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KLSE must not ignore obligation to provide investors with details

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WITH the strong endorsement of Malaysia's austerity measures by the International Monetary Fund last Friday, share prices on Kuala Lumpur Stock Exchange are bound to go up today.

Many blue-chip counters had advanced considerably just before closing last Friday, minutes after IMF managing director Michel Camdessus' Press conference began.

Camdessus had also given brief comments to Bernama, the official media, after meeting Prime Minister Datuk Seri Dr Mahathir Mohamad on Friday morning.

Details of IMF's views on Malaysia's economic policies must by now be well known and today will see the market's first full day of reaction to Camdessus' visit.

While this may be good for market sentiments, it may turn out to be short-lived. Already, analysts are trying to out-guess one another as to how long this "positive lead" can sustain the market.

Come what may, the market cannot rely on such ad hoc leads and the players know this only too well. Like all things economic, it is the basics that matter. In this case, the market must reflect the fundamentals of the economy with only minor aberrations that make all markets interesting and exciting.

This is why when new KLSE executive chairman Mohd Azlan Hashim promised a "tougher, more vigilant organisation that will not hesitate to implement unpopular measures for the good of the market", it was like a breath of fresh air.

In his first meet-the-Press session last Monday, he promised increased surveillance of members' companies and their adherence to listing rules as well as more diligent enforcement of the rules and regulations.

In line with plans to expand its role, the KLSE intends to make the market more transparent to protect investors, manage systemic risks, and make Malaysia a regional financial centre, amongst others.

At the same time, it will be open to constructive suggestions and criticisms from industry participants.

Azlan was cautiously optimistic that while these measures might take time to implement, the objectives will eventually be achieved.

He promised the KLSE was set to apply the rules consistently and objectively to all companies. He aimed to bring confidence back to the KLSE and to make it a conducive and attractive investment destination.

As if he didn't have enough on his plate, Azlan also promised the KLSE will be reviewing its rules and regulations, infrastructure, and take proactive steps to improve the exchange internally.

"We want to give investors the confidence to return to a market that is not only well organised and developed but also well-regulated and operating in an environment of proper conduct - on track to be world class in every respect," he had said.

The KLSE will work closely with the Government, Finance Ministry, Securities Commission and Bank Negara to devise appropriate measures, and will have no qualms to recommend and implement unpopular moves.

He also believed it was only through information dissemination, understanding and investor prudence in decision making, that investors will understand the economy was not as bad as it was made out to be.

On his job and the timing, he said there was never an ideal time. "There

will always be issues and I accept the job with an open mind. It is important to work as a team," he said.

Azlan is certainly setting high standards. He is giving himself and the exchange tall orders. Or, he could be simply idealistic.

Hopefully, he will extend his open-mindedness to what the Press has to say about his first two weeks at the helm.

Ironically, on the day of his maiden Press conference, KLSE made a mistake of re-quoting Renong Bhd and United Engineers (M) Bhd for one minute before trading was suspended.

What apparently happened was that KLSE received a request from both companies over the weekend that the shares were to be re-quoted on Wednesday. Somebody overlooked this and the counters were put back on the board at 9am on Monday.

It seemed that only when the SC realised this that it ordered the counters suspended. There was again no confirmation on this from officialdom.

Calls to KLSE failed to elicit any admission of the mistake or any clarification as to why the shares were traded for a minute before being suspended again.

The only statement on this fiasco came from the SC which merely said the counters were suspended to allow time for investors to digest the latest development on the Renong-UEM deal. It was also intended to provide for wider dissemination of information.

One fact remains: KLSE declined to clarify to the Press, and the investing public, what actually happened, why it happened and what steps have been taken to prevent a recurrence.

If it has indeed made a mistake, admit it. After Azlan's promises, the investing public expects KLSE to do more. After expecting a "tougher and more vigilant" exchange, the KLSE certainly fell short of expectations on this count.

The KLSE again came up short last week in the case of the high-profile probe into the dealings of businessman Soh Chee Wen.

On Tuesday, it ordered all brokerages to report their direct and indirect exposure to Soh by 1pm the next day. The directive, from the market supervision department, sought details on securities transacted, the quantity of shares, value of exposure, identities of related persons or corporation, the relationship and name of related nominee accounts.

As expected, the Press posse was on to the KLSE. Again, it stayed silent. The only statement came from Soh to say he was seeking clarification from the exchange.

Thursday and Friday went without any further update from the exchange.

The question here is why was Soh singled out? Under current market conditions, there must surely be others as well.

Is there anything sinister that the KLSE knows which warranted this sudden and probably hasty directive?

The probe may have been initiated as a confidential one but it certainly is public knowledge now.

As such, the KLSE must respond. The least it could say is to confirm whether all its member companies have reported their exposure to Soh.

It could also verify if action has been taken against any member company for violating KLSE rules on exposure to single client or a host of other statutes.

The KLSE may be governed by certain rules on confidentiality, especially of trading accounts or holdings of individuals. This in itself cannot be an excuse for being non-responsive. It has an obligation to provide information to investors, and timely information at that.

TALKING POINT: Now that the KLSE has started the Soh affair, it has to

bring it to a logical conclusion, somehow. As for UEM-Renong, it would have been better to say: "Sorry, we goofed". Azlan may have extremely good intentions in his promises and is certainly sincere, but it's action and performance that count.

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