

11/09/1998

Salomon designing funding programme (HL)

Lokman Mansor

US-BASED financial services group Salomon Smith Barney will design a financing programme for Malaysia to meet the country's requirements and objectives for the next two years.

Mr Deryck Maughan, co-chairman and co-CEO of Salomon, said the first thing the firm will do is tell the facts about Malaysia, including the various measures taken to address its economic problems.

"We will be publishing tomorrow (Friday) a comprehensive analysis of the capital controls that have been put in place, their impact on the economy and the financial strength of the country. We will distribute that to our clients worldwide," he said.

Maughan was speaking at a press conference called by Prime Minister Datuk Seri Dr Mahathir Mohamad in Kuala Lumpur yesterday to announce the appointment of Salomon as financial adviser to the Government and to Danamodal Nasional Bhd.

He said a team of Salomon investment bankers and research analysts will brief more than a hundred institutions in Europe and the US next week and obtain input for the strategies that Salomon will devise for Malaysia.

"We expect to have a fund raising programme which deals with all the major investors in the world. We will not be linking ourselves with a single market," he added.

Danamodal, the special purpose vehicle established to recapitalise domestic banks, is expected to require about RM7 billion this year. It is likely to work closely with Pengurusan Danaharta Nasional Bhd, the agency tasked with purging the system of non-performing loans.

"We appreciate any help coming from any quarter. Whether they are foreign or not, it is not relevant to us," said Dr Mahathir, who is also First Finance Minister.

Maughan said Salomon will advise the Government to launch the financing programme as soon as conditions permit. The world capital market is going through a very volatile period and things need to settle down before anyone can conduct a successful large offering, he said.

Asked what he thought could help bring about market stability, he said concerted action should come from the Group of Seven (G-7) to assure global investors that currency markets will stabilise and the threat to local enterprises and stock values will end.

"About 40 per cent of the world economy is currently in recession... it is important that the world economic leaders take counter-measures," Maughan said.

On the downgrading of Malaysia's sovereign risk by international rating agencies and its impact on Salomon's programme for the country, he said the firm will put up its own regular ratings reports and analysis on Malaysia.

"We are comfortable with our report which is coming out tomorrow, that Malaysia is a strong investment grade," he added.

Asked if Salomon will itself take up Malaysian bonds in the event of poor response, Maughan said when the Malaysian Government issues bonds, his company will conduct the traditional underwriting exercise and maximise demand for them.

"It is quite normal for us in that context to provide capital and to provide support in the secondary markets for our clients' securities," he said.

Maughan said he believes that there are quite a number of Malaysian bonds that are now trading at well below their intrinsic value. World investors are still in shock after taking very large losses in the last few months, but there are still extraordinary bargains available for those with capital.

Salomon is a global, full-service investment banking and securities firm based in New York with over 500 offices in 27 countries. It is a subsidiary of the Travelers Group.

Earlier, Maughan said he is confident the measures taken by the Government thus far will promote economic growth.

"By any international standards Malaysia has low indebtedness, and has the capacity to incur additional foreign debts. The Government understands the significance of a strong domestic financial system, and is ready to take the necessary steps.

"These are unusual times... we believe the Government of Malaysia has acted decisively, and we are going to assist them in their endeavour," he added.

\* See also p18.