

03/12/1997

SC chairman calls for higher level of disclosure

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SECURITIES Commission Chairman Datuk Dr Munir Majid yesterday called for a higher level of disclosure, particularly for investors on the management of funds, saying it is everyone's right to ask how these standards are applied.

Speaking at a panel discussion on "Minimising Risks, Maximising Returns in Asean" at the Conference on Asean Financial Initiatives for the 21st Century in Kuala Lumpur yesterday, he pointed out that presently, there is actually very little disclosure to investors on the management of funds.

Munir further stressed on the importance of effective regulations in markets, effective management to ensure the stability of financial system and effective investor protection.

Within Asean, he said, there are different disclosure standards in capital markets emerging from merit-based to a full disclosure-based regime and markets need to be prepared to face the downside to this movement.

For example, in Malaysia, prices used to be determined by the regulator in a merit-based regime. However, as it is moving towards a disclosure-based regulatory framework, prices are now determined by the primary market by underwriters.

He posed a question on whether these underwriters were doing a good job in analysing risks and returns.

Munir further expressed support for Prime Minister Datuk Seri Dr Mahathir Mohamad's call for proper regulation in currency trading.

"While we say there should be prudential regulations on financial institutions, this should also be applied to hedge fund activities," he said.

He later told reporters that the SC's programme to achieve full implementation of front-line self-regulating organisations and the disclosure-based regime in the stock market by the year 2001 would be carried out on schedule.

"Our target is January 1 2001, and we are looking at it in terms of finalising the business plan. The years 1998, 1999 and 2000 are critical years and we are now looking at the programmes for disclosure-based regime," he said.

With regards to this, Munir also stressed on the importance of adequate investor education programmes.

Bernamea reports: Any trading restrictions imposed by the Kuala Lumpur Stock Exchange (KLSE) are based on very objective criteria, Munir said yesterday.

He said "When the KLSE imposes anything, like trading restrictions, it is based on a very objective criteria of trigger - what would trigger if this happened ... we have to restrict trade".

Munir was commenting on the KLSE's recent move to restrict trading by five brokerages, at the Asean Business Forum panel discussion.

He said the KLSE is monitoring closely the financial positions of stockbrokers.

"Quite obviously we have to monitor them, when the market has been like this (downward trend) since March this year," he added.

The companies placed under trading restrictions are Sime Securities Sdn Bhd, Capitalcorp Securities, Kin Khoon & Co Sdn Bhd, MBf Northern Securities Sdn Bhd and Labuan Securities Sdn Bhd.

Munir said it was KLSE's duty to ensure the liquidity of stockbroking firms, especially in terms of their settlements, adding that the exchange also had to make sure that the clearing house was paid for shares bought by clients.

He said so far the KLSE had not experienced any settlement failure.

The KLSE, he said also needed to ensure that the balance sheets of the stockbrokers are strong, pointing out that for a "balance sheet to remain strong (it) is not just a matter of "profit and loss."

"Profit and loss is year on year, at the end of which it is carried forward in terms of profits or losses into shareholders' funds. What is more important is that shareholders' funds are there," he said.

"I also want to emphasise that the trading restrictions are limited to only net sale positions where purchases must be paid in cash upfront," he said, adding that this has indeed been used in the past by the KLSE to ensure better management in stockbroking firms.

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