

SINGAPORE GOVERNMENT PRESS STATEMENT

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SPEECH BY THE MINISTER FOR FINANCE, MR. HON SUI SEN, AT
THE OFFICIAL OPENING OF THE STOCK EXCHANGE OF SINGAPORE
LTD. ON SATURDAY, 16TH JUNE 1973 AT 10.30 A.M.

Many of us present at this official inauguration of the Stock Exchange of Singapore today will probably take the opportunity to indulge in a bit of crystal ball gazing. I do not claim special expertise in this art. However, it does not require much clairvoyance to foretell the future of the Stock Exchange of Singapore which will surely take its place amongst the leading stock exchanges of the world. Its potential for development has been amply demonstrated already by its ability to respond quickly to new needs in the situation after the 8th May, 1973, when Malaysia announced its intention to set up its own stock market.

2. Indeed, I must congratulate you, Mr. Chairman, and your Working Committee and all founder members who readily gave you their support, on the commendable speed with which, first, a separate and autonomous Singapore trading room was set up on May the 14th; secondly, new rules, bye-laws and listing requirements were formulated and a code of conduct for listed companies stated in a Corporate Disclosure Policy, and thirdly, the Memorandum and Articles of Association for a new company were drawn up, so that a newly registered and licensed Stock Exchange of Singapore could commence full time business on the 4th June, 1973. Operations since then have

been, expectedly, so smooth and trouble free and public confidence in the new Exchange so clearly established that this inauguration ceremony marks only in a formal sense the end of a running-in period and the commencement of fully normal operations.

3. And yet, Mr. Chairman, having achieved so much so quickly already, much more will be expected from you, your Committee and your members in the future. I myself would like, if I may, to offer a few suggestions on matters in which I think there could be fairly immediate improvement. The first is in regard to the size of the Fidelity Fund. Over the last year, with the great increase in share prices, and with the much larger volume of business transacted in the Stock Exchange, it ought to be no great problem to enlarge the Fidelity Fund by increasing the price of new seats on the Exchange, taking into account the present very greatly increased profitability of such seats, or by requiring a monthly or other periodical contribution to the Fidelity Fund from existing members based on their larger than average business turnover.

4. Another matter which the Exchange might well consider is to encourage its member firms to plough back the greater part of their unusual profits over the last year, and so to

increase the capitalisation of member firms. The prestige of the Stock Exchange rests finally upon the financial standing and probity of its individual members. It would increase the confidence of investors to know that in entrusting their business to members of the Stock Exchange of Singapore, they will be dealing with men of considerable substance and reputation.

5. Yet another matter which could repay Stock Exchange attention is improving the investment advice proffered to the investing public. But for this purpose, a greater investment in time, money and personnel will be required from your member firms, especially in the field of investment research and appraisal. Only by providing a better service in this direction can the investing public be educated and assisted in attaining the degree of sophistication and wisdom which will prevent their fingers being repeatedly burnt in fires of over-speculation. While some firms have already made an effort, they have much to do yet to improve the quality of their publications. Curiously, some of the better research material that has recently appeared on my desk commenting on selected Singapore companies have come from overseas stock-broking firms or affiliates, whom I would not have expected to be so well informed as our own stockbrokers.

6. No one will deny that the past few months have been a most exciting and eventful period in the history of the securities industry in Singapore. This is reflected in the movement of the Straits Times Industrial Index which peaked at 611 on 13th February and fell by 15th May to a low of 295. Such sharp and disruptive changes indicate quite clearly the dangers of investing in shares for the ill-informed or ill-advised or, in a highly speculative situation, the faint-hearted or poorly-financed who cannot afford to cut their losses or to grit their teeth and endure a prolonged period of depressed prices. To avoid irrational runaway booms and busts, investors are entitled to much better guidance than they get at present. They should no longer be content merely to receive a copy of the monthly Stock Exchange Gazette overprinted with the name of their stockbrokers. Nor should they be satisfied with casually considered advice. The days when a partner can take a spare afternoon off to write an appraisal of a quoted company are numbered. Firms must think in terms of establishing full-fledged investment research departments manned by knowledgeable professionals who are able to devote their full time and attention to investment analysis and are not, as now, bogged down by hectic day-to-day trading and dealing.

7. While brokers should give their clients more

specialised services, there is a need for early dissemination of information provided by listed companies in discharge of their obligations under the Corporate Disclosure Policy. I am glad to learn therefore of the intention of the Stock Exchange Committee to publish a daily news sheet giving the latest company announcements and price quotations. I appreciate that this project will of necessity start off on a modest basis, but it will give the opportunity later for the Committee to consider expanding the publication so that it will also cover other aspects of investment and all financial events in Singapore and overseas.

8. I am interested to learn also that the Stock Exchange of Singapore proposes to set up a computerised system for all transactions passing through the Stock Exchange. This will considerably speed up the analysis and publication of the computerised information and the compilation of an official Stock Exchange index.

9. I have also been informed that two firms are in the process of installing closed circuit television facilities to relay instantly prices from the trading room of the Exchange to each of their offices. The investing public will watch how quickly this project gets off the ground. It will be interesting in due course to see whether those firms which are

not participating in this scheme as they are presently operating miniature boards and trading rooms on their premises, will consider switching over to closed circuit television ultimately.

10. I am indeed heartened by the constant and continuing efforts of the Stock Exchange of Singapore in all these and other ways to try and improve standards. Among non-mechanised improvements, the Stock Exchange's new Rules, Bye-laws and Listing Requirements are a very creditable advance on the previous Rules and Listing Requirements while the guidelines contained in the Statement of Policy on Corporate Disclosure are worthy of support. We should aim at getting the co-operation of quoted companies, commentators in the financial columns of our newspapers, investing public and all those who are engaged in the securities industry to support the implementation of the policy so as to establish a fair and open capital market where the small, innocent and often naive investor is not exploited.

11. I need hardly say that in any efforts to improve its operations and standards and to establish a healthy and sound domestic capital market, the Stock Exchange will always have the support of Government. I should like to emphasise again what I said on the Second Reading of the Securities Industry

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Bill that the Bill (now passed as Act No. 17 of 1973 and brought into force on 23rd May 1975) does not merely pay lip service to but acknowledges the principle of self regulation of the Exchange by its Committee and is not intended to interfere with the day-to-day control that the Committee exercises over members of the Exchange except on such matters as the licensing of dealers in securities, the reduction to statutory form of Stock Exchange Rules with regard to maintenance of brokers' trust funds and the fidelity fund together with the keeping of records and the conduct of securities business.

12. As the Government's adviser on all matters relating to the securities industry, the Securities Industry Council which was formerly an ad hoc body but is now more formally established and recognised as a consultative or advisory body authorised under Section 3 of the Act, will always be ready to give guidance to the Exchange and to co-ordinate its activities with the needs of business and the investing public and with the policies of the Government. It has worked very closely and harmoniously with the Stock Exchange in the recent reorganisation of the market.

13. The establishment of the Securities Council has to-date led to 7 new companies being approved for listing. There are many other well-known companies, some with household names,

making preparations to seek a listing on the Stock Exchange. I believe the Singapore Manufacturers' Association announced recently that at least 10% or 60 of their member companies would be seeking listing during the coming year. Perhaps not all of them will be admitted but the interest in listing by so many companies is a healthy development which will give the market greater depth and should assist in remedying the present situation of too much money chasing too few stocks.

14. A further possible development which would be encouraged also by Government is the listing of foreign companies quoted already in other recognised stock exchanges. I note that your new Bye-laws give the necessary flexibility for permitting dealings in such shares. This is a move in the right direction. With exchange control liberalisation, which we plan for 1st July 1973, Singapore investors will be permitted to invest much more freely in foreign shares of their choice. Such liberalisation ought to have salutary effects in reducing the volatility of some of our stocks. For example, if some of the leading banks in the United Kingdom or the United States be given a quotation now, Singapore investors will find that such shares may be bought on a fairly steady price earnings ratio of 12 and below. By providing an opportunity to make international comparisons within Singapore, it is hoped that the wild fluctuations in prices in the domestic market will be

minimised.

15. With a revitalised Stock Exchange, a statutorily recognised Securities Industry Council, the legislative and policy controls in the Securities Industry Act and the Companies Act and in the Stock Exchange's own regulations, bye-laws, listing requirements and corporate disclosure policy, the framework is laid for the rapid development and expansion of the securities industry market in Singapore. Such a market under the more liberalised exchange control policies now possible and contemplated should be able to serve not only Singapore, but the wider South-East Asian or Pacific Basin region and subsequently perhaps, the World.

16. And now, Mr. Chairman, it gives me great pleasure to declare the Stock Exchange officially open.