

## Australian Hedge Funds Reject Manipulation Claims (Update2)

By Stuart Kelly

March 20 (Bloomberg) -- The Australian hedge fund lobby rejected allegations that its members manipulated stock prices and said it supports greater disclosure when investors sell borrowed shares.

The Australian chapter of the **Alternative Investment Management Association**, which represents more than 60 hedge funds, denies that its members targeted troubled companies through short-selling and spreading rumors, AIMA's Chairman **Kim Ivey** said in a note to members that was obtained by Bloomberg News.

"The call for changes to short-selling disclosure is loud and clear," Ivey said in an interview. "We support the move to greater transparency."

With the benchmark S&P/ASX 200 **Index** headed for its worst quarter since 1992, Australia's securities regulator is investigating trading patterns and the government has threatened to tighten disclosure rules on short sales. Companies including Allco Finance Group Ltd. and **ABC Learning Centres Ltd.** saw their stock prices collapse this year after lenders forced the sale of shares.

AIMA is working with the **Australian Securities and Investments Commission**, which on March 11 said it was investigating "a number of market participants about trading in certain securities." The commission is seeking help from regulators in the U.S., the U.K. and Hong Kong after approaches from people concerned share prices were manipulated.

Hedge funds are frustrated by "baseless accusations that are being published through the Australian media about the practices of hedge fund managers," Ivey said.

### Feeding Rumors

**Allco** shares dropped in January when margin lenders forced the company's directors to sell stock. ABC Learning slumped as directors sold shares to pay margin calls. On March 18, Commonwealth Bank of Australia's Chief Executive Officer **Ralph Norris** told guests at an American Chamber of Commerce function that short sellers were feeding rumors to the market.

"There were disclosure issues that needed to be fixed up," said **Geoff Wilson**, who helps manage \$385 million at Wilson Asset Management in Sydney.

"These companies' bad fundamentals were always going to be reflected in the market eventually, and short selling is a viable and effective way of doing that."

Hedge funds would back wider disclosure of short positions on an aggregated basis to protect the identity of their clients, Ivey said.

"We'll support the initiative, but we believe it's better to do it on an aggregated rather than individual basis because we have our investors' interests to think about," said **Richard Wallace**, who helps manage \$138 million at Wallace Funds Management in Sydney. "We'd support anything that makes the regulatory bodies more comfortable and doesn't impinge on normal and legal trading activity."

### Tighter Laws

A spokeswoman for the commission, which regulates the financial markets together with the Australian Stock Exchange, declined to comment on AIMA's note.

The stock exchange ``welcomes AIMA's commitment to promote greater transparency," **Matthew Gibbs**, a spokesman for ASX Ltd., said in an interview. ``For the purposes of market disclosure ASX would be interested in the stocks and the volumes of stocks that are short sold, but not individual client or trader details."

Regulators told directors on Feb. 29 to disclose the number of shares involved in margin loans and all key terms of such arrangements. Companies must also disclose reasons for any trading halt or suspension.

Treasurer **Wayne Swan** said this month the government may tighten laws requiring investors to disclose the terms of margin loans and short sales, after meetings with market regulators.

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