

02/11/1998

Working towards a smooth birth for Mesdaq

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LIKE an expectant mother, Malaysia is anxiously awaiting the birth of its latest stock exchange - Malaysian Exchange and Automated Quotation Bhd (Mesdaq).

The holding of the National Conference on Mesdaq, Venture Capital and Private Equity last week is a clear indication that things are finally moving ahead. Mesdaq executive chairman Khairil Anuar Abdullah's announcement that the exchange will start operations within the next six months is indeed welcomed.

However, exactly when it will start up depends on Mesdaq's preparedness and the Securities Commission's (SC) approval process for companies which have applied for listing on the new exchange.

The past one year must have been trying for Khairil Anuar and the SC, working hard towards ensuring a smooth launching for Mesdaq, especially with the onset of the regional financial and economic crisis.

As a result of the economic turmoil, investor interest waned, and the KLSE Composite Index suffered a plunge of 79.3 per cent to 262.70 points on September 1 this year from a high of 1,271 points on February 25 1997. The index has since then recovered some ground.

There was tight liquidity in the financial system, loans were not forthcoming, projects were deferred and corporate results were badly hit.

Things have mostly settled down now as a result of Prime Minister Datuk Seri Dr Mahathir Mohamad's prescriptions of currency exchange rate controls, followed by a business-friendly 1999 Budget.

With the economy expected to resume growing next year by 1 or 2 per cent, Mesdaq will be launched in an environment that will be conducive to its activities. It is hoped that 1999 will be seen more positively by investors who have had inhibitions towards subscribing for initial public offerings during the current year.

Conceived as one of the strategies for achieving Vision 2020, Mesdaq will work towards bringing together investors and growth companies. It will be a stock exchange specialising in growth companies, particularly those involved in technology-based activities.

Mesdaq is also intended to give the capital market support for the development of the Multimedia Super Corridor (MSC) as it has been designed to provide technology-related companies with an avenue to raise funds to start up, upgrade or to expand.

In a surprise announcement, it was disclosed that companies already traded on the US-based National Association of Securities Dealers Automated Quotation (Nasdaq) that are interested in a secondary listing may sign up with Mesdaq.

Second Finance Minister Datuk Mustapa Mohamed said Mesdaq will allow for the listing of both local and foreign-owned companies based in or outside Malaysia.

The move reflects the Government's seriousness in attracting and cooperating with foreign investors. This certainly gives a signal to the international business community that Malaysia welcomes their presence and they are free to tap funds through offerings made on Mesdaq.

What's left is for Mesdaq and the SC to meticulously plan in the next six months to make sure the exchange gets off the ground.

Players wishing to float their companies on Mesdaq must work doubly hard to promote themselves and convince potential investors of their potential

for high growth.

One consensus reached during the National Conference on Mesdaq, Venture Capital and Private Equity is that the level of awareness on technology is still wanting in Malaysia.

This may serve as an indication to the relevant bodies set up to promote the information technology (IT) industry in Malaysia that efforts to educate the public must be stepped up and sustained.

As the Second Finance Minister put it: "What is needed is more information and encouragement to investors to realistically estimate the value of innovation, particularly in the high-tech industry."

However, SC chairman Datuk Dr Munir Majid said that so far there have been no proposals to exempt foreign investors trading in securities on Mesdaq from currency exchange rate controls.

This is the first modest proposal: Mesdaq should be exempted from the currency exchange rate controls because it is intended as capital market support for the MSC's development.

Companies with MSC status are free from the currency exchange rate controls in a move to encourage foreign investments in the IT industry.

Therefore, as Mesdaq complements the development of the MSC by providing capital opportunities, it is only fair that the new exchange be exempted from the currency exchange rate controls.

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