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Share-Trading

LOCALS CAN STILL TRADE LIKE THEY USED TO

By: Yong Soo Heong

KUALA LUMPUR, Sept 1 (Bernama) -- Locals can continue trading on the Kuala Lumpur Stock Exchange (KLSE) like they used to despite the introduction of new rules for foreign stock market players, said sources familiar with the regulations of the local bourse.

They said the latest ruling by the authorities on the repatriation of ringgit proceeds would affect foreign speculators who usually came in with their "hot money".

Sources familiar with the latest ruling said foreigners cannot convert their ringgit proceeds if they were to hold Malaysian shares for less than a year.

But if they were to hold the shares for more than a year, they can convert their ringgit proceeds into foreign currencies for repatriation.

The sources said locals would not be affected by the ruling because they are trading in ringgit and are not repatriating their funds overseas.

Prime Minister Datuk Seri Dr Mahathir Mohamad today said foreign market players would not be allowed to repatriate their ringgit proceeds if they had not held their Malaysian shares for a year.

The sources said what was interpreted by Datuk Dr Sulaiman Mahbob, the head of the secretariat of the National Economic Action Council, in that foreign market players would have to deposit their shares in the central depository system (CDS) was correct since foreigners are now discouraged from engaging in speculative activities with the latest ruling.

With the regulation on repatriation proceeds, it was better for them to deposit their shares in the CDS, they said.

Dr Sulaiman had said that the move would prevent the entry of "hot money" which had caused wide fluctuations in local share prices.

"We don't want foreign speculators to play havoc with our stock exchange," Dr Sulaiman said.

Asked if foreign speculators were to use locals as their nominees in their share transactions, they would still be hampered by the fact that they would have to declare their funds upon repatriation.

The foreigners would be asked as to how they came to be in possession of such amounts of money, he said.

Dr Mahathir said that "they cannot come and invest and then dispose of or push up or down the value of the shares."

"So, investment is not affected by this except investment in shares because that is considered hot money. If they want to invest in shares they can but such investment must stay in the country for at least one year," he said.

The measures to control foreign exchange announced by Bank Negara today would continue until Malaysia is sure that there are profound and fundamental changes in the international financial systems, Dr Mahathir said.

Dr Mahathir said the latest ruling would reduce speculative activities.

"What has damaged the stock market is this practice of buying a share repeatedly so as to push up the value of the share to a high level so much so that the price of the share bears no relation with the performance or assets of the companies," he said.

"It's way beyond...once it reached a very high level, the investors will dump or sell off completely, take the money and go out of the country, leaving the locals with shares of the company which has lost its value,"

she added.

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