

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Budget Estimates

1 June – 3 June 2010

Question: BET 338

Topic: Short Selling

Hansard Page: Written

Senator EGGLESTON asked:

- ASIC delayed implementation of the short selling regime for two months in order to ensure that short sellers have the appropriate systems in place to meet reporting obligations. Is ASIC now confident that short sellers have all necessary information?
- Has the short selling regime been implemented? It was due to start 1 June (today). Has the Scheme started today?
- Given the current volatility in the Australian share market, what effect do you believe the immediate implementation of short selling reporting requirements will have on short-term market performance?

Answers:

- **ASIC delayed implementation of the short selling regime for two months in order to ensure that short sellers have the appropriate systems in place to meet reporting obligations. Is ASIC now confident that short sellers have all necessary information?**

ASIC's test environment had been available for short sellers since April 2010. Prior to 1 June, we believed users had had considerable time to prepare for short position reporting and there were a number of options available.

Leading up to the start of the short position reporting regime, it became apparent that some users had difficulty connecting to the test environment due to some internal issues and availability of external network providers' connections to ASIC. At the end of May, ASIC provided some no-action relief where needed to recognise that despite considerable efforts some users had made to be ready, their work has not been completed for reasons which are, in some respects, outside of the control of ASIC and the users. This no-action position applied only in these circumstances and only until 21 June.

- **Has the short selling regime been implemented? It was due to start 1 June (today). Has the Scheme started today?**

The short position reporting regime did start on 1 June.

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- **Given the current volatility in the Australian share market, what effect do you believe the immediate implementation of short selling reporting requirements will have on short-term market performance?**

As it is still an early stage of the short position reporting regime, analysis of the effect of these reports is incomplete. We are continuing to monitor these figures.

We note that short position reporting achieves transparency to the market that complements the transparency already achieved of daily gross short selling volumes as well as stock lending data published by the ASX.

ENDS