

MAJLIS PERASMIAN BURSA KOMODITI

KOMPLEKS DAYABUMI, KUALA LUMPUR, 29 OKTOBER 1985

Yang Berhormat Dato' Paul Leong Menteri Perusahaan Utama; Yang Amat Berbahagia Tun Ismail bin Mohamed Ali Pengerusi Majlis Dagangan Komoditi; Yang Berbahagia Tan Sri Lee Boon Chim Pengerusi Bursa Komoditi Kuala Lumpur; Dif-Dif Kehormat; Tuan-tuan dan puan-puan sekalian,

Saya ingin mengambil peluang ini mengucapkan terima kasih kepada Bursa Komoditi Kuala Lumpur, kerana sudi menjemput saya untuk berucap dan seterusnya merasmikan pelancaran Bursa ini dengan sistem perniagaannya yang baru, bertempat di Kompleks Dayabumi yang indah ini.

2. Pada bulan Oktober tahun ini, genaplah usia Bursa ini 5 tahun. Sungguhpun ianya masih muda, Bursa ini telahpun terkenal di peringkat antarabangsa sebagai sebuah pasaran minyak kelapa sawit yang ulung di seluruh dunia. Malangnya, dalam tahun 1984, Bursa ini telah mengalami satu peristiwa pahit yang telah menyekat perkembangannya. Dalam keadaan seperti itu, saya fikir elok jikalau kita merenung kembali segala kejayaan dan kelemahan pada masa yang lepas, sebelum kita mengorak langkah kearah objektif seperti yang telah ditetapkan dahulu itu.

3. Apakala Bursa ini ditubuhkan dalam tahun 1980, objektif Kerajaan dan pihak swasta sendiri ialah supaya ibu negara Kuala Lumpur dijadikan sebuah pusat perdagangan komoditi bertaraf antarabangsa. Dengan tertubuhnya Bursa ini, Malaysia telah menjadi sebuah negara membangun yang pertama yang mempunyai pasar komoditi moden. Objektif untuk mewujudkan sebuah pasar komoditi yang moden itu adalah selaras dengan kedudukan negara kita sebagai sebuah negara pengeluar yang terbesar di dunia bagi beberapa komoditi seperti getah, minyak kelapa sawit, kayu-kayan, koko dan lada hitam. Juga, adalah menjadi harapan kita bahawa Bursa Komoditi Kuala Lumpur ini akan dapat memberi kemudahan pasaran kepada peniaga-peniaga antarabangsa dari seluruh dunia, terutama peniaga-peniaga dari negara sahabat dalam ASEAN. Kita tidak lagi terhad kepada Bursa di Eropah dan di Amerika Syarikat untuk menentukan harga barangan kita. Kita mempunyai keupayaan mengadakan sebuah pasar komoditi yang bebas dan cekap untuk menentukan harga barangan bagi pasaran antarabangsa. Adalah menjadi hasrat kita supaya Bursa Komoditi Kuala Lumpur ini akan terus berkembang dan dapat memberi kemudahan perniagaan bukan sahaja dalam barangan utama tetapi juga instrumen kewangan dan indek stok dalam jangka panjangnya.

Ladies and Gentlemen,

4. Malaysia is a major producer and exporter of several primary commodities located strategically in the Pacific and ASEAN region. The ASEAN nations as a whole accounts for about 80% of the world's production of natural rubber, 60% tin, 90% palm oil, 80% lauric oil, 70% tropical timber and 45% pepper. In addition, the ASEAN region is also a major producer of cocoa and other minerals. All these commodities are largely exported. It is therefore important for us to have an efficient pricing and marketing system for our commodities.

5. Many of you will recall that the KLCE was established in 1980 with palm oil as the first commodity traded on the Exchange. Palm oil has to compete with 16 other vegetable

oils and fats throughout the world. Consequently the prices of palm oil are determined not only by the supply and demand for it but also those of other vegetable oils and fats in the world market. Since the establishment of the palm oil market in 1980 we have witnessed that crude palm oil prices had fluctuated from a high of \$2,700 to a low of \$630 per tonne. There is therefore a need for producers, manufacturers, refiners and traders to hedge and protect themselves against violent price fluctuations.

6. The KLCE should provide this facility. But an exchange of this kind, however well provided with laws, rules and regulations, cannot by itself ensure that the purpose for which it is set up will be fulfilled. There are too many opportunities and loopholes for the unscrupulous and the irresponsible to take advantage of. Thus the proper functioning of an exchange of this kind depends really on the ethics and good faith of all the people involved in the trading. Indeed if one analyses carefully, one must conclude that what is being traded is the integrity of the participants. Integrity and good faith are in fact the main capital.

7. Trading in an exchange is a fast process. With modern communication not only will prices change by the minute but the trading has become a 24 hours a day affair, as traders must take into consideration prices in markets in other time zones. Together with the fact that deliveries are required mainly in the future, there is a lot of room for the unscrupulous to speculate excessively. When these people sustain heavy losses they are apt to renege on their undertakings. If this is a frequent occurrence then faith in the exchange will vanish, and the exchange will fail.

8. This is why integrity is an important commodity in an exchange. This being so it is important that the participants are carefully vetted and are people of some substance and reputation. Excessive speculation and breaches of good faith must be dealt with by the Commission firmly, impartially and quickly.

9. The efficient functioning of the Exchange and the Clearing House is critical to the success of the futures market. Both institutions are linked together in their daily operations. As such, there should always be an effective line of communication between the Exchange and the Clearing House so that they could act quickly to deal with any untoward development which might undermine the integrity of the market.

Ladies and Gentlemen,

10. The Exchange and the Commodities Trading Commission are endowed with appropriate powers to act against excessive speculation and manipulation of the market. The new legislation provides the Commission with the necessary powers to intervene in the market and to impose speculative limits and reporting requirements.

11. Manipulation is an offence against the market. The new legislation treats manipulation as a serious criminal offence punishable with a fine and imprisonment. Let it be known that we will not tolerate anyone attempting to undermine the market. It is therefore vital to monitor developments in the market. The Exchange and the Clearing House being in the front line to protect the integrity of the market must be prepared to take appropriate action to prevent any undesirable development in the market.

Ladies and Gentlemen,

12. On the regulatory framework, I wish to congratulate the Ministry of Primary Industries and the Commodities Trading Council for the comprehensive review of the existing law on commodities futures trading. The Government and the private sector have worked closely together to come out with the Commodities Trading Act, 1985, which will replace the existing Act. Subject to the necessary approval by Parliament, the Commodities Trading Commission, which will replace the Commodities Trading Council, will be equipped with appropriate powers to oversee the operation of the Exchange and the Clearing House in conformity with their rules and regulations and also to intervene in the market in an emergency situation, again for the purpose of protecting the integrity of the market and the public interest. We hope that intervention by the Commission will be necessary only rarely.

13. The Government recognises that commodity futures trading plays an important role in our economy. So far, the Government has given financial assistance in the form of a soft loan amounting to \$2.2 million for start-up expenditure of the Exchange. It is to be expected that during the initial years, the Exchange and the Clearing House will incur large expenses for training, promotion and marketing to be undertaken domestically as well as internationally in order to ensure efficient running of the Exchange.

14. The Government is also fully aware that a commodity market needs international participation in order to play its role effectively. In this regard the Government has agreed to allow international commodity trading firms to become members of the KLCE and to provide flexibility in the conditions relating to their equity structure, allowing them to hold more than 50% equity. We hope that with these incentives and financial assistance from the Government, the industry will respond positively towards the creation and development of a viable commodities futures trading in the country.

15. The Exchange, the Clearing House and the Government have done their utmost to ensure that the new trading system in the KLCE would run smoothly in accordance with the philosophy of self regulation. As of to-day, all contracts traded on the Exchange are automatically guaranteed on acceptance by the Clearing House. Adequate safeguards are provided to protect the users of this Exchange and the public. All these changes are in line with the practices of other commodity exchanges in the world.

16. Let me once again remind everyone that an exchange such as this does not really trade in material things. It trades on faith and integrity. You do not see the goods that you are trading in. Indeed in many instances they have not been produced yet. But because you believe that what you buy or sell will eventually be produced and delivered, you are prepared to take the words of a trader that the commodity is or will be there when the time for delivery arrives.

17. Integrity is the biggest capital in this kind of market. We can have laws and rules and commissions and councils to keep everyone in line. But these will not be of any use if a trader is determined to cheat. Hence the value of integrity. The traders and brokers and all who are involved in this exchange must have integrity. It is important therefore that everyone be very carefully screened, that erring members be disciplined and a keen eye maintained all the time for any sign of manipulation.

18. The exchange is not a plaything or a casino. It is a vital part of a modern market economy. Those who participate in it must forget their get-rich-quick ideas. They must

regard their participation as a serious vocation that requires responsibility and ethical practices.

19. The KLCE has entered a new era in commodities futures trading and I would urge the producers, refiners and traders to make full use of the market. I also hope that the market would serve the needs of the ASEAN region and also international traders throughout the world. What the market has gone through for the past 18 months should serve as a reminder and lesson for all concerned on the importance of maintaining market integrity at all times. Equally, it has provided the opportunity to remove weaknesses and deficiencies through the newly refurbished Exchange and Clearing House. I am confident that with these awareness and changes, the KLCE is now in a good position to play its role in making Kuala Lumpur a major centre of commodity trading in the world.

Tuan-tuan dan puan-puan sekalian,

20. Dengan ini, saya dengan sukacitanya membuka Bursa Komoditi Kuala Lumpur ini dengan rasminya.