

16 June 2009

Shona Batge
Committee Secretary
Parliamentary Joint Committee on Corporations and Financial Services
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Dear Ms Batge,

Regarding: Submission to Parliamentary Joint Committee on Corporations and Financial Services

I wish to lodge a submission to the Joint Committee, and in particular with reference to the following:

1. **The general regulatory environment for these products and services.**
2. **The need for any legislative or regulatory change**

Inadequate rules or inadequate compliance for disclosure by public companies.

In endeavouring to invest wisely for our retirement it has become evident that too many listed companies do not provide timely or accurate information about matters which materially impact upon the value of their company. Their obligation to report information in a timely manner to the Australian Stock Exchange (ASX), severely impacts upon the ability of shareholders to effectively implement their risk strategies.

Over past months many public companies have decided not to inform either the ASX or individual investors, on matters that may well 'materially impact' upon the value of the company (share value). Their reasoning being that it may not impact on the value of the company; that is the company, decides that it is better not to report than to report.

There are many circumstances, where a company's business decisions do 'materially impact' upon the value of the company, but at the time of the decision the company decided not to inform the market. Thus the company has actually shown to have made the wrong decision for shareholders by not complying with their obligation to inform the ASX, and shareholders.

It is not evident that any of these companies have been chastised, or changed their ways.

Also, in making a decision to disclose or inform, companies only consider the impact which will apply over a short period of time; whereas I believe companies should inform the market even if there is potential to materially impact upon the company several months into the future, or even up until the next annual general meeting.

This irresponsibility by companies to notify the ASX and their shareholders can and does result in loss of shareholder capital.

There have been many companies which have not complied with their shareholder obligations, yet there seems to be no retribution upon the Boards.

Although ASIC advises that it is "*committed to maintaining an efficient and transparent market, with optimal result for the financial markets*", ASIC has advised us that ASIC knows what it is doing, that is it does not need advice from the public. (*Letter received from ASIC 23/1/09*). ASIC's priorities do not seem to adequately represent the interests of people endeavouring to manage their retirement funds, however it is difficult for an individual like myself to present evidence of this.

Corporate Governance and Corporate Reporting are the way that shareholders / working families / superannuants may obtain an understanding and develop risk assessment.

May I request that further consideration be given to corporate governance and the need for appropriate financial regulation to better represent the interests of those individuals managing their retirement funds, particularly in relation to:

- reporting when there is a possibility, rather than a very high probability, for material impact upon the value of the company;
- making time the essence of reporting;
- considering the impact not only of the short term but also months forward.

I have included two examples of inappropriate disclosure herewith and the appendix proves additional examples:

Press Article Title: "Who were the men handling state's \$600m?" (*Age on 2/2/09 Article by Richard Baker and Nick McKenzie*). Victorian Opposition Leader Ted Baillieu said "*the revelations made it more important for the Government to explain the "chronic mismanagement and irresponsible investments" by Victorian Funds Management Corporation*".

Press Article Title: Bendigo Bank's merger with Adelaide was always a wrong move. (*Sunday Age, Business Section, Market Intelligence. 7/6/09 - Article by James Kirby*). Although shareholders and investors were able to ascertain that the Adelaide Bank was exposed to agricultural managed investment schemes, there was inadequate information reported to shareholders about the amount and implications of what was to become \$615 million of loans to Great Southern Plantations.

The problem of lack of disclosure is a common one, raised by the media regularly.

There is a need for improvements in company disclosure so that working families / superannuants may more effectively manage their retirement funds, ultimately saving the Government on pensions.

Thank you for your consideration of this matter.

Yours sincerely

Geoff Parker.

To support of my contention I submit to you a small sample of articles to demonstrate that this is a widespread concern.

1	Companies must learn how to restore faith in them, Survey showing that 81% of Australian respondents want Government to intervene to regulate industry; Public trust in CEO's in Australia is only 19%; Swift and accountable communications – 60% of respondents say they need to hear information about each company 3 to 5 times before they believe the information; Adherence to transparency is a core requirement.	<i>by Amanda Little of the Age</i>
2	Regulations must toughen up. Reserve Bank Governor, Glenn Stevens urged that financial regulators must have "a more sceptical view of the latest financial innovations".	<i>by Tim Colebatch of the Age</i>
3	ASIC orders the ANZ to act as bank airs Opes offer. ASIC demanded that the ANZ remedy a slew of risk management failings in its dealings with Opes Prime. The main complaint was Opes Prime's poor disclosure.	<i>by Matthew Drummond of the Australian Financial Review.</i>
4	Regulate better not more. Lax business regulation has contributed to the financial crises. It's not the quantity of regulation but the quality that counts. Corporate Law Minister Nick Sherry is working to simplify disclosure. Will he do so in a way which helps investors obtain information to manage risk ?	<i>by Craig Emerson of the Australian 4 Feb 2009.</i>
5	Self examination of chaps is no standard. Ordinary shareholders should not have to rely upon ineffective systems to safeguard their interests. Attention is required to accounting disclosure standards.	<i>by Peter Wilson of the Age 5 Mar 2009.</i>
6	Governance the key to fixing capitalism. Concerns of individual investors are often ignored. Most company boards know where there is a bad apple among directors, but it is difficult for a member to oust another member. Even bankers agree that sensible corporate governance and active shareholders are what keep companies profitable. "There has been a major systematic failure of the model that has held the world together since the 1930's. Governance or lack thereof..proved to be the weak link".	<i>by Lucy Battersley of the Age.</i>
7	Ariadne explains sinking sums. Property developer Ariadne Australia tried to explain that their lack of disclosure to the ASX was in order, as they had wanted to give the market a comprehensive understanding of the issues and their poor half-year results. Ariadne Aust did not inform the market of major asset write downs.	<i>by Eli Greenblat of the Age 11 Mar 2009.</i>
8	Trijillo era ended early and with little furore. Telstra's Mr Trijillo's promise and communication to the market was that he would stay in his position until 30 Jun 2009. He left the country on 14 May 2009. Telstra's Board informed the market on 19 May 2009, deciding that the market did not need to know until Telstra were ready.	<i>by Jamie Freed of the Age 20 May 2009.</i>
9	Secret deals will not shelter CBA from Storm. Neither CBA nor Storm informed the market of the happenings that every investor had a right to know. Thanks to Senator John Williams, the parliament enquiry will now scrutinise such practices and procedures.	<i>the Age.</i>
10	ASIC must stop dodgy advisers. "While ASIC has to live with the cards it has been dealt, it is not playing them as well as it could".	<i>by John Collett of the Age 25 Feb 2009.</i>