

ASX and ASIC Listed Companies Conference

Disclosure and the role of ASX

Eric Mayne
Chief Supervision Officer

26 March 2008

Presentation outline



- ASXMS Education and Research Program
- Market integrity
- Issuers
- Continuous disclosure – the rule
- ASX surveillance and monitoring activities
- Enforcement
- Recent guidance

ASXMS Education and Research Program



- Fines and settlements from disciplinary tribunals to be put towards compliance education and research
- Programs tailored for listed companies and market participants. \$240,000 available for FY08.
- Education executive appointed and webpage set up
- Ideas and feedback welcome

Market integrity



- Market integrity is key to the long-term sustainability of ASX's business
- ASX has a statutory obligation, assessed annually by ASIC, to ensure that its markets are fair, orderly and transparent

Issuers



- Supervises compliance with the Listing Rules
- Each listed company will be allocated a Home Branch and an Issuers Adviser as its contact point
- ASX works closely with listed entities to provide the support and guidance necessary to ensure compliance with its rules

Continuous disclosure



Listing Rule 3.1

“Once an entity is or becomes +aware of any information concerning it that a reasonable person would expect would have a material effect on the price or value of the entity’s +securities, the entity must immediately tell ASX that information.”

Continuous disclosure – key terms

“Aware”

- Board sign off / approval is no excuse for delay
- Company must have systems in place to immediately assess potentially material information that arises and, if necessary, make an announcement to the market

Continuous disclosure – key terms (cont'd)

“Material”

- Company’s role to determine materiality
- A reasonable person is taken to expect information to have a material effect on the price or value of securities if it would, or would be likely to, influence persons who commonly invest in securities in deciding whether or not to subscribe for, buy, or sell securities

Continuous disclosure – key terms (cont'd)

“Confidential”

- A matter of fact
- If material information is no longer confidential, immediate disclosure is required
- disclosure is required even if the entity has entered into confidentiality arrangements and / or the information has come from another source

Continuous disclosure – key terms (cont'd)

“False Markets”

- Listing rule 3.1B
- A company must disclose information needed to correct or prevent a false market
- ASX does not expect entities to respond to all comments made in the media
- ASX will consider level of detail, likely market impact

Continuous disclosure – context

- Consideration of continuous disclosure issues generally takes place in a market context, in ‘real time’, and as a result, is intensely time critical
- The window for consultation is very limited and in the absence of a trading halt or suspension, detailed legal argument and negotiation with a listed entity is not possible

Continuous disclosure – context (cont'd)



- Panel discussion will consider ASX day to day monitoring processes, and companies' processes and tools to manage disclosure in this context

ASX surveillance



- Surveillance analysts watch trading in all stocks for unusual price and / or volume movements
- If an alert is generated, the analyst will seek to explain it

ASX monitoring activity – price query



- Price query issued
- Rapid turn-around
- Query and response released to the market
- Market benefits through:
 - enhanced disclosure
 - efficient price discovery
 - minimisation of market speculation
 - a fully informed and orderly market
 - increased investor confidence

ASX monitoring activity – “aware” letters



- “When did you become aware..”
- Designed to ascertain if disclosure was within timeframe dictated by Listing Rule 3.1
- ASX letter and response released to the market

ASX monitoring activity – statistics



	FY 06/07	YTD 07/08 (Feb)
Company announcements (rounded to the nearest 100)	117,900	90,200
Issuer queries	1,580	1,354
Price queries	620	289
Announcements made following all queries	975	832

Enforcement



- ASX refers serious breaches to ASIC
- FY06/07 18 disclosure related referrals, YTD (Feb) FY07/08, 13 disclosure related referrals
- Civil or criminal proceedings or infringement notice
- Offence to provide or allow provision of false and misleading information to ASX

Recent initiatives – companies updates

ASIC and ASX joint releases in the form of
Companies Updates on:

- 28 February 2008: Trading halts and suspensions
- 29 February 2008: Listing Rule 3.1 – Financing arrangements and director margin loans

Recent initiatives – trading halts and suspensions

Trading halts and suspensions

- Disclosure management tools
- Requests for suspension under Listing Rule 17.2 (as well as requests for trading halts under Listing Rule 17.1) be made in writing for release to the market and include information set out in the Listing Rules

Trading halts and suspensions – statistics



	FY 06/07	YTD 07/08 (Feb)
Trading halts*	48	20
Suspensions*	4	4

* Disclosure related

Recent initiatives – financing and director margin loans



Listing Rule 3.1 – Financing arrangements and director margin loans

- Material aspects of financing arrangements
- Material aspects of director margin loans

Recent initiatives – directors' interests notices

- Listing Rule 3.19A and 3.19B
- National monitoring and analysis program
- Early results
- Analysis

Directors' interests notices – Compliance



	Jan 2008	Feb 2008
Company announcements lodged	9,052	10,909
Appendix 3Y forms	877	991
Possible non compliance	184	104

Conclusion

- Effective disclosure is critical not only to the success of ASX as a market operator but to the success of your company in building investor support
- ASX is there to support and ensure your compliance with the Listing Rules. Use your home branch for consultation on compliance and disclosure issues

Conclusion (cont'd)



ASX

AUSTRALIAN SECURITIES EXCHANGE

- Ensure that the Board and staff of your company have a full understanding of Listing Rules and recent company updates