

MEDIA RELEASE

Hedge fund industry calls for reform to improve disclosure, transparency

May 14th 2008

The Alternative Investment Management Association (AIMA) in Australia has called on the Australian Stock Exchange to prohibit “naked” short selling and strengthen disclosure requirements.

In its response to ASX’s Public Consultation on Short Selling, AIMA has identified a “regulatory gap” in current Australian law and regulations about what is known as a “naked” short sale. This occurs when the seller does not own and nor have they provided for securities at the time of sale, but intends make arrangements in time to meet their obligations under current settlement procedures. On the other hand, if arrangements have been made, the transaction is deemed a “covered” short sale.

“A loophole has arisen because it is unclear what activity constitutes a covered short sale,” said AIMA Australia Chairman Kim Ivey. “We are proposing a solution which includes not only a broader regulatory definition of short selling, but also enhanced reporting of short selling as part of a compulsory disclosure regime to improve market transparency.

“Australia has one of the most detailed and onerous regimes in the world for regulation of short selling, but more needs to be done to ensure we have the high levels of disclosure and transparency that are absolutely vital to enhancing Australia’s attractiveness as a regional financial centre,” Mr Ivey said.

AIMA Australia has also prepared a position paper to address concerns and misperceptions about the practice of short selling.

“Short selling on the Australian markets has received a great deal of attention in recent months, and the media coverage and commentary has combined to make the markets, in some ways, even more volatile and less informed.

“Once ASX short selling volume is correctly measured, I’m confident that the aggregated figures will show only a small proportion of outstanding shares of listed Australian companies are being short sold. . However short selling is important because it provides all market participants with important benefits like improved market liquidity and quicker pricing efficiency. Moreover it is a valuable tool for sophisticated investors who wish to protect their capital in overvalued situations and as a hedging tool for ASX/SFE market makers who wish to quote timely and competitive market prices.” said Mr Ivey.

AIMA’s position paper on short selling and its response to the ASX’s Public Consultation on Short Selling are available at www.aima-australia.org. For more information, please contact Kim Ivey (02) 9251-1877

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