In today's Business Times Editorial (8th Sep 2022), an excellent article was written about the urgent need to restore confidence in our Capital Markets which has been languishing for quite some time.

Hopefully the Authorities will act with some urgency to rebuild the much-needed investor confidence in our markets.👌🇸🇬

EDITORIAL

For the stock market, confidence is everything

THE president of the Society of Remisiers (SOR), Singapore has called for an Ombudsman Office to be set up that would help retail investors seek recourse for investments that had failed through fraud or other, possibly criminal, irregularities.

The call followed a S$12.6 million civil penalty meted out on commodities trading firm Noble Group for misleading information in its financial statements – an amount some see as a slap on the wrist compared to the billions in market cap that had been wiped out by Noble's collapse.

The idea of an ombudsman is a good one that deserves to be explored. Retail investors for far too long have had to passively accept that the meaning of "caveat emptor" in the local stock market extends to possibly losing all their money through fraudulent disclosures, questionable accounting, manipulation and negligent directors – or in some cases, all of the above. Having an Ombudsman would surely go some way towards addressing this concern.

The bigger worry, however, is the erosion of confidence in local stocks since even before the Noble episode. In his Aug 27 letter to the media, the SOR president cited the "critical issue of trust" and the need to "rebuild much-needed investor confidence, the lack of which has been plaguing our markets for some time".

If there is a single, overarching truth about stock markets, it is that confidence is everything. Without it, the market has little going for it – investors will stop trading, liquidity will dry up, prices will drift lower and the number of companies exiting the market will increase. All of these have been features of the local stock market over the past 30 years, ever since the "super bull" run that started in Oct 1993 with the listing of Singtel.

Yet, the resulting plunge in stocks that ensued paled in comparison to the blows that followed – the Asian Financial Crisis of 1998; the collapse of Malaysian shares traded here on Clob International in 1999; the dot-com crash of 2000; the Sars downturn of 2003, the S-Chip debacle of 2007 onwards; the US sub-prime crisis of 2008; and what is widely seen as the final straw – the penny stock crash of 2013.

Some of these were external macroeconomic events which afflicted all markets and were unavoidable, but it would not be inaccurate to say that the S-chips saga, 2013's unfortunate penny stock crash and Noble's collapse which started in 2018 have occurred because of lapses in governance and the local regulatory system.

Given the repeated pummelling sustained since 1994, small investors can therefore hardly be blamed for not wanting to plough too much of their wealth or savings into local stocks.

Also responsible have been a buoyant property market and the advent of online trading, the ease of which has lured many to try their luck elsewhere.

Whatever the case, given that confidence is a largely psychological phenomenon, bringing it back represents a significant challenge for the authorities to overcome, but efforts to do so must continue. An Ombudsman? Why not – and why stop there? Stronger, swifter regulatory action is what is needed, which will surely go a long way towards restoring confidence by signalling that protecting investors' interests is an overriding priority.