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LIFTING OF SHORT SELLING BAN ON FINANCIAL STOCKS REMOVES POTENTIAL FOR “REGULATORY ARBITRAGE” SAYS SDIA

The Securities & Derivatives Industry Association (SDIA) today welcomed the announcement that the ban on covered short selling of financial stocks would be lifted. The announcement was made moments before the opening of trading on the ASX today.

Consistency of regulation is very important for international investors, who account for a significant proportion of our market. This move brings us back into line with major markets around world, and removes the growing potential for 'regulatory arbitrage'.

Research is emerging that concludes that the worldwide restrictions on short selling in 2008 may have impaired market liquidity, without necessarily reducing volatility.

“What we'd really like to see now is the detailed disclosure obligations in the short selling Regulations, yet to be released by the Government”, said David Horsfield, SDIA Managing Director and CEO.

“We have been working with Treasury and ASIC for some time to complete the package, and look forward to its finalisation. Nine months operating by way of temporary ASIC class orders is a long time for such an important matter.

“While we are not expecting that the reinstatement of short selling of the financial stocks will have a significant effect on trade, we will be monitoring trading and talking to members about any concerns they might have”, said Mr Horsfield.

For further information:

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