

18 AUG 1998

HEDGE-FUNDS

ASIAN COUNTRIES MUST LEARN INTRICACIES OF HEDGE FUNDING

KUALA LUMPUR, Aug 18 (Bernama) -- Asian countries must catch up with and learn the intricacies of hedge funding or they will find themselves fighting an unprepared war in this new financial strategy, Deputy International Trade and Industry Minister Datuk Kerk Choo Ting, said here today.

Some countries might already be equipped to a certain degree with experience and skills, "but for many of us, especially in the private sector, we still do not understand what a hedge fund is for and how to deal with this phenomenon which emerged in the 1990's," he said.

"We do not have the people and resources to counter, every attack they make is a war to them and unless we get ourselves prepared, we will be subjected to the test whenever they like," he said, lamenting that there was no single institution in Asia which could operate a hedge fund like in Wall Street.

Speaking to reporters after opening the Malaysian Chief Financial Officers Summit organised by the Asian Strategic Leadership Institute, he said "we must try to understand the pros and cons of hedge funds."

"Some, even in the banking sector must provide some facility to the private sector especially in the collection of adequate and up-to-date data on hedge funds," the deputy minister said.

"We must equip ourselves not only with the software and hardware, but we must also have a group of capable people in the private sector to handle this, otherwise, when there is an onslaught, we will be sitting there helplessly at the mercy of other people," said Kerk.

"I think those operating in the United States may be the most powerful factor for the economy especially in the latter part of the 1990's."

"I foresee multilateral institutions such as the United Nations, the International Monetary Fund and World Bank, are ready to come out with regulations and mechanisms in providing reasonable and acceptable ways in handling these type of situations.

Kerk said that Prime Minister Datuk Seri Dr Mahathir Mohamad has been advocating for regulations to discipline hedge funds as well as currency speculators since after the currency crisis broke out last July.

And even as late as yesterday, Deputy Prime Minister Datuk Seri Anwar Ibrahim called on international institutions such as the IMF not to practise double standards but push hedge funds and global investors to adopt similar standards imposed on developing countries such as transparency.

Earlier in his speech, Kerk said that many chief financial officers were still not technically skilled in using hedging instruments offered by banks.

Kerk said before the economic crisis, most international banks in East Asia were lining up at the doors of CFOs, now they were cutting credit lines and CFOs have to engage in delicate and tough negotiations with bankers but many did not have these skills.

"Where funds are now available, skittish investors are insisting that companies hedge their foreign currency exposures to guarantee future cash flows," he said

"CFO's need to understand the parameters of the risk instruments available. Many CFOs are still not technically skilled in using hedging instruments offered by banks," he said.

Kerk also said that the Asian economic meltdown was posing a tough and challenging time for CFOs and those who pull their companies through the crisis would be worth their weight in gold.

He listed four major concerns facing CFOs operating in Asia - corporate governance involving investor relations and communications, strategy for mergers, acquisitions and divestitures, risk management and control and, change management to tackle new issues and managing volatile situation.

"In Asia's new cut throat markets, the quality of treasury can literally determine the survival of a company," said Kerk.

Many companies today were looking for CFOs with dynamic and varied backgrounds that included global knowledge, financing experience, merges and acquisition wisdom as well as large and small company experience, he added.--BERNAMA

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