

PM gives reasons for revising securities laws

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THE economic crisis has revealed a number of weaknesses in current legislation dealing with the country's share market, making it necessary to amend the relevant existing laws to address them and restore investor confidence, according to Datuk Seri Dr Mahathir Mohamad.

The prime minister told the Dewan Rakyat yesterday that market capitalisation on the KLSE had fallen sharply to RM300bil from RM900bil due to the speculative activities of foreign investors through the Central Limit Order Book (CLOB) International, the over-the-counter (OTC) market for Malaysian shares in Singapore, which was not recognised by the KLSE.

"Trading on CLOB could have brought share prices down to the extent of causing hardship to companies and even causing them to go bankrupt," Dr Mahathir said when tabling amendments to the Securities Industry (Central Depositories) Act 1991 for second reading.

He said the KLSE had enforced

measures from Sept 1 to tackle the problem and this required amendments to provide the necessary legal backing.

"The amendments seek to increase transparency in the stock market to ensure that shares listed on the KLSE can only be traded on the exchange or those recognised by the KLSE and at the same time bans off-market transactions such as through CLOB," he said.

Dr Mahathir said that the legislative amendments would prevent misuse of nominee accounts as some "beneficial owners" hid their identities behind these to manipulate the market.

He said the amendments would give regulators more enforcement powers to ensure speedy action against offenders.

The bill seeks to ensure greater transparency in the holding of securities and makes the deposit of securities with a central depository mandatory.

Securities not deposited within the prescribed period would be transferred to the finance minister and

consequently the depositors would not be allowed to withdraw such securities except in the manner specified by the rules of the central depository.

The bill enables the Securities Commission (SC) and central depository to make a petition for winding up to the court against a company which has contravened any securities law or rules of a central depository, or whose appointment as an authorised depository agent has been terminated.

It also extends situations whereby a deposited security could be suspended.

Dr Mahathir said the bill also introduced provisions requiring a securities account to be opened in the name of the beneficial owner of the deposited securities or in the name of authorised nominees.

It further requires a separate securities account for each beneficial owner whose deposited securities are held by an authorised nominee, and contravention of this section is an offence.

The bill also proposes to increase the general penalty for offences under the Act to RM1mil from the previous RM500,000.