

20 MAR 2002
KLSE-BREAKER
MARCH 25 START FOR KLSE'S CIRCUIT BREAKER MECHANISM

KUALA LUMPUR, March 20 (Bernama) -- The use of the circuit breaker mechanism at the Kuala Lumpur Stock Exchange (KLSE) to enhance market stability and investor confidence will begin on March 25.

In a statement today, the KLSE deputy president (strategy and development) Abdul Hamid Sh. Mohamed said that, in meeting the deadline for the circuit breaker provision, KLSE has taken into account industry readiness for the system's implementation.

"KLSE has undertaken various testing and simulations with relevant industry participants over a five-month period which among others covered key functions of the circuit breaker in the areas of trigger level alerts and halting mechanism," he said.

"In consultation with the Securities Commission and following an industry readiness review audit, it has been found that there is a high degree of readiness amongst industry participants."

The circuit breaker mechanism, announced by Prime Minister and Minister of Finance Datuk Seri Dr Mahathir Mohamad when unveiling the 2002 Budget last Oct 19, would help to moderate excess market volatility.

Dr Mahathir had said that the circuit breaker would provide investors breathing space before resuming trading as well as maintain investor and market confidence, especially in an uncertain environment.

The circuit breaker would be triggered when the KLSE's composite index (CI) declines by more than 10 percent, 15 percent and 20 percent compared with the closing value on the previous day.

If the CI falls by more than 10 percent but less than 15 percent of the previous closing, trading is halted for one hour if triggered before 11.15 am or 3.45 pm.

However, trading is halted for the rest of the trading session if triggered at or after 11.15 am or 3.45 pm.

If the CI falls by an aggregate of 15 percent but less than 20 percent of the previous day's closing, trading is halted for an hour if triggered before 11.15 am or 3.45 pm.

Trading is halted for the rest of the trading session if triggered at or after 11.15 am or 3.45 pm.

If the CI falls by an aggregate amount of 20 percent or more, trading is halted for the rest of the day.

According to the exchange, the trigger levels and trading halts of the circuit breaker would also apply for equity-linked derivatives on the Malaysia Derivatives Exchange (MDEX).

Historically, the KLSE CI has dropped by more than 10 percent on 10 occasions. -- BERNAMA

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