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Securities industry must be innovative in IT age

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CONGRATULATIONS once again to our Everest team members, especially Magendran and Mohanadas, for their success in conquering the world's highest peak last Friday. Although 20 other countries have achieved similar success, the achievement by the Malaysian team is no mean feat. A lot of lives have been lost in similar attempts by other climbers.

In bone-chilling temperature and strong winds (up to 180kph), one has to be greatly motivated to reach the roof of the world and plant the Malaysian flag there.

It does not really matter that climbers from another Asean country reached the peak earlier than our team, on April 29, because its members belonged to a elite commando team. Ours comprised ordinary Malaysians of various races - another living proof of our unity and racial harmony. Perhaps the Antartica should be our next challenge.

The rapid pace of development in information technology (IT) had perhaps led a trainee remisier participating in one of the securities industry courses recently to ask if the role of remisiers will become redundant one day.

If one were to examine the numerous advancements made in the IT field these days, one would probably realise that as far as the ordinary investor is concerned, this has not translated into some real benefits and convenience.

One is still required to send orders through the dealer's representatives who in turn will route the orders for execution at the exchange. There is, of course, the CDS which undeniably has helped a lot in the physical settlement aspects of the trade.

For the high net-worth individuals, the benefit of an electronic client ordering system (Ecos) installed by the respective stockbroking companies has done away with having to use the telephone for carrying out transactions.

The ground-breaking ceremony of Cyberjaya performed by Prime Minister Datuk Seri Dr Mahathir Mohamad on May 17 was a clear signal for Malaysia to usher in new era. The seven flagships spelled out under the Multimedia Super Corridor (MSC) project will change the lives of Malaysians in future.

Certainly it is not too strange to expect changes even in carrying out share transactions. The multi-purpose smart card to be introduced will certainly not stop short of fulfilling such transactions in the not-too-distant future.

One can already see serious competition in the field of providing and disseminating information with each operator claiming to have better choices of form and contents for the investor. As for settlement and post trading, it is not inconceivable to think of delivery versus payment settlement systems and safer electronic recordkeeping for the investor.

The emergence of the Internet and the opportunity it brings to other businesses will certainly not exclude opportunities in the securities industry. More than 33 stockbroking companies in the US have started offering securities the Internet way.

Although at the moment the rules for execution of trade are quite specific in the sense it has to go through the dealer's representative, time will come when any form of barrier to a better and more convenient mode of transaction will prevail.

In the US also, electronic communication networks such as Bloomberg, Reuters and the like are already given recognition by the authorities to compete with brokers or market makers as long as investors benefit. The pressures to innovate will also be felt by any exchange and members wanting to achieve world-class status.

As long as there are investors for one's stocks and if measures inshore prevent the consummation of transactions, then trading will take place offshore, if avenues are created for the convenience of investors with a considerable degree of investor protection, efficiency and savings in cost.

Where will all the remisiers who earn a good 40 per cent commission all this while stand in the future? They will continue to exist only if they can offer value-added services to the investor.

Information for the investor in the future will not only be more accessible but also much cheaper and practically anything and everything the investor wants to know will be available not only in historical but real-time mode.

Take the satellite television stations for example. It will not be long before a channel will be devoted to stock prices and other important corporate announcements on a real-time basis with views and analyses provided along with them to guide the avid investor.

The scope for the cellular telephone to include displays of prices and other information is also a possibility.

Which leaves the remisier with one element that a machine will never be able to provide - the human touch. This element must be properly and carefully cultivated, failing which it will cause investors to avail themselves of alternatives that will be readily available in future.

With the obligations to honour the agreements covered by the World Trade Organisation, efforts to liberalise various industries will intensify. Although implementation may be slow, it will be certain.

Preparations to remain competitive in an increasingly competitive world will need to start now, just as we usher in the IT age in preparation for the future. The way things go, not only will stockbroking companies be threatened, but the exchanges themselves will also face threats from proprietary networks.

At the end of it all, it is our determination to translate these threats into opportunities that will count and not our desire to protect our industries.

Others in the region around us will also recognise the importance of being competitive and will take steps to place their markets in better positions not only in terms of infrastructure and microstructures but also in efficiency, product offerings and costs.

If the trading environments of other industries are regarded as borderless, there is nothing to stop people from applying the same to securities.

We need the USP (unique selling product) to continue attracting investors to our markets.

(This article reflects the writer's personal views)

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