20 November 2008

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

Re: Corporations Amendment (Short Selling) Bill 2008

Perpetual believes that short-selling plays an important role in enhancing liquidity to the market, and in boosting pricing efficiency, and supports a disclosure regime for covered short sales.

The disclosure and reporting regime implemented by ASIC and applicable from 19 November 2008 requires fund managers to inform the broker at the time of placing the order if the order is in relation to a short sale.

The concern under this regime is that broking firms have access to information not available to the wider market. Information that is available to some market participants and not others has a much greater potential for being used to the benefit of some participants at the detriment of others.

In essence, this means that brokers can gather commercially sensitive information on what each client is short selling and can potentially aggregate, research and disseminate this information which has the potential to encourage market manipulation and free rider behaviour such as front-running (where some market participants can unfairly position themselves before others in the market).

We note that IFSA, in their submission to Senator Nick Sherry on 14 October 2008, had highlighted this particular concern as well.

Our preference is for short sale information to be reported directly to the market operator or to the regulator in a similar manner to substantial holdings, and for that information to be kept confidential at least until the trades is settled.

We look forward to hearing from you in relation to this matter and we would be happy to assist with or provide our thoughts on some of the mechanics disclosure requirements.

Yours sincerely

Ivan Holyman
Chief Risk Officer

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