



Short-selling rules delay hits trades

Patrick Durkin

A delay in the release of regulations for the new short-selling laws rushed through in December has left investors, analysts and brokers in the dark over stockmarket trades, experts complain.

The opposition threatened to delay the laws in December, with Liberal senator Alan Eggleston describing the bill as "almost a contempt of parliament" because it contained so little detail.

In May, then minister for corporate law Nick Sherry said the new short-selling regulations had already been "signed off".

But Chris Bowen took over the portfolio in June, and the regulations have still not been released.

The Australian Stock Exchange is now collecting and releasing gross short-selling data but the current information provides no indication of investors' net short positions.

"Gross short-selling reports are of limited use to market participants and investors, and we await with interest the details of regulation," said the Securities & Derivatives Industry Association policy adviser, Doug Clark.

The key point of contention over the regulations has been the frequency of reporting. The Australian Securities and Investments Commission and the Australian Securities Exchange want daily reporting

of short sales and publication on the following day.

However, the hedge fund industry and many superannuation funds, including the Australian Council for Super Investors, want fortnightly reporting. These groups warn that with daily trading there is potential for other traders to "piggyback" on short positions and lift volatility.

ASX Ltd chief executive Robert Elstone agreed the market was anxiously awaiting greater disclosure.

"The third leg of the stool is what form of net short position reporting will be introduced through the government legislative process.

"It is really when all three come into play, you have gross daily, net short position reporting and stock borrowing and lending, that is when the market will be better informed," Mr Elstone said.

"The government holds the key on what form of net position reporting and who is going to be the information disseminator on that," Mr Elstone said at the release of the ASX's results last week.

The Reserve Bank of Australia will begin publishing stock-lending data from October.

The ASX annual report revealed that there was a record of 506 ASX queries on compliance with short-selling reporting obligations in the second half of last year.