

Govt thinking of ways to regulate rating agencies

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THE government is considering ways to regulate local rating agencies to ensure that they do not stray from their original role.

"We are thinking of the ways but we have yet to crystallise our approach," Datuk Seri Dr Mahathir Mohamad told the Dewan Rakyat yesterday when winding up the debate on the amendments to the Securities Industry Act.

The prime minister said many foreign rating agencies had become "proud and greedy" when they knew that their work could decide the fate of a company or even a country.

A rating agency, he said, was supposed to conduct ratings when approached to do so based on the information it had.

However, he said, many had decided on the ratings of a particular country without being told to do so.

"They are then paid if anyone uses their work," he said.

Dr Mahathir said even local rating agencies had adopted the approach taken by their western counterparts.

"When we announced the setting up of Danaharta Nasional Bhd to help the non-performing loans, they knew we were going to need foreign loans. But they downgraded our ratings so that we would have to pay high rates when we need to borrow funds," he said.

Dr Mahathir described the rating agencies as tools of the west out to impoverish countries whose economies may pose a threat to them.

He noted that Salomon Smith Barney, the government financial adviser, was of the view that the ratings on Malaysia by Moody's were inaccurate.

"Saloman is one of the few companies which dared to defy Moody's. That's why we opted for it," he said.

Dr Mahathir also described hedge funds as "blood suckers" which could cause great damage to an economy.

He said this was something even the International Monetary Fund (IMF) was beginning to realise.

● Second Finance Minister Datuk Mustapha Mohamed, meanwhile, assured the Dewan Rakyat yesterday that the Securities Commission (SC), in carrying out its duties, would not abuse its powers.

"The government guarantees that the powers given (to the SC) will be exercised accordingly." Mustapha said in winding up the debate on the Securities Commission (Amendment) Bill.

The Securities Commission (Amendment) Bill was later passed. Also passed were the Securities Industry (Central Depositories) Bill and the Securities Industry Bill.