

18 NOV 1998

APEC-NEWS-CREDIT RATING

MALAYSIA'S CRITICISM OF RATING AGENCIES WINS APEC SUPPORT

By: Zainab Mohd Yatim

KUALA LUMPUR, Nov 18 (Bernama) -- Malaysia's persistent criticisms of unfair ratings by international credit-rating agencies received international support when Apec leaders today called for a review of their activities.

The leaders called on the agencies to review their practices to promote greater effectiveness and to contribute to sustainable capital flows.

In their declaration released at the end of their two-day summit here, they noted concerns expressed about the recent performance of the international credit rating agencies.

Malaysia has repeatedly stressed on the need to review the role of the agencies, especially since it was hit by the economic turmoil from the middle of last year.

Recently, Prime Minister Datuk Seri Dr Mahathir Mohamad urged rating agencies to revert to their original role of coming up with a rating only upon being requested to do so.

This is because in some cases they came up with ratings unsolicited. Often the ratings were low, causing the country to be unable to secure fundings at reasonable interest rates.

In July, Malaysia's plan to raise funds abroad to finance its business recovery through the issuance of bonds was thwarted when Moody's and Standard & Poor downgraded the country's sovereign bond rating

Dr Mahathir then said these agencies came out with ratings without anyone asking them to do so.

He said: "They did the rating at their whims and fancies. When they realised that they have brought about much effect on those that they have rated, they became arrogant as they reckoned they could decide the fate of a company, bank or country."

In view of this, he announced in late September that the government would introduce a mechanism to regulate local rating agencies so that they could help the currency market and not weaken companies, banks and even the country. -- BERNAMA

ZMY SK