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Mahathir-Controls

EXCHANGE CONTROL REGULATIONS TO STAY, BUT FINE TUNING POSSIBLE

KUALA LUMPUR, Dec 11 (Bernama) -- Fund managers operating in Malaysia have been told that the present exchange control regulations will be maintained for the time being and that the authorities are considering measures to fine tune them.

This stand was conveyed to 13 fund managers from Singapore and Hong Kong by Prime Minister Datuk Seri Dr Mahathir Mohamad at a special closed-door briefing today organised by the newly-appointed financial advisor to the government, Salomon Smith Barney.

Among the major international fund managers present at the meeting were Morgan Grenfell, Rothchilds, HSBC Asset Management, Invesco Asia Ltd, Aberdeen, UOB-OSK Asset Management, Mercury, Schroder, Henderson and Allianz.

During the hour-long session, the fund managers had enquired whether the one-year moratorium, which Malaysia imposed on the foreign holding of Malaysian shares and transfer of funds from Sept 1 this year, would be lifted.

The measure requires foreign investors to lock in capital in Malaysia for at least one year from that date before it is repatriated.

They expressed concern that the prolongation of the ruling would have an adverse effect on fresh capital investment.

Dr Mahathir had consistently said that the exchange control measures adopted by Malaysia were short-term and that they would be lifted once Malaysia was convinced that normalcy was returning to the marketplace.

A Singapore-based fund manager who described the meeting as "very assuring" said, however, that although foreign fund managers were long-term investors, they were different from foreign direct investors.

"As portfolio fund managers, we take up a small percentage of shares in companies and do not enjoy investor protection, unlike large foreign direct investors who have joint-venture agreements to fall back on.

"We do not have that kind of power. The only real power we have is the power to sell and exit," he said, adding that although portfolio fund managers considered themselves as long-term investors, the ease of entry and exit was an extremely important issue for them.

Another fund manager from Hong Kong said: "Investors are looking for rules that are simple and stable, and a market that is transparent."

He said the ruling had discouraged the inflow of fresh money and if the situation was still the same after September 1999, fund managers could be compelled to stay out of the market.

The fund managers also informed Dr Mahathir of the technical trading problems they faced following the fixed dealing system implemented by the KLSE.

Under the ruling, when an investor sells his shares, he would only get paid in a day or two, and not immediately, which has raised concern for investors who wanted the prime minister to look into the matter.

One fund manager said Dr Mahathir assured them that the matter would be looked into since it was technical in nature.

The prime minister also told the fund managers that Malaysia took pride in consistency and predictability, and that the country's rapid growth was dependent on foreign direct investment while foreign portfolio investment was relatively new.

"He also told us that there was a need to bar excessive speculation in

the KLSE and to prevent unethical practices. Dr Mahathir wants to see the KLSE reflecting fundamental values and as one which is not wildly gyrating," the fund manager said.

Meanwhile, Yeo Kar Peng, director and chief representative of Salomon Smith Barney, Malaysia said: "Overall, the fund managers are pretty satisfied with Malaysia's policy direction."

She said the meeting was arranged to bring fund managers to Malaysia to hear directly from the prime minister the policies and direction for Malaysia.

-- BERNAMA

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