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Reforms for stronger financial environment

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MALAYSIA will continue to institute reforms to build a stronger financial environment despite current financial and economic problems in the region as it believes there is no stopping trends in globalisation and liberalisation.

This includes building a viable domestic fixed income market to meet future demands for large infrastructure financing.

Therefore, companies will no longer need to source funding from abroad and be subject to fluctuations in foreign exchange like that currently experienced by national utility company Tenaga Nasional Bhd.

However, there is a silver lining in the current financial situation as it forces East Asian countries to rethink their economic policies and prompt them to build a healthier and more robust financial system.

Deputy Finance Minister Datuk Dr Affifudin Omar yesterday said that in good times, inefficiencies and excesses tended to be ignored.

Affifudin was delivering his opening address at a conference on asset securitisation in Kuala Lumpur.

Asset-backed securities are issues whose security or collateral is the revenue from the underlying asset or financial instrument, such as a mortgage, credit card receivables or rental income from property.

Through asset securitisation, one can raise funds against any cashflow that can be measured.

In Malaysia, asset securitisation originated from residential mortgages.

National mortgage corporation, Cagamas Bhd, was established in 1986 to buy housing loans from banks, selected corporations and the Government with proceeds of short and medium-term paper.

Affifudin said the growth of asset securitisation in East Asian markets faced a number of challenges and constraints.

These include legal and tax problems as well as transparency in the regulatory framework in order to establish a level playing field among participants.

Later at a Press conference, both Affifudin and Securities Commission general manager Dr Nik Ramlah Nik Mahmood said they did not know if the launch of Mesdaq (Malaysian Exchange of Securities Dealing and Automated Quotation) would be delayed.

Mesdaq executive chairman Khairil Anuar Abdullah had said on Wednesday that the launch, scheduled for February, might be affected by bearish market conditions.

As for suggestion for a single currency for the Asian region, Affifudin said many suggestions could be considered but what was important was the need for liquidity in the markets.

"I do not know, we will have to study that," he said.

He added that the National Economic Action Council, which will be set up this month, would look into such issues.

Asked on measures to be taken by the NEAC to boost the economy, Affifudin said they would be announced from time to time by Prime Minister Datuk Seri Dr Mahathir Mohamad.

"Broadly, the measures are to increase or re-allocate our resources to manufacturing or production of goods and services that can be traded, and to minimise the importation of goods and services."

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