

## Submission on Aspects of Market Integrity

### AUSTRALIAN EMPLOYEE OWNERSHIP ASSOCIATION

In respect to Issues for Consideration:

#### **1.8 In reference to points:**

(2) The disclosure of margin loans by directors should be a requirement of the corporate constitution approved by the regulator not by the company, a securities exchange or by the law.

(3,4,&5) Full disclosure of any and all equity related arrangements is desired to both the company and the market as would be accepted and desired by members of an Employee Share Ownership Plan (ESOP).

#### **2.6 In reference to points:**

(1) Trading blackouts are inconsistent with providing a fully informed market or liquidity for insiders and their financiers who may have financed their shareholdings that could include an ESOP.

(2) The current trading blackout practices in Australia and overseas are based on the false premise that there is no asymmetric information when insiders are allowed to trade shares. Current practices do not recognise that the identity of who is trading shares can be price sensitive information that should be subject to continuous disclosure. For Trustees of an ESOPs to carry out their fiduciary responsibilities with due diligence they need to know the identity of any insider trading including those with business relations with the company like their own beneficiaries, other suppliers, contractors and customers, who have an intention of trading shares. All such stakeholders should be required as a condition of doing business with the company inform the company when they intend to trade its shares so that the market can be informed with their broker informing the counter party of any trade at the time any trade is to be made. All such stakeholder trades should then be on the public record by the time of settlement (3 days).

**3.6 Rumour-mongering** would be discouraged and its problems mitigated by the disclosure provisions set out in the responses to 2.6 above

**4.7 No briefings of Analysts should be allowed to be private.** Any such briefing should be broadcast on the internet as is becoming common with general meetings with a audio-video recording posted on the web page of the company.

If you require any clarification of further information please contact our Vice-President, Dr. Shann Turnbull at [sturnbull@mba1963.hbs.edu](mailto:sturnbull@mba1963.hbs.edu) or at 02-9328 7466.

Kind regards

**[Shann Turnbull PhD](#)**, Vice President & Co-founder  
**[Australian Employee Ownership Association Inc.](#)**  
PO Box 266, Woollahra, Australia, 1350, Ph:+612 9328 7466  
Research papers at: <http://ssrn.com/author=26239>  
<http://www.youtube.com/watch?v=0Qfo0JyLxbl>