

MAJLIS PERASMIAN PERSIDANGAN KEBANGSAAN MENGENAI
PERINDUSTRIAN SEKURITI DI MALAYSIA
HOTEL REGENT, KUALA LUMPUR

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Terlebih dahulu saya mengucapkan tahniah kepada Kuala Lumpur Stock Exchange dan Organisational Resources Sendirian Berhad di atas usaha mereka menganjurkan Persidangan ini. Persidangan ini, pada pendapat saya, adalah tepat dan sesuai dengan keadaan semasa, ketika kita sedang rancak berusaha untuk memperbaiki jentera dan suasana berbagai aspek pembangunan dan pengurusan negara.

2. The securities industry is an important component of a modern economic system. For a fast industrialising country like Malaysia, it has a crucial role in mobilising public interest and participation in the corporate life of the nation.

3. The Midterm Review of the Fourth Malaysia Plan illustrates the need for new strategies, approaches, and concepts in our development. Our economy has performed well but continued dynamism of the economy will have to depend on increasing private sector involvement in both the traditional areas as well as those usually reserved for the public sector. This in itself constitutes a change in approach. Much will depend on how the private sector rises to meet the new challenge.

4. The Government's perception of the economy as well as the role of the private sector has obviously undergone a radical change. This perception is epitomized by the concept of Malaysia Incorporated and its corollary, Privatisation. The Government no longer harbours the belief that the private sector is avaricious and is out to exploit the country for its benefit. Instead, the private sector is now regarded as a partner in development and as such deserves to be given every assistance. The Government's role would be to redistribute the wealth created by the private sector so that there is equitability and a growing standard of living within the society. This being so, the need for the Government to arrogate to itself certain monopolistic services is no longer there. Hence the move towards privatisation.

5. Governments the world over are notorious for inefficiency when running enterprises, even when aided by monopoly and the authority of Government. On the other hand the private sector is better motivated and generally more efficient. It is hoped that privatisation will improve the

economic and general performance of the services, resulting in a more rapid growth of the nation as a whole.

6. As privatisation and the Malaysia Incorporated concepts are new, there must be teething problems. Neither the Government nor the private sector can do these things right the first time. We have to feel our way and learn from the mistakes we make and those made by others. But with time and experience, there is no doubt that both Government officers and private sector executives will become adept and adapted to this new relationship and methods and the nations growth accelerated.

7. The Government recognises that capital market growth is vital for national economic development. At a time when the nation faces resource constraints, we must mobilise savings at all levels to fuel economic growth. The capital market and, in particular, the securities industry has therefore a critical role to play in the channelling of financial resources for the corporate sector.

8. The Malaysian securities industry is relatively new and is beset with numerous problems. Firstly, it is an industry that is based more on faith or trust than on tangible assets. As such it needs a level of ethics that is higher than normal. There is only a thin line drawn between 'speculation' and 'gambling'. In addition the industry lends itself to unlimited manipulation. Insider trading, rumour-mongering, and a host of other factors can influence the behaviour of the market. The appointment of governing bodies, the formulation of rules and laws by themselves are not adequate. It needs but one rogue elephant to bring the whole structure to shambles. Yet if funds are to be fully utilised for national development there must be a proper securities industry.

9. The Government has been stressing the need for good work ethics. Nowhere is such ethics more important than in the securities industry. Those who are involved in the running of the industry must be people with moral courage and strength of character to avoid the many temptations and to apply the rules fairly. In the long run this will pay off, not only for the securities market but for the nation as well. Indeed, everyone will stand to gain if the securities market is well and honestly run. I would urge everyone to deal swiftly and effectively against those who undermine public trust in the market.

10. It is clear that the Kuala Lumpur Stock Exchange has grown in both breadth and depth in the 10 years of its existence. The number of ordinary stock units have increased from about 3.8 billion in 1974 to about 20 billion as of April this year, an increase of about 414% , while total market

valuation has increased from about \$11.8 billion to about \$79 billion, an increase of about 565% over the same period. This rapid growth has served to dispel some of the uncertainty or anxiety about the success of the securities industry in Malaysia. The prophets of doom and the doubting Thomases have once again been proven wrong with regard to Malaysia. The number of companies listed on the KLSE have increased from about 249 in 1974 to about 273 in April this year, an increase of about 10%. The Exchange has been self-regulating, with the management of its affairs being entrusted to the Committee.

11. The capital market in Malaysia is relatively young when compared to those of Europe, America and Japan. Yet there is little doubt that it is a robust market with great potential. Off and on there have been runaway prices for certain counters which do not reflect the real value of the shares. There have been signs of insider trading and manipulations. But these have been the exceptions rather than the rule. By and large prices reflect true value based on information generally available to everyone. Indeed as the media becomes more conscious of the role of the capital market, more and more information are published in order to guide investors. The rapid increase in the use of computers will enhance and update information to the benefit of Malaysian investors.

12. It is essential that the investing public be protected against fraud and catastrophes that often befall badly managed businesses. There has been a lot of complaints that the conditions for listing are too severe and rigid. This is unfortunately necessary if confidence is to be built in the Malaysian securities industry. The regulatory bodies are there because the public has to have some assurance that their money will be in safe hands. Once we have built a sufficiently large corp of directors and managers known for their integrity and business acumen, the difficulties in getting a listing may be reduced. Of course, if Malaysians exhibit good business ethics all the time, there will be no need for the rigidity in the guidelines for listing. Indeed entirely new ventures may be floated on the market and will attract the necessary capital. As it is, venture capital is a scarce commodity in Malaysia, creating frustration among those with good ideas with no capital, and those with capital but no projects. It is hoped that over time the Malaysian securities industry will mature and will be able to cope with all the needs of the capital market.

13. However, the Kuala Lumpur Stock Exchange has performed fairly satisfactorily. It has enjoyed a pivotal role in the process of capital formation which even the worldwide economic slowdown has not been able to dampen significantly. Such is the dynamism of the Malaysian capital market that foreign interest in the KLSE is quite manifest.

14. As in other countries, the securities industry in Malaysia is very sensitive to the environment. Indeed it can be said to be hyper-sensitive. Nothing happens in the country, be it economic, political, social or even personal, which does not in some way get reflected in the market place. Indeed to a certain extent confidence in the stability of the country can be gauged by the share market index charts. The Government too is conscious of the significance of the share market performance. For this and a variety of other reasons, the Government must keep a watchful eye on the market.

15. The prosperity of a nation depends on the ability of the people to create wealth. The most prosperous nation are those whose people are constantly converting whatever is found in their environment into marketable commodities. Apart from the ideas and know-how, the conversion process will require capital. The more complex the ideas, the greater is the need for capital. Thus the great chemical industries which grew out of laboratory trials would not have been possible without capital. Even the socialists have to acknowledge the need for capital. Knowledge alone could not have put the cosmonauts into orbit.

16. The basis of capital formation is savings. But in an inflationary environment savings may result in a depletion rather than an accumulation of capital. The Government has urged the people to save. But the savers must be saved from the effects of inflation. In other words, their savings must be invested if not in profitable ventures, at least in goods or property which will appreciate. The capital market is therefore important not only to people who play the market for capital gains but to savers who wish to invest for dividends or long-term returns. Provided that entrepreneurs are constantly starting new enterprises or expanding old ones, savings should constitute the most reliable and beneficial source of capital.

17. While those who 'play the market' are knowledgeable about when to buy and when to sell, the savers are usually not so well-informed. This is where a well-run Stock Exchange and good stock-brokers are necessary. The savers should be protected from their tendency to invest in high-flyers. That way they are less likely to 'burn their fingers'. This way confidence in the Stock-Market and the integrity of Stock-Brokers will be enhanced and more capital can be made available.

18. If on the other hand hard-earned savings are constantly being lost in the stock-market, not only will the securities industry be affected but people are less likely to save and contribute towards the build up of

capital. And, of course, the prosperity of the nation will be adversely affected.

19. Another source of capital that has as yet to make an impact on the securities industry is the institutional funds. Much of such funds are invested in Government securities. This is as it should be, for the fund managers cannot afford risks. However, this rule has been relaxed lately to allow a certain percentage to be invested in the capital market.

20. The need is for more of such institution which can systematically mobilise capital for investment. Housing societies, pension schemes and others can help to stimulate rapid growth in the securities industry. In the process, of course, the nation will gain through savings and the capitalisation of new enterprises or expansion of existing ones.

21. All in all, there seems to be a bright and interesting future for the securities industry. Much will depend on how well the industry is run, what ethics the brokers adhere to, and the role the media plays in providing information to the investing public. The Government will always be willing to lend an ear to the complaints and to give a helping hand. We regard the capital market as an important element in the development of Malaysia. We want the Stock Exchange to be safe for the investors. We have no time for smart people who do not care for what happens to the country as long as they can prove how smart they are.

22. The securities industry, like all other economic activities in this country must conform to the N. E. P. It is not healthy to have such a crucial industry monopolised by any one race. The bumiputeras are still under-represented. It is not easy to correct this situation. But efforts must be made to correct the imbalance. Brokers firms must take in more bumiputeras so as to give them the right exposure to this sophisticated industry. The Government will try to produce candidates with the right kind of educational background and training. But without experience the bumiputeras will not make the grade. The Government expects the industry to comply to the N.E.P. as much as are the companies on the registers.

23. The slogan of the Government is 'Bersih, Cekap dan Amanah'. I would like to stress the Amanah or Trustworthy part of that slogan. The securities industry needs that trustworthiness. You cannot function without it. So police yourself and rid yourself of doubtful characters. Do not be afraid to act. The Government will back you.

24. On this note, I am pleased to declare this National Conference on the Securities Industry in Malaysia open and wish you all a fruitful day of deliberations.

Thank you.