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HEDGE FUNDS REGULATION AMONG TOPICS AT APEC SUMMIT

By: Tham Choy Lin

SINGAPORE, Nov 11 (Bernama) -- The regulation of hedge funds is expected to be debated by the Asia-Pacific Economic Cooperation (Apec) summit during discussions on the financial and economic crisis, said Apec executive director Ambassador Datuk Noor Adlan.

"I believe this is one of the issues expected to be discussed as among other issues that relate to the financial and economic crisis," he told Bernama in an interview.

Noor said recent developments had shown that sentiments had changed and hedge funds were no longer considered a matter that should not be brought to the conference table.

"There is a better appreciation of this issue and as you can see from the G-7, some effort has been made towards defining this issue," he said ahead of next week's Apec summit in Kuala Lumpur on Nov 17 and 18.

The G-7 which groups the strongest economies of the world recently called for measures to reform and bolster the global financial system. They include tighter checks on financial institutions including investment banks and hedge funds.

Three G-7 members - United States, Japan and Canada -- are also in Apec.

Malaysian Prime Minister Datuk Seri Dr Mahathir Mohamad had long advocated regulation of short term capital or hot money which he said was the root to the financial crisis that had outgrown Asian borders to threaten the rest of the world.

More recently Japan also voiced its support for hedge funds to be regulated and had asked the International Monetary Fund (IMF) to address the problem.

Asked if Malaysia's recent capital controls would be discussed at the summit, Noor, who is from Malaysia, said: "I do not know personally why Malaysia's capital controls should be discussed. After all, it is only selective measures in terms of currency movements particularly relating to the Malaysian currency."

"I do not know why there is so much criticism of Malaysia's efforts though I know this relates to the perception that this is undermining liberalisation as such," he said in defending the controls as a "last ditch resort" by Malaysia to insulate the country from currency speculators.

However, he said Malaysia's move should not be viewed in ideological terms but on a more pragmatic approach.

"After all, Malaysia has tried the orthodox way for over a year. The opportunity for orthodox policies has been given. This is our last ditch effort so to speak."

"I suppose we now live in a too much, pro-market atmosphere, that any small deviation from it is deemed to be a heretical act. What we need to take is a more pragmatic approach. If this is a way out, why should that hinder the progress in developing such policies?" he added.

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