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MEDIA STATEMENT



AIMA Australia condemns extension of short selling ban

The Australian arm of the Alternative Investment Management Association (AIMA), the representative body of the hedge fund industry, today condemned ASIC's extension of the ban on short selling.

"The original aim of the ban was to reduce volatility in the markets and this has clearly failed. We question ASIC's rationale for keeping the ban, as Australia has one of the most secure banking systems in the world," said AIMA chairman Kim Ivey.

"ASIC's concerns about fragile markets pertain more to overseas markets, where governments have had to step in and bail out their financial institutions. Clearly Australian banks are not in need of further government protection.

"The situation has reached a stage where this extension of the short selling ban will have severe and immutable long-term effects. The markets are in disequilibrium – they are lurching all over the place because there is a vacuum of buying," said Mr Ivey.

"The ban denies investors the ability to protect their capital in falling markets. Superannuation funds – and their members - are feeling the pain because they are not able to invest in strategies which provide downside protection.

"It has also created a severe liquidity vacuum in ASX trading, and has damaged Australia's reputation as a safe and sophisticated market.

"The ban's extension will have knock-on effects across the board – job losses, failed investor returns, portfolio liquidations, lost intellectual capital and a slump in general market confidence," Mr Ivey said.

"We note ASIC plans to announce disclosure and reporting arrangements later this week. AIMA Australia would welcome the opportunity to contribute to these in the spirit of restoring confidence in the market," Mr Ivey said.

AIMA Australia today also made a submission to Federal Treasury on the draft Short Selling Bill, which included suggested disclosure and reporting arrangements.

Latest performance returns indicates that dedicated short selling is one of the few investment strategies that has delivered a positive return this calendar year. Short selling is recognised as a means for improving trading volumes and leads to true pricing of listed companies.

AIMA Australia has long supported the banning of naked shorting on the ASX and an increased level of transparency for assessing covered short selling and continues to rally support.

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For more information, please contact: Susan Redden Makatoa, 0403 870 383, susan@shj.com.au

The Alternative Investment Management Association Limited was established in 1990 as a direct result of the growing importance of alternative investments in global investment management. It is a not-for-profit educational and research body that represents practitioners in hedge funds, futures funds and currency fund management – whether managing money or providing a service, such as prime brokerage, administration, legal or accounting advice. AIMA's global membership is in excess of 1,000 members in 46 countries. AIMA Australia has over 60 members, including fund of fund managers, institutional investors, hedge fund managers, prime brokers, lawyers, auditors and other service providers who serve the hedge fund industry.