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Set up third board to trade in CLOB shares

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FOLLOWING the closure of the Central Limit Order Book International by the Singapore Stock Exchange on Sept 15, last year, many investors (both Singaporean and Malaysians) were caught holding Malaysian shares worth billions of ringgit.

During the final trading week early that month, many Malaysians were busy capitalising on the heaven-sent opportunity by selling shares on the Kuala Lumpur Stock Exchange and immediately buying the same shares on the SES at less than half the price quoted in the former.

The KLSE Benchmark Composite Index has recovered from a low of 262 points in early September, 1998, to 611 points on Jan 26 - an appreciation of 133 per cent within just five months.

For those shares bought on CLOB during the final week of trading, the appreciation is even more mind-boggling.

One can imagine what will happen to the CI if the authorities allow CLOB shares to be sold on the KLSE now.

Many shareholders will dump their stock at even half the prevailing market price and yet still realise a substantial profit.

There are also those frustrated investors who will liquidate their holdings at any price.

So the concern of the authorities, and particularly Prime Minister Datuk Seri Dr Mahathir Mohamad, is totally justified.

As Dr Mahathir said, in order to be fair to the investors, we cannot be unfair to ourselves.

The handling of the CLOB share predicament not only affects the share market, but also the economic recovery plan, the economy of the nation and the well-being of every Malaysian citizen.

To alleviate the frustration of CLOB investors, to allow those in dire need of cash to sell and allow the KLSE to continue operating in an orderly manner, the authorities should consider setting up a Third Board to trade CLOB shares which should be insulated from the other two on the following guidelines:

1. For the existing CLOB shares, owners are allowed to sell up to 10 per cent of their holdings every fortnight; and,
2. Buyers of CLOB shares can either:
  - a) hold the shares for a period of six months and thereafter subject to the same selling control stipulated in (1); or,
  - b) hold the shares for a period of one year and have the shares automatically transferred to the Main Board which can then be bought and sold like any other share.