

27/02/1999

PM: SC must not be too restrictive (HL)

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THE Securities Commission (SC) should be firm in its supervision of the capital market but it must guard against being too restrictive with regards to applications for listing on the Kuala Lumpur Stock Exchange, says Prime Minister Datuk Seri Dr Mahathir Mohamad.

"Studies which are not beneficial and cause delays in the listing process will only mean losses and added costs for the companies," he said when officiating at the opening of the SC building at Bukit Kiara, Kuala Lumpur, yesterday.

The Government is keen to see businesses in Malaysia succeed and make profits because it has a stake in them in that when they do well they pay higher taxes.

Therefore, any action or practice of an agency which results in losses for companies is also costly to the Government, Dr Mahathir said.

As such, the SC must be mindful as well as efficient when evaluating listing applications, he added.

The Prime Minister noted that the SC plays a key role in the development of the capital market, not least because the industry is constantly exposed to all kinds of challenges, including crime and fraud.

In addition, the opening of the stock market to foreign investors exposes the country to the risk of attacks, he said.

Some foreigners who had failed to wrest control of local banks and businesses through the privatization process had resorted to attacking the Malaysian currency and stock markets so that the local companies would be rendered weak and be forced to sell out.

While Malaysia welcomes foreign investments, they have to be long-term in nature as those made solely for capital gains will not benefit the country, Dr Mahathir said.

Various measures to revitalise the economy have been introduced and what is now needed is a right attitude and proper understanding on the part of the people, he said.

For example, if local share investors are too quick to take profits, and the stock market's rebound is delayed, businesses will find it difficult to recover, he said.

"The stock market would surely rise or fall but the movements of the prices should reflect the assets and performances of the companies." Malaysians must also not be taken in by the allegations of foreigners that the present economic downturn is caused by "our own mistakes" as this will hamper the country's economic recovery, he said.

They should be proud of Malaysia's achievements, rather than apologise for the nation's policies, Dr Mahathir said.

On the other hand, Malaysians should also not be lulled by praises of the West, he said.

Charges of so-called cronyism and nepotism are made only to cover up the currency speculators' abuses of the open market to reap massive gains for themselves.

It is therefore unfortunate that certain Malaysians who had benefited from the country's rapid economic growth have also echoed such allegations, he said.

On the recently introduced capital repatriation levy, the Prime Minister said it is a fair measure because foreign investors can continue to make profits on the Malaysian stock market without having to pay a capital

gains tax.

The 10 per cent levy on profits repatriated is very small compared to what they would have to pay if a capital gains tax had been implemented, he said.

Asked for his response to Dr Mahathir's advice that the SC not be overly restrictive in its listing requirements, SC chairman Datuk Dr Mohd Munir Abdul Majid said, "it's fair comment."

"I think what should be understood is that we're embarked on a full disclosure-based regulatory environment which will lead us away from merit determination by the regulator.

"This process in itself will ensure speedier listing of shares and securities," he said.

The full disclosure-based environment, which is being introduced in phases and completed on January 1 2001, will rely on the disclosures made by the issuers of the securities to the regulator and the public.

"Merchant banks will have to ensure that what is disclosed is factual, accurate and timely," Munir said, adding that only when this is not done will the SC take action.

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