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Mr John Hawkins
Secretary
Senate Economics Committee
PO Box 6100
Parliament House
CANBERRA ACT 2600

Via email to: economics.sen@aph.gov.au

Dear Sir

**Senate Committee Inquiry into Corporations Amendment (Short Selling)
Bill 2008**

Thank you for the opportunity to comment on the above Bill.

The AICD agrees with the general direction of reform that is proposed in the Bill and the selection of option two as the recommended approach. Option two provides for direct disclosure of covered short sales to brokers.

The Bill also aims to assist regulators in identifying market abuse through the disclosure of short selling activity. One of the objectives identified for the Bill is to deter market abuse or reduce the opportunities for market abuse.

AICD notes that details about the mechanics of disclosure are to be included in the regulations and the matters to be contained in the regulations will specify the technical requirements of disclosure.

AICD has concerns that there is great potential to circumvent the proposed disclosure arrangements in the Bill and the information elicited via these proposals may have limited usefulness. It is our view that additional measures are required for the reporting regime to address these concerns and the market abuse objectives for the Bill. The purpose of such measures is to identify a person or group who are acting in a concerted way as might occur where hedge funds are 'attacking' a stock. These issues do not appear to have been addressed in the Bill.

We attach our prior submission to Treasury dated 23 October 2008 for your information and consideration.



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In that submission AICD proposed that:

- where a person (or group of persons who are acting in a concerted way) has engaged in short selling they should be subject to disclosure modelled along the lines of a substantial shareholder notice regime, and
- those who act in a concerted way could be required to report aggregated short positions, as occurs under the substantial shareholder regime, so as to alert the market if a concerted “attack” on a company was occurring.

If you require further information on any of our views please contact me or Jennifer Stafford at jstafford@companydirectors.com.au

Yours faithfully



John H C Colvin
Chief Executive Office
Enc.