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Inquiry into the Corporations Amendment (Short Selling) Bill 2008

I wish to make a submission in relation to the above Inquiry.

The Macquarie Dictionary defines "invest" as "to put (money) to use, by purchase or expenditure, in something offering profitable returns, especially interest or income."

Short selling borrowed shares does not provide Profitable Returns to shareholders (and did the shareholders give informed consent?), only to the financiers who have used these schemes to manipulate the Equity and Financial markets.

As a Baby Boomer whose parents were affected by the Great Depression, investment and financial dealings had to be within our capacity to repay.
In the sharemarket the price paid and reported for shares was meant to reflect the worth of the companies over the longer term.

In the period before the stockmarket crash, the short term prices often varied wildly according to media driven announcements and (we find out) short selling pressures from financiers. There have been stories in the press of turnover of company share volumes several times greater than the total number of shares issued.

The general public and Australia have been let down by the Australian Stock Exchange, Australian Securities and Investment Commission, Reserve Bank of Australia, Departments of Treasury and Finance & Deregulation who must have been aware of the Short Selling and baseless financial derivatives. We will have to suffer the consequences of Banks and other Financial Institutions greedily gambling with debts being onsold.

While I agree with the changes to the Corporations Act in relation to Short Selling, they are not going to stop the problem. As evidence for this, the Stock Market is fluctuating in very short term cycles and the Australian Dollar is also moving up and down.

I understand that some Hedge Funds are doing quite well at present.

The solution I propose to the Short Selling and market fluctuation problems is for Share and Financial trades to be settled at the end of the day's trading or within 24 hours of the transaction at the latest. I doubt that this would be a problem as Banks already debit your account immediately an electronic transaction occurs. The excuse of having to wait three days before being able to access credited transactions only meant that the Banks were able to invest the money on the short term money market.

Thank you for the opportunity to present a submission.

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