



ADVISORY

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ASIC LIFTS BAN ON COVERED SHORT SELLING FOR NON-FINANCIAL SECURITIES

The Australian Securities and Investments Commission (ASIC) today said it would, as expected, lift the current ban on short selling of non-financial securities from opening of trading on 19 November 2008 but would continue the ban on covered short sales in financial securities.

ASIC put a 30-day ban on covered short selling of securities on 21 September and extended this ban on 21 October as market conditions remained difficult.

The ban on short selling of financial securities will remain in place until at least 27 January next year, consistent with many other jurisdictions, while ASX will maintain the ban on naked short selling indefinitely. ASIC confirmed that financial securities would be those comprising the S&P/ASX 200 Financials (including property funds) plus five other APRA regulated businesses.

Key details

ASIC announces the following effective from Wednesday 19 November:

1. Covered short sales of non-financial securities will be permitted;
2. The ban on covered short selling of financial securities will continue until 27 January 2009. Financial securities are those comprising the S&P/ASX 200 Financials and five additional securities (being those with APRA regulated businesses).
3. Existing exemptions for covered short selling, for example those relating to hedging and arbitrage transactions, will continue in relation to financials; and
4. The facilitation of the sale of securities being recalled from a stock-lending program (whether or not they are financials) will also continue.

Reporting and Disclosure

A key aspect of the disclosure and reporting framework for short sales is the requirement for a broker to ask a client whether a sale is a long sale or short sale. Clients are obliged to inform their broker if a sale is a short sale. On Wednesday 12 November ASIC provided further information to assist brokers and their clients to meet disclosure requirements that will apply from 19 November 2008.

The following measures have been agreed with ASX:

1. Trading participants will report to ASX each day all short sales including exempt covered short sales in financial securities. This will be a daily report to be submitted by 9.00am of short sales executed up to 7.00pm the previous trading day.

2. ASX trading participants should advise ASX that they have advised their clients to disclose short sales at the time the sale is requested and will take reasonable steps to reinforce this obligation.

The reporting to ASX will be coupled with reporting to the market as follows:

1. ASX will report short sales to the market after 9.00am the next trading day. The report will show, by security, the total volume of short sales executed on the previous trading day; and
2. The daily report will include exempt covered short sales in financial securities.

For information, the following are the five additional securities (being those with APRA regulated businesses):

Entity Name	ACN
Wesfarmers Limited	008 984 049
The Rock Building Society Limited	067 765 717
Wide Bay Australia Ltd	087 652 060
Futuris Corporation Limited	004 336 636
Calliden Group Limited	061 215 601

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