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KLSE moves to act firmly against breaches of rules

THE National Economic Recovery Plan (NERP) which had been drafted by the National Economic Action Council said in a status of implementation report that its recommendations to the respective ministries and agencies are being implemented.

MINISTRY OF FINANCE

In the 1999 budget speech, Prime Minister and First Finance Minister Datuk Seri Dr Mahathir Mohamad said that by the end of the year, Pengurusan Danaharta Bhd (Danaharta) is expected to take over non-performing loans (NPLs) worth RM8 billion from 21 banking institutions.

To increase transparency, Danaharta will disseminate detailed information on the acquisition and selling of the NPLs.

The amount needed by Danaharta to remove the NPLs from the banking system has been reduced to RM15 billion from the earlier projection of RM25 billion due to better equity, lower interest rates and the new definition of NPLs.

The first acquisition involved RM16.2 million worth of NPLs from Perwira Affin Bank while on October 16, RM6 billion worth of NPLs from Sime Bank were acquired.

BANK NEGARA MALAYSIA

On the Bank Negara side, Danamodal Nasional Bhd (Danamodal) offered RM11 billion in nominal value zero-coupon unsecured redeemable bonds on October 21 1998, in which the bonds have a maturity period of five years.

It will be offered to 57 financial institutions comprising 35 commercial banks, 10 core finance companies and 12 merchant banks.

SECURITIES COMMISSION (SC)

NERP recommendation:

Establish an early warning system to be monitored among key Government agencies which can identify negative developments within the financial and currency markets well ahead of time.

SC's response:

An early warning system for "Adjusted Net Capital" of futures brokers has been finalised by the SC, Kuala Lumpur Options and Financial Futures Exchange (KLOffe), Malaysian Derivatives Clearing House (MDCH) and Kuala Lumpur Commodity Exchange (KLCE)/Malaysian Monetary Exchange (MME).

It will allow bourses and the derivatives clearing house to monitor capital and liquidity situations of futures brokers and enable early precautionary steps to be taken.

NERP's recommendation:

Any change in the rules and regulations on the Kuala Lumpur Stock Exchange (KLSE) should only be undertaken after adequate notice and not be implemented abruptly or arbitrarily.

SC's response:

The SC has directed the KLSE and other bourses to have discussions with related industry parties before sending proposals on any change in rules or regulations to the SC for consideration.

NERP's recommendation:

Market regulators, especially the KLSE, SC and the Registrar of Companies (ROC), must act firmly and decisively against breaches of regulations. They must increase their monitoring and enforcement activities.

SC's response:

This subject is included in the Front-Line Regulation (FLR) task force's blue print where the KLSE has been told to increase its capability as a front-line regulator for its members.

The SC is also constantly holding talks with the KLSE in order to solve operational issues and to improve upon and strengthen the KLSE's regulatory system.

KUALA LUMPUR STOCK EXCHANGE (KLSE)

NERP recommended:

Market regulators, especially the KLSE, SC and ROC must act firmly and decisively against breaches of regulations.

They must increase their monitoring and enforcement activities.

KLSE's response:

A study is being undertaken to review the functions of the divisions or departments within the KLSE group in order to suit the requirements of a front-line regulatory organisation.

An Organisation and Methods (O&M) Department has been set up to review the systems and methodology in order to streamline functions.

A KLSE Front-Line Regulation (FLR) task force, on October 2 presented to the SC a draft report on the overall direction and the measure or strategies the KLSE group has undertaken and intends to undertake in its bid to become a FLR organisation.

The areas covered, among others, are self-regulation, enforcement of rules and regulations, regulating behaviour of issuers, regulating behaviour of market intermediaries and regulatory management of the secondary market.

NERP's recommendation:

A broader based circuit breaker mechanism should be considered to address the problem of excessive volatility in the market.

The KLSE's response:

The KLSE has studied this and is working together with the KLoffe, KLCE, MME and Malaysian Derivatives Clearing House (MDCH) to come up with a working paper for further discussion with the SC.

MINISTRY OF HOUSING AND LOCAL GOVERNMENT

NERP recommendation:

Developers should use local heavy equipment and local products such as cement, aluminium, steel, ceramics and others. This measure is aimed at cutting the cost of imports.

Ministry's response:

A circular has been sent out to all local government in the country to compel projects to have at least 60 per cent local content and products.

The progress of this ruling will be monitored and assessed every six months.

NERP's recommendation:

Increase the export of locally produced construction materials.

Ministry's response:

The Ministry has directed all local authorities to give priority to export-oriented industries when processing and approving applications related to the setting up of business ventures.

It is working with the Construction Industry Development Board (CIDB) on this matter to help encourage the export of locally manufactured construction materials.

NERP's recommendation:

Planning is a joint federal and state function. The federal government must have a say in planning matters.

Ministry's response:

The Ministry is preparing a memorandum entitled "A Proposal To Balance The Role And Powers Of The Federal Government And The State Governments To

Strengthen The Town Planning System" for submission to the Government.

NERP's recommendation:

In view of the prospective glut of office space, there should be a temporary moratorium on approvals until the situation improves. Banks should consider stopping projects which are just starting with the groundwork instead of allowing them to contribute towards NPLs.

Ministry's response:

The Ministry has sent out a circular on September 7 to all local governments to freeze the approval of building plans which involve office space, especially in areas where supply exceeds demand.

THE MINISTRY OF HEALTH

NERP's recommendation:

Unions should exercise responsibility to ensure that collective wage agreements are in keeping with economic conditions, corporate profitability, industry competitiveness and worker productivity.

Ministry's response:

The Industrial Relations Department under the Ministry - when mediating wage disputes and collective agreements (CAs) - is advising and guiding trade unions to be reasonable in their demands and to take into consideration the current economic crisis.

As study carried out by the department on salary trends of CAs showed that there were 151 collective agreements signed between January and August this year.

Of the number, 91 recorded a decrease in the percentage of salary increase as compared to the previous years while seven recorded a freeze in salary increase.

NERP recommendation are:

Foreign workers should be charged medical fees and ward charges at market rates when they seek treatment in public hospitals and clinics.

Ministry's response:

The Ministry is compiling data on medical charges at private medical institutions, especially those which provide medical services which have social considerations.

So far, only the Islamic treatment Centre and Assunta Hospital have given their feedback.

The recommended rates for foreigners in Government hospitals will be submitted to the Ministry's top officials and other authorities after getting feedback from two other private hospitals.

The Ministry has, on October 6 proposed to the Ministry of Home Affairs and Ministry of Human Resources for foreign workers to take up health insurance as a condition in their work permit.

MINISTRY OF AGRICULTURE

NERP recommendation:

Encourage organised and systematic petty trading farming (vegetable cultivation, livestock rearing and others) and setting up of small businesses.

Ministry's response:

Between February 23 and October 14, more than 468,000 catfish fingerlings were supplied to 39 farmers in Selangor to increase local food production.

Four companies have also been allotted 560ha of land by the Perak State Government to carry out various farming activities.

NERP's recommendation:

Increase market outlets for perishable goods including permanent sites for "pasar tani".

Ministry's response:

Up to July this year, 675 direct-selling locations have been created for

agricultural produce and related products.

Of the figure, 142 were created over the past three-months.

THE MINISTRY OF ENTREPRENEUR DEVELOPMENT

NERP's recommendation:

Study thoroughly the cost and benefits of utilising public-contributed funds such as Permodalan Nasional Bhd and devise an appropriate scheme to assist ailing Bumiputera and other companies.

Ministry's response:

The Ministry has started a joint-venture programme with the cooperation of the chambers of commerce.

Up to September 30 1998, 52 joint-ventures have been formulated.

NERP's recommendation:

The Government should assist business organisations which can aggressively market and distribute Malaysian products and consultancy services in foreign countries.

Ministry's response:

The Ministry has helped Seriting Group in getting funds totalling RM1.5 million from the Export-Import Bank of Malaysia (Exim Bank) to enable it to market Malaysia's goods overseas.

The Ministry has also helped Guthrie Furniture Sdn Bhd in getting a contractors services centre (Pusat Khidmat Kontraktor) Grade A licence to expand its local operations in the manufacturing and interior decorating sectors as this will encourage the company's subsidiaries to explore export market.

MINISTRY OF RURAL DEVELOPMENT

NERP's recommendation:

Announcements should be properly coordinated and preferably made together rather than in a piecemeal fashion.

Coordination between various arms of the Government and agencies is essential.

Ministry's response:

The Ministry is preparing a comprehensive action plan aimed at increasing productivity, awareness among target groups and usage of manpower.

Other sectors being focused on include a plan to increase food processing and activities of cottage industries.

A draft of this action plan was tabled at the Ministry's policy committee meeting on October 20 1998 and would be submitted to NEAC.

NERP's recommendation:

SEDC's should facilitate the establishment of more wholesale markets and "pasar tani" at state, district and town levels.

Ministry's response:

The Ministry has agreed to the setting up of a wholesale market soon in Air Hitam, Puchong, Selangor by the State Agriculture Development Corporation.

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