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Mergers as a solution to stockbroking firms' woes

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THE challenges before the stockbroking industry today outweighs the previous successes. While the resilience of several stockbroking companies (SBCs) give some grounds for optimism, the waning performance of more and more firms hog the focus of regulators and market participants.

The panacea the authorities seem to favour leans heavily towards mergers resulting in the consolidation of an industry which presently seems to envelop one too many, the last count being 62.

Instead of waiting out the storm, firms have been asked to beat the weather. As a result, thus far, four SBCs which were placed under trading restrictions have until April 29 to reason to the Securities Commission why their licences should not be suspended or revoked.

Capitalcorp, Kin Khoon & Co, Labuan Securities and MBf Northern Securities, which have not come up with any announcements since they were placed under trading restriction on December 1 1997 therefore, need to work out a plan and do it fast.

In addition, MGI Securities, Omega Securities and Alor Setar Securities' deadline to present an acceptable plan to regularise their financial position was up a week ago but they were given another two weeks to come up with a merger or acquisition plan.

The call to merge also came from Prime Minister Datuk Seri Dr Mahathir Mohamad who said it would go a long way towards strengthening their finances, thus enabling them to withstand the current economic turmoil.