



**CHARTERED SECRETARIES
AUSTRALIA**

Keeping good companies

9 February 2001

Mr Peter Hallahan
The Secretary
Senate Economics References Committee
Suite SG.64
Parliament House
Canberra ACT 2600

By facsimile: (02) 6277 5719

Dear Mr Hallahan,

**Inquiry into the framework for the market supervision
of Australia's stock exchanges**

Chartered Secretaries Australia (CSA) is pleased to make this submission to the Inquiry into the framework for the market supervision of Australia's stock exchanges. CSA is the Australian Division of the Institute of Chartered Secretaries and Administrators, an international professional association with over 46,000 members worldwide.

CSA is Australia's peak membership body for corporate governance and compliance, and is fully qualified to respond to the Senate's inquiry. In Australia there are over 8,000 members representing the majority of public companies listed on the Australian Stock Exchange. Members of CSA deal on a day-to-day basis with the ASX, ASIC and the ACCC and have a working knowledge of the operations of the markets, the ASX Listing Rules and the law and regulation dealing with continuous disclosure and market practices. In addition, representatives from the ASX, ASIC and the ACCC regularly address members at our seminars and conferences.

Given the nature of the role of a Company Secretary and the professionalism of Chartered Secretaries we believe our members are ideally placed to contribute to this inquiry. We would welcome the opportunity to appear before a public hearing if these are conducted as outlined in your letter of 14 December 2000.

Specifically, in reference to the four points contained in your letter, we are of the opinion that:

(a) The Advantages and Disadvantages (if any) of the current Framework

Chartered Secretaries Australia is not aware of any major concerns among its members with respect to the present regulatory framework for Australia's stock exchanges. CSA is also supportive of the addition of a new level of accountability through ASX Supervisory Review Pty. Limited. CSA believes it is unnecessary to impose any further regulation until such time as the effectiveness of Supervisory Review Pty. Limited can be judged. In CSA's view, this should be a minimum period of two years from the date on which its Board is first called upon to act.

Chartered Secretaries Australia also believes that the current framework is appropriate for supervision of the activities of ASX. In particular, CSA is aware of the existing memoranda of understanding between ASX and ASIC whereby ASIC has significant powers to control ASX and therefore the market. The issue of ASX independence and its self listing on its own exchange is dealt with by ASIC having the ability to supervise ASX's compliance as a listed entity within the ASX Listing Rules. In addition, we understand that a memorandum of understanding is in place between ASX and ASIC which sets out rules in the way ASX complies with the Listing Rules.

We also note that ASX is required to lodge its periodic reports and matters under ASX continuous disclosure rules with ASIC. Once ASIC has reviewed and approved the release it is announced to the market in the normal way. This step is not required of other listed companies. Similarly if ASIC feels it necessary, ASIC has the power to conduct the surveillance and analysis of trading in ASX share activities in the same way as ASX conducts those activities in respect other listed companies.

Finally, CSA is concerned that any additional layers of regulation would increase costs that would ultimately be passed on to companies through listing fees. The ASX, and Australian companies, must remain competitive in worldwide terms. Any increase in the cost of doing business should be avoided.

(b) The Implications (if any) of the Demutualisation and Listing of an Exchange and any Proposed Alliance between Australian Exchanges and Other Exchanges

CSA has always been of the view that any initiative which enhances the standing of the Australian share market is in the interests of both investors and the listed companies. Many Australian companies are now listed on International Exchanges, and CSA believes that ASX should be encouraged to seek to maximise alliances with other Exchanges to improve its global capacity.

This is particularly important given that Australia's share of the world equities market is minuscule and companies listed on ASX would benefit from ASX having further alliances in line with the globalisation of Australia's major companies.

(c) Other Frameworks or Structures for Market Supervision, including Frameworks or Structures of, or Examined by, Overseas Exchanges

CSA would be concerned at any initiatives which removed from the market the ability to obtain a clear and prompt decision, a position which exists at present. In general terms, CSA believes that the onus of responsibility should remain with Directors under the continuous disclosure regime regulated by ASX. The role of ASIC should not be to assert that position, but to investigate those matters which are seen as not being complied with under those standards. As noted above, CSA is supportive of the new ASX Supervisory Review entity in this respect.

(d) Whether Trade Practices Law is Deficient in Ensuring a Competitive Stock Exchange Market

Consistent with its above views, CSA was disappointed that the merger of ASX and the Sydney Futures Exchange did not proceed as proposed. CSA would support any pronouncement by the Committee which ensured that in assessing the competitive position of ASX, priority was given to global issues so that the Australian market can be encouraged to grow by consolidation and acquisition, rather than remaining fragmented by reference to purely local considerations.

Yours faithfully,

A handwritten signature in black ink, appearing to read "Tim Sheehy". The signature is written in a cursive, flowing style.

Tim Sheehy
Chief Executive