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SINGAPORE-CLOB

SINGAPORE ANXIOUS FOR BILATERAL SETTLEMENT, HU CONTACTS DAIM

By: Tham Choy Lin

SINGAPORE, Jan 17 (Bernama) -- Singapore remains anxious to resolve bilaterally the Clob shares impasse with Malaysia and the issue must be settled in accordance with the law, said Deputy Prime Minister Lee Hsien Loong today.

Lee told Parliament here that Finance Minister Dr Richard Hu had written to his Malaysian counterpart, Tun Daim Zainuddin, on Jan 13 over the matter after the Singapore Exchange (SGX) did not receive any response from the Kuala Lumpur Stock Exchange (KLSE) by Dec 7 on its proposal for the staggered release of the shares.

"Dr Hu's letter set out the Singapore government's understanding of the legal issues involved and requested Tun Daim to ask the KLSE to fulfill its legal obligations under the CDP-SCANS agreement. Dr Hu is now awaiting the Malaysian finance minister's reply," he said.

Lee, who is also chairman of the Monetary Authority of Singapore, reiterated that private sector offers for the shares cannot resolve the issue or absolve the relevant parties from their legal responsibilities.

"An early resolution is in the profound interest of both countries. The SGX and Singapore government continue to be anxious to resolve the matter bilaterally with Malaysia, and will make every effort to do so.

"It is therefore premature to speculate on what further steps may be necessary should a bilateral solution not prove possible," said Lee.

Several Members of Parliament had pressed Lee whether the Singapore government would set a deadline to start legal action if the matter remained unresolved.

An estimated RM17 billion of Malaysian shares, at current market price, once traded over Singapore's Central Limit Order Book (Clob) over-the-counter-market, remained frozen when Singapore halted its trading following capital controls imposed by Malaysia in September 1998.

The matter was left to the stock exchanges of the two countries to resolve. The KLSE recently announced a final extension to June 30 the nominee status of Singapore's Central Depository (CDP) over the shares it had expired on Dec 31 last year.

A copy of the agreement between CDP and Malaysia's Securities Clearing Automated Network Services Sdn Bhd (SCANS), a subsidiary of KLSE, in September 1998 on the migration of the shares was also circulated to the Members of Parliament for the first time.

"The failure of KLSE to migrate the shares in accordance with this agreement has implications under WTO (World Trade Organisation) law," said Lee.

Lee said the Singapore government had been advised by WTO legal specialists that the measures taken by Malaysia against Clob were inconsistent with the most-favoured-nation provision of the WTO General Agreement on Trade in Services (GATS) because they discriminate against Clob vis-a-vis other foreign exchanges.

"This is a national issue that if, brought to the WTO for its review, would have to be resolved government-to-government," he said.

Singapore Prime Minister Goh Chok Tong said recently that Singapore may refer the Clob issue to WTO if it could not be resolved bilaterally.

Malaysian premier Datuk Seri Dr Mahathir Mohamad had said that he was prepared that to meet Goh to discuss the Clob issue.

Lee also said that there was no legal basis to transfer the Clob

securities to the Malaysian finance ministry and the extension of CDP's nominee status was not relevant as the legal rights of investors over the shares under the CDP-SCANS agreement and Malaysian law did not depend on the nominee status.

Daim had said that prior to the nominee status extension to CDP that the shares might be transferred to the finance ministry and investors can claim them later. -- BERNAMA

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