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BNM has worked out trade clearing house format

BANK Negara Malaysia has worked out the format for the bilateral payments arrangement clearing house to facilitate the use of own currencies among Malaysia's trading partners, Prime Minister Datuk Seri Dr Mahathir Mohamad says.

The central bank will brief local trading companies on the mechanism soon, he said.

"Bank Negara has already worked out the format and is in the process of setting it up. It will organise a special briefing ... the clearing house will be set up so that we will be able to record all our imports and exports," Dr Mahathir told newsmen after a dialogue with chief executive officers (CEOs) of Malaysian trading companies in Kuala Lumpur yesterday.

International Trade and Industry Minister Datuk Seri Rafidah Aziz, who also attended the dialogue, said besides Philippines which has signed an agreement with Bank Negara on the bilateral net settlement arrangement, Thailand has also indicated an interest to do so.

"Bank Negara, which is the designated clearing house for Malaysia, signed the agreement with the Philippines recently, and it is going to sign with Thailand soon. Negotiations are also under way with other countries, with the initial focus being on Asean countries," she added.

Rafidah explained that the bilateral payments arrangement will settle the difference between imports and exports of two countries, ideally using each other's currencies.

"Even if it (net balance) is paid in US dollar or other strong currencies, we will only be paying the difference, not the total amount," she added.

"The clearing house will keep complete records of who is selling and who is buying.

"In order to do that, banks which have direct dealings with the traders will have to report to the clearing house on the transactions.

"Traders are not affected at all. They do their normal trade through the banks. When it comes to settlement between two countries, the clearing house will do that in the designated currencies," Rafidah said.

While some local traders and their trading partners have already started using each other's currencies, net clearing between governments has yet to be introduced.

"I suggest that we wait for Bank Negara to give full briefing to exporters and traders... then, we will have a full understanding of the mechanism for bilateral net payments arrangement.

"What it (Bank Negara) has presented to the Government is the format of the modus operandi of the bilateral payment," she said.

On whether such a move would help strengthen the ringgit, Rafidah said it will help conserve foreign exchange, not only for Malaysia but also its trading partners.

"This is because we do not have to source the full amount of foreign exchange to pay each other.

"What we really need to source is the net difference of what we buy and sell. We can then use the foreign exchange for other things."

During the closed-door dialogue, Dr Mahathir said he also explained to the CEOs the Government's strategies to boost trade.

He noted that the CEOs gave their full support to the Government programmes.

"I explained to them that we will use counter-trading ... and pay the net difference between imports and exports.

"I also told them the benefits of using local ports," he added.

Dr Mahathir brushed aside suggestions that Malaysia might lose out under such an arrangement, particularly with regards to palm oil which is currently quoted in US dollars.

"The value of the transactions will still be in the US currency. We just translate it into our respective currencies. We use our own currency for actual payment only, the value is still the same," he said.

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