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Don't be hasty in lifting short-selling ban: PM

Kang Siew Li

A THOROUGH and careful study has to be made before the ban on short-selling of stocks is lifted, says Prime Minister Datuk Seri Dr Mahathir Mohamad.

"We must review the matter carefully. It is usually the case that when the stock market shows signs of strengthening, we would stop imposing a particular restriction which was good (for the market)," he told reporters after visiting Limkokwing Institute of Creative Technology in Petaling Jaya yesterday.

"If we were to forgo the restriction, we may return to the original state of problems. I said 'we may'... I don't know.

"Nonetheless, it is best that we don't act too hastily by reverting to the former practice because that could lead us to the same problems again," he said.

Short-selling of stocks refers to the sale of equities which one does not own in the hope of buying them back later at a lower price.

The Government banned short-selling in September last year when the regional currency market turbulence started to affect the Kuala Lumpur stock market.

Short-selling was first allowed in 1996 in a regulated form, under which the investor must first have a securities borrowing and lending facility in place. This is to prevent uncovered or "naked" short-selling.

Last Thursday, KLSE president Datuk Salleh Abdul Majid said the review by the Securities Commission (SC) of the ban on short-selling could lead to the restriction being lifted.

Salleh was responding to an earlier report quoting the commission's executive chairman, Datuk Dr Munir Abdul Majid, as saying in Sydney that the SC was reviewing the securities borrowing and lending mechanism with a view to identifying the causes of problems encountered before.

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