

Malaysia allays fund managers' concerns over controls

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KUALA LUMPUR: Prime Minister Datuk Seri Dr Mahathir Mohamad said Malaysia is considering various measures to modify exchange and capital control regulations, including the introduction of an exit tax on the early repatriation of foreign funds from the KLSE.

Foreign fund managers who met the Prime Minister at a closed-door dialogue session at his office yesterday told journalists that Dr Mahathir explained the reasons for Malay-

sia's decision to impose selective controls and his views on the economy and share market.

The meeting between 13 leading foreign fund managers from Hong Kong and Singapore and Dr Mahathir was organised by the Government's financial advisor Salomon Smith Barney.

It was intended to provide the opportunity for the fund managers to see for themselves the actual situation in the country and to allow the Government to answer some of the concerns raised by them.

Although Dr Mahathir told the fund managers that the controls would be maintained for the time being, he said he was open to suggestions on ways to fine-tune them.

Malaysia imposed exchange controls on Sept 1 to take the ringgit out of international circulation and pegged the local currency at RM3.80 to the US dollar.

Among the fund managers at the meeting were representatives of Rothschild, Morgan Grenfell, UOB-OSK Asset Management, Invesco Asia Ltd, Aberdeen Asset Management, HSBC Asset Management and Hender-

son and Allianz.

Most fund managers raised questions about the continuation of the ruling where foreigners are not allowed to take out their money for 12 months from the sale of shares on the KLSE.

A report in Bernama quoted a Singapore-based fund manager who attended the meeting as saying that although foreign fund managers were long-term investors, they did not enjoy investor protection accorded to

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foreign direct investors, who had stringent joint-venture agreements to fall back on.

"As portfolio fund managers, we take up a small stake in companies and the only real power we have is the ease of entry and exit, which is an important issue for us," he added.

A Hong Kong fund manager said investors were looking for rules that were simple and stable and a share market that was transparent.

He added that the KLSE was currently deemed as an "illiquid" market where investors were not able to take out their

money within 10 days.

Other fund managers said the ruling had discouraged the flow of fresh capital into the KLSE, and they would not feel comfortable returning should it stay in place for too long.

On the other hand, some of them saw the argument for Malaysia, a country with huge exposure to external economies and markets, having no choice but to impose controls to seek temporary relief.

Salomon Smith Barney director and chief representative for Malaysia Yeo Kar Peng said the fund managers were quite satisfied with Malaysia's explanation on its poli-

cy directions.

"It gave them a chance to hear directly from the Prime Minister the policies and direction for Malaysia."

The fund managers also held discussions with Bank Negara deputy governor Datuk Dr Zeti Akhtar Aziz and heads of government agencies Danamodal Nasional Bhd, Pengurusan Danaharta Nasional Bhd, and Corporate Debt Restructuring Committee (CDRC) on on-going banking reforms.

They also met with Tun Daim Zainuddin and officials of the National Economic Action Council working committee in the afternoon.