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Wide support among CEOs for regulations on currency trading

THE question of how to control currency trading and to prevent excessive speculation which can wreck economies was one of the widely-discussed topics among delegates attending the Apec Business Summit yesterday.

Most generally agreed that rogue currency speculators were the main culprits behind the Asian financial turmoil but many were reluctant to call for regulations.

Taiwan Telnet Corporation president and chief executive officer Raymond T. Tsai said countries should sign an international agreement to make hedging activities transparent.

A delegate from the US, who asked not to be named, said currency trading could not be transparent because then traders would have to disseminate information - which they obtained - to the market.

"This will reduce their competitive advantage. It is unrealistic to make currency trading transparent."

Asked if it should be regulated, he said legitimate currency traders helped develop businesses and should not be regulated.

Asean New Zealand Combined Business Council chairman Sir Dryden Spring said it was important to curb currency trading actions which were deliberately designed to affect economies in order to buy a particular currency at a much cheaper rate.

Bombardier Transportation president (transit system) William A. Spurr said currency trading should be transparent.

A delegate from Singapore said more information should be channelled into the market in order to curb and eliminate volatility.

He said regulations should be focused more on bank leverage rather than currency trading.

"(This is) because currency traders act after obtaining information on banking sector among others."

If the market was fully aware of a country's capital flow, macro economic and interest rates settings, then the problem of currency speculation would not arise, he added.

Eliot E. Sanft, managing director of Towry Law Asset Management Sdn Bhd who is also the chairman of the Malaysia-New Zealand Business Council said there should be some sort of regulation because "hedge funds are getting too big".

The basic problem was that the pool of capital managed by some funds was equal to the resources of some countries.

"In the past 18 months, international hedge funds managers have used billions of US dollars to try to drive down values of particular currencies."

Sanft said Prime Minister Datuk Seri Dr Mahathir Mohamad's suggestion that the identity of traders be known was quite a good suggestion.

Sanft further said bank lending policies to fund managers should also be controlled.

"This can cut up to one-tenth or one-third of the size because a lot of hedge funds leverage or borrow up to 40 times their original capital, for example the Long Term Capital Management in the US."

Chairman and chief executive officer of Securify Inc, Dr Tahar Elgamal said there should not be complete regulation.

D.C. Lee, executive director and chief representative of Core Pacific-Yamaichi International (HK) Ltd said Malaysia's controls were a good

alternative to IMF's prescription "which can kill some countries".

He cautioned, however, that if every country were to do the same thing, it would not be good for the global economy.

Dr Sun Da Yu, general manager of Huashan Health Development Co Ltd, China, said Malaysia's exchange rate controls were "correct".

Roberto Salinas, chairman of the editorial board of El Ecomista, a business newspaper in Mexico, said theoretically global currency trading regulation was good but impossible to put into law.

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