (Bernama) -- Prime Minister Datuk Seri Dr Mahathir Mohamad today issued a warning to local banks that the government would revoke their licences if they lent their share scrip for securities borrowing and lending purposes which were now disallowed.

He said the government had already issued a stern warning to local banks which had previously been involved in such activities where foreign fund managers had been able to undertake manipulative transactions.

"We would not take action on what had happened previously where the banks were not warned. But after this warning and if they persist in the activity, we will take action," he told reporters after closing the 1997 UMNO/Barisan Nasional and the People's Rally at Sekolah Cherang Ruku, Semerak here.

Yesterday Dr Mahathir outlined several measures towards reviving the KLSE, including directing local funds to enter the stock market in a big way and disallowing financial institutions from engaging in securities borrowing and lending for short selling.

Without naming the banks, the prime minister said the action of the banks in lending the share scrip had allowed certain investors to undertake share transactions without really owning the shares to reap profits.

Dr Mahathir said investors had taken the advantage of the ability to engage in buy-sell activities continuously although they did not really own any shares.

"They (investors) sell things which do not belong to them. With that, they can sell time and again. And they will sell at high prices. When the price falls, they buy and do not have to use any real scrip of their own," he added.

In view of this, Dr Mahathir said the government was forced to introduce a trading system in which each investor who intended to make a sale should really possess the shares.

"In that way, we will be able to identify and monitor manipulative activities and take action consequently," he said.

On the aggressive involvement of local funds on the KLSE today, he said they would stay in the market until the KLSE Composite Index reached 1,000 points.

He said the government had already liberalised certain investment limitations pertaining to the amount that these funds can participate on the KLSE and they included the Employees Provident Fund, Permodalan Nasional Bhd and Tabung Amanah Pencen.

"They will be allowed to invest more than their previous limits and we will allow banks to lend them money to buy up the shares in the market," he said.

Dr. Mahathir said the government did not intend to prevent foreign funds from investing on the KLSE.

But he said they must adhere to the rules in that they should really own the shares before they could sell them. -- BERNAMA

AH SIA SHY