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AICD supports Government action to enhance market integrity

The Australian Institute of Company Directors (AICD) said the referral to the Corporations and Markets Advisory Committee (CAMAC), by Senator the Hon Nick Sherry, of practices including 'rumourtrage', director margin loans, director share trading, and company briefings was a positive action in light of recent market events.

According to AICD's Chief Executive Officer, John Colvin, CAMAC is renowned for its considered approach to complex market issues. "We are confident that CAMAC's recommendations to the Government will be aimed at achieving an outcome that enhances market integrity and restores investor confidence," he said.

Spreading of false rumours

He continued: "We are very pleased to see 'rumourtrage' receiving the Government's attention. If rumour-spreading can be successfully curtailed, this would have the biggest overall impact on improving market integrity and investor confidence.

Director margin loans

"Any change to the disclosure regime in this area needs to avoid unintended consequences of making the company and its share price an unnecessary target," Mr Colvin said.

A fundamental overhaul of the regulation of director margin loans is not required, as existing continuous disclosure obligations provide sufficient guidance an appropriate regulatory oversight.

"Decisions regarding disclosure of a directors' margin loan position to the market should remain a matter for the board to determine according to individual company circumstances," he said.

Director share trading

AICD has previously said that where directors are found to have broken the law by trading with the benefit of inside information, regulators should take the appropriate enforcement action.

Further regulation is not necessary since the existing law and rules already provide a comprehensive regime. AICD strongly encourages directors to comply with that regime and company policies governing director share trading windows and blackouts.

“If directors need to trade in blackout periods – and there are instances where this may be the case – these trades should only be made after the approval as required by the policy,” said Mr Colvin. “In such circumstances, we would like to see all directors disclose to the market that their trades were considered in accordance with the company policy, and the required approval has been obtained,” he said.

It is important to note that trading within blackout periods is not insider trading unless the director is in possession of market sensitive information.

Closed company briefings

“There are existing laws and rules that govern how analyst briefings are conducted and require the market to be kept fully informed. However, we support CAMAC reviewing their effectiveness,” said Mr Colvin.

As Australia’s only member institute for directors and the leading corporate governance organisation advocating for effective corporate regulation, AICD supports the Government’s commitment to making Australia’s strong system of governance, stronger.

For media inquiries, please contact:

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AICD Position Papers

To download AICD’s position papers on Director Margin Loans and Director Share Trading, please see the following link (Position Papers 9 and 10)

<http://www.companydirectors.com.au/Policy/Policies+And+Papers/2008/?LM>

Australian Institute of Company Directors (AICD) provides education, information and advocacy for company directors Australia-wide, with offices in each state to cater for over 24,000 members. AICD members work in diverse corporations such as small-to-medium enterprises, the Top 200 corporations, public sector organisations, not-for-profit companies, large private companies and smaller private family concerns.