



**CHARTERED SECRETARIES
AUSTRALIA**

Keeping good companies

13 July 2001

Ms C Officer
National Counsel
Investors & Companies
Australian Stock Exchange Limited
Exchange Centre
20 Bridge Street
SYDNEY NSW 2000

By Email

Dear Ms Officer,

**Discussion Paper:
Disclosure of Directors' Transactions in Securities**

Chartered Secretaries Australia (CSA) appreciates this opportunity to comment further on the proposed changes to the Listing Rules as set out in the above Discussion Paper.

The research undertaken by ASX in preparing the present Paper has been most helpful in providing a better understanding of the conflicting legislative provisions involved. We have also appreciated the opportunity of meeting with Shannon Lindsay and yourself at the monthly CSA Legislation Review Committee Meeting in Melbourne on 11 July 2001 to discuss the issues in more detail.

CSA's preference is to lodge one form relating to directors' transactions which satisfies both ASX and ASIC, i.e. representations should be made by ASX to Government that 205(G) be redrafted to provide more timely and more useful disclosure. Competing regimes will lead to market confusion - not a better informed market, but a misinformed market.

That said, the concerns expressed by CSA in its submission to ASX on the original Exposure Draft have been addressed, and CSA prefers the five business day notification period to the two days originally proposed, subject of course to appropriate protection where the company is not kept properly informed if it is to be the company, rather than the director, who will be in breach of the Rule. However, as you saw from the practical examples quoted during the above meeting, CSA believes that for many publicly listed companies, especially those with overseas directors, even this time frame may not be adequate, particularly where there is any requirement for directors to sign individually.

Having considered Alternatives A and B, it is CSA's view that until a materiality test is inserted into the Corporations Law, Alternative B offers a more acceptable, though still imperfect solution. We would urge ASX in its deliberations with ASIC to raise this issue, as CSA members can see little justification for immediate reporting of directors' participation in corporate actions which are open or applicable to all shareholders (e.g. Dividend Reinvestment Plan, Rights or Bonus Issues, Share Reconstruction).

Such matters are best dealt with on an aggregate basis in the Annual Report. In this respect, CSA cannot see any justification for including a summary of directors' securities trading in the reporting year where that information is already available to investors through ASX. For the convenience of shareholders, however, CSA would have no objection to comparative details on a year on year basis being included in the table of Directors' Shares in the Annual Report.

Consistent with the principles of ASX Online, CSA believes that it is essential that electronic lodgement be available under section 205G irrespective of the matter of a new Listing Rule.

We note that ASIC is yet to express a conclusive view as to whether it will grant class order relief from section 205G to facilitate this. It seems to CSA that the problem here lies with the format and timing of Section 205G and that a change to the legislation is the appropriate way to deal with this matter, rather than through the ASX Listing Rules. CSA would be happy to support ASX in requesting a change to the legislation by the Government, or by regulation, relating to disclosure of directors' transactions and securities in the way ASX is proposing.

CSA also supports:

- the inclusion of a master form in the Guidance Notes. As this will be a new procedure, we would recommend a separate Guidance Note, rather than being incorporated within existing Note 9;
- the deletion of Listing Rule 7.34 and amendment of Appendices 3C, 3D and 3E, for the reasons set out in the Discussion Paper.

With respect to the style and content of the prescribed forms which must be used for notification to ASX, we confirm having discussed a number of changes in presentation with you at the above meeting. In particular, we believe it would be of assistance to include headings above each of the three columns in Appendix 3Y, and for ASX to indicate that one of the four designations: ACN, ABN, ARBN or ARSN is to be completed. During our meeting we raised with you whether such a range is indeed necessary - CSA believes that this is an area where the objective should be to focus on a single identification number.

We would welcome the opportunity to comment on a copy of the revised draft forms before they are circulated more widely.

Of more questionable value is the need for a final notification of a director's holding at the date that person ceases to be a director. Despite ASX's enthusiasm for such a provision, CSA can see no comparison with the substantial shareholder reporting requirement, which is precipitated by a material variation in shareholding. There appears no relevance or benefit to shareholders in publishing this information, which after all, is already available on the ASX data base in an unchanged form. It is CSA's strong submission that Appendix 3Z should not be proceeded with.

CSA notes that CASAC has released a major discussion paper dated June 2001 on insider trading. This paper contains recommendations from CASAC that:

- the Corporations Law should continue to include a statutory disclosure obligation on directors;
- annual report disclosure of directors' securities trading should be more comprehensive;

- disclosures should be made on a prescribed form which should be displayed on the company's website;
- a material change threshold is not favoured;
- disclosure should be extended to listed managed investment schemes, rather than only listed companies;
- disclosure obligations might be extended to included executive officers, say the top five based on remuneration;
- disclosure should be made within a period of five business days;
- disclosure should include the nature of the change in shareholding together with an indication of how the change in shareholding took place.

CSA generally supports the above recommendations and would like to consider further the possible requirement to extend the disclosure regime to executive officers

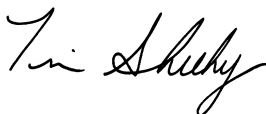
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While it was not relevant to this Discussion Paper, our meeting with Shannon Lindsay and yourself also allowed us to raise two other matters which are of great concern to our members: minimum shareholding requirements following the partial sell-down of a holding, and the problems that arise as a result of shortcomings in the way changes to the registration / sponsorship of shares are being communicated to Registries.

We also appreciated receiving your assurance that an extension of the time limit for receiving nominations for directors, which was referred to in our initial submission, has the support of ASX and will be addressed in the next round of Listing Rule amendments. This is a very real problem which carries considerable costs to the detriment of all shareholders other than the nominee, as evidenced by the recent experience of Commonwealth Bank. All companies aim to distribute the Annual Report to shareholders as early as possible before the AGM, but although this might be managed say 6 weeks prior, because the accompanying Notice of Meeting and proxy form cannot be finalised until the closing date for shareholder nominations has been reached under Rule 14.3, the process is artificially delayed. As a result, the market suffers.

We would be happy to meet you again concerning these additional matters after you have had the opportunity to consider them in more detail.

Yours sincerely



Tim Sheehy
CHIEF EXECUTIVE