

16/09/1998

Derivatives market to be monitored closely

Kang Siew Li

SECOND Finance Minister Datuk Mustapa Mohamed said yesterday that the Government, through the National Economic Action Council chaired by Prime Minister Datuk Seri Dr Mahathir Mohamad, monitors trading in the derivatives market on a minute-to-minute basis.

He said such daily monitoring by Malaysia's new economic team is unprecedented in the country's history. Formerly, it was done once a week or once a month.

"Sometimes, even once a year. But now, we have discarded those old practices and are monitoring the derivatives market very closely," he told reporters after opening UDA Holdings Sdn Bhd's 10-day Corporate Exhibition at Bukit Bintang Plaza in Kuala Lumpur.

Mustapa said the Government is fully aware of the importance of monitoring trading in the derivatives market frequently, especially in today's economic situation.

"We will take whatever measures needed (to allow the derivatives market to continue to grow)."

He was commenting on Bank Negara Malaysia (BNM)'s recent announcement to allow profits from trades done on the Malaysian exchanges to be sold for foreign currency for repatriation abroad.

The exchanges are the Kuala Lumpur Commodity Exchange, Kuala Lumpur Options and Financial Futures Exchange and Malaysia Monetary Exchange, where futures on the stock index, interest rates and commodities are traded.

Mustapa also said BNM governor Tan Sri Ali Abul Hassan Sulaiman's statement on Islamic banking on Monday was made "just to reassure some quarters of the Malaysian public, who feel that somehow the Government has softened its commitment of late".

"There have been some concerns amid all this crisis that we have softened our commitment to Islamic banking, but that is not the case.

"The governor gave the assurance that the Government's commitment remains high and that it will continue with the measures already implemented," he said.

Meanwhile, Mustapa said he hoped financial institutions will respond to BNM's latest move to ease credit for housing developers and buyers of houses costing RM250,000 and below.

Nonetheless, he said, BNM has been directed to monitor closely all measures that have been introduced so far, such as ensuring financial institutions will intensify their efforts to meet the minimum 8 per cent targeted loans growth by the end of the year, will offer credit to housing developers and buyers of houses costing RM250,000 and below, and will reduce the spread over the quoted base lending rate to 2.5 per cent.

"These measures are being closely monitored by the governor and action will be taken against any bank found not complying with this directive," he added.

Mustapa said such stern actions have to be taken by the Government "to ensure that all these measures work. It is no use for us to announce measures every day but not implement them. There is no point to that".

(END)