MEDIA RELEASE

27 June 2008

Findings from Review of Trading by Directors

The Australian Securities Exchange (ASX) has today released a review of disclosure of Directors' Interest Notices lodged by listed entities, including for securities trading by directors during the 'blackout' period.

The review was conducted by ASX Markets Supervision (ASXMS) on all Directors' Interest Notices lodged between 1 January and 31 March 2008.

Of the 4,137 notices lodged during the three-month period, 538 (13%) breached the ASX listing rule requirement to disclose to the market within five business days. Of these 538 breaches, 289 (7%) also breached the Corporations Act by failing to disclose to the market within 14 calendar days. Seventy (70) of these were 'active' on market trades and have been referred to ASIC.

ASXMS also reviewed trading by directors during the 'blackout' period (between the close of a listed entity's financial period and the release of its half-year or full-year results) for possible contravention of an entity's publicly disclosed trading policy.

There were 795 trades by directors during the 'blackout' period deemed to be of potential market concern. Fifty-seven (7%) of the trades may have contravened the trading policies of the entities involved.

Eric Mayne, Chief Supervision Officer of ASX, said: "Investors and other market participants have a legitimate interest in the trading activity of directors. To be useful, this information must be accurate and up-to-date.

"Disclosure of directors' transactions is primarily a matter of good corporate governance, and helps maintain an informed and orderly market. Failure to properly disclose creates the perception of potential market misconduct and undermines confidence in the integrity of the market.

"ASXMS has contacted all of the entities whose lodgement of Directors' Interest Notices posed market concerns and reminded them of their compliance obligation under ASX rules. In some cases, ASX's query and an entity's response will be released to the market. In the most serious cases, where the Corporations Act may have been breached or where trading during a 'blackout' period suggests possible insider trading or a failure to meet continuous disclosure obligations, ASX will refer the matter to ASIC for possible investigation and enforcement .

"ASX will continue to actively monitor the lodgement of Directors' Interest Notices and take appropriate supervisory action for late or incomplete disclosure."

To assist listed entities to understand and comply with the listing rule obligations for Directors' Interest Notices, ASX has released today a new *Companies Update*.

ASX also welcomes the publication by ASIC today of a new regulatory guide: *Notification of directors' interests in securities – listed companies*. It provides information on how directors should comply with the disclosure requirements of section 205G of the Corporations Act.

The full review of disclosure of Directors' Interest Notices follows this media release.

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Review of directors' trading and trading during "blackout" period – Q1 2008

27 June 2008

EXECUTIVE SUMMARY

What this report is about

The rule framework created by listing rules 3.19A and 3.19B was introduced by ASX Limited (ASX) in 2001 and requires listed entities to disclose directors' interests in securities and transactions in securities. This framework complements the director notification requirements of Section 205G of the Corporations Act. The listing rules and Section 205G, together with the prohibitions on insider trading and market manipulation, help to maintain an informed and orderly market.

Directors' Interest Notices are reported to ASX through the lodgement of Appendices 3X, 3Y and 3Z under listing rule 3.19A via the Companies Announcements Platform (CAP) and are monitored by ASX Markets Supervision Pty Limited (ASXMS) as a matter of course. However, ASXMS also undertakes periodic reviews of entities' compliance with the requirements of this listing rule.[1]

ASXMS has recently conducted a review of all Directors' Interest Notices (Appendices 3X, 3Y and 3Z) lodged by all listed entities via CAP between 1 January 2008 and 31 March 2008 (Q1 2008). This review disclosed that 13% of Directors' Interest Notices were lodged later than the five business day deadline required under listing rule 3.19A.

Using the data from the Directors' Interest Notices review, ASXMS also conducted a review of "blackout" trading to identify whether there were instances of directors engaged in active trading in securities during a "blackout" period. That is, the period between the close of books and the release of the entity's half-year and full-year results, in contravention of the entity's publicly disclosed trading policy. The trading activity of directors of all companies that lodged an Appendix 3Y notice in Q1 2008 was examined as part of this review.

KEY FINDINGS

Directors' Interest Notices

- There were 4,137 Appendices 3X, 3Y and 3Z lodged under listing rule 3.19A of which 538 (13%) breached the rule because of lateness.
- Of the 538 breaches during Q1 2008, there were 496 (92%) breaches which were considered to be "less serious" in nature.
- Of the 538 breaches identified during Q1 2008, there were 42 (8%) breaches which were considered to be of a "more serious" nature.
- ASX has referred to ASIC those breaches of Section 205G of the Corporations Act which relate to "active" trades by directors, that is, on market trades. There were 70 potential breaches in this category.

"Blackout" trading

- There were 3,218 Appendices 3Y Change of Director's Interest Notices lodged during Q1 2008. Of these, 1,863 involved active trades.
- Of the 1,863 active trades 795 (43%) trades occurred during the blackout period.
- Of the 795 trades conducted during the blackout period, 52 (7%) trades related to entities within the S&P/ASX 200 Index and 135 (17%) trades related to entities within the All Ordinaries Index.
- The 795 trades during the blackout period were made by 556 individual directors in the securities of 381 different entities.
- Of the active trades during the blackout period, 57 may have contravened the trading policies of the entities involved. These trades were in the securities of 33 separate entities, of which two were in the S&P/ASX 200 Index and nine were in the All Ordinaries Index.

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[1] In response to concerns about non-compliance with the listing rule ASX released a Companies Update in October 2005 reminding entities of their obligations under listing rules 3.19A and 3.19B and outlining possible ASX action where entities continue to not comply with the listing rules. ASX also wrote to each entity to advise of the ASX enforcement program.

The ASXMS review of Directors' Interest Notices showed

Directors' Interest Notices Q1 2008	Appendix 3X	Appendix 3Y	Appendix 3Z	Q1 Total
Total lodged	580	3,218	339	4,137
Total breaches of LR 3.19A	133 (23%)	359 (11%)	46 (14%)	538
Total breaches of Section 205G	78 (13%)	188 (6%)	23 (7%)	289

The ASXMS review of "blackout" trading showed

	January	February	March	Q1 2008 Total
Number of Appendices 3Y lodged	890	980	1,348	3,218
Total number of "active" trades	432	569	862	1,863
Total number of "active" trades occurring during "blackout" period	353	339	103	795
Number of potential contraventions of trading policy	15*	39**	3***	57

* These trades occurred in 7 different entities, of which one was in the S&P/ASX 200 Index and four were in the All Ordinaries Index

** These trades occurred in 23 different entities, of which one was in the S&P/ASX 200 Index and five were in the All Ordinaries Index

*** These trades occurred in three different entities all of which were outside of the All Ordinaries Index

A further analysis of all "active" trades conducted during the "blackout" period revealed

	January	February	March	Q1 2008 Total
Number of trades conducted in S&P/ASX 200 Index entities	36	12	4	52
Number of trades conducted in All Ordinaries Index entities	82	45	8	135

BACKGROUND

The framework created by listing rules 3.19A and 3.19B was introduced by ASX in 2001 and requires listed entities to disclose directors' interests in securities and transactions in securities. This framework complements the director notification requirements of Section 205G of the Corporations Act.

Since the introduction of listing rules 3.19A and 3.19B in 2001, ASX has conducted ongoing analysis of compliance to help identify strategies to improve compliance. This includes education initiatives through Companies Updates, Guidance Notes or possible rule changes to establish guidelines for appropriate enforcement activity.

In 2002 ASX released Guidance Note 22 which provides information to assist listed entities in complying with their obligations under listing rules 3.19A and 3.19B and also provides an overview of ASX policy in relation to disclosure of directors' interests and transactions in securities.

The listing rules and Section 205G, together with the prohibitions on insider trading and market manipulation, help to maintain an informed and orderly market. ASX considers that investors in a listed entity and the market in general, have a legitimate interest in trading by directors. To be useful this information about holdings must be up-to-date and, where changes have occurred, must enable investors to more readily understand the nature of the changes.

ASX recognises that a director may choose to trade an entity's securities for a broad range of reasons which are unrelated to his or her knowledge of the entity and that directors' securities trading is not necessarily an indicator of an entity's prospects. ASX considers that disclosure of directors' transactions is not generally a matter of continuous disclosure but primarily one of good corporate governance..

Listing rule 3.19A and its relationship with Section 205G of the Corporations Act

The listing rule framework complements the director notification requirements of Section 205G of the Corporations Act. Where an entity complies with listing rule 3.19A, the obligations of the relevant director under Section 205G will also have been satisfied, subject to certain conditions - see paragraph 17 of Guidance Note 22. Conversely, if the information required by listing rule 3.19A is not given to ASX, the director may contravene Section 205G – see paragraph 20 of Guidance Note 22 in relation to ASIC relief under subsection 205G(6).

Listing rule 3.19A requires disclosure of the information required by Section 205G of the Corporations Act, together with some additional information that promotes a better understanding of the information required by the Corporations Act. To that extent, the listing rule requirements are separate from the requirements of the Corporations Act. Importantly, the listing rules require disclosure within a five business day period, rather than the 14-day period as prescribed by the Corporations Act.

Key elements of listing rules 3.19A and 3.19B

Listing rule 3.19A requires a listed entity to lodge with ASX via CAP a notice of a director's notifiable interests using the appropriate Appendix within five business days after any of the following events:

- The director's appointment - Appendix 3X
- The admission of the entity to the official list - Appendix 3X
- A change to a director's notifiable interests - Appendix 3Y
- A director ceasing to be a director - Appendix 3Z

Listing rule 3.19B requires every listed entity to enter into arrangements with its directors to ensure that all necessary information in relation to changes of directors' interests is given by the directors. This is so that the listed entity can comply with its obligations under listing rule 3.19A to provide the information in relation to a director's notifiable interests within the five business day time limit.[2]

Compliance with five day time limit in listing rule 3.19A and 14 days in Section 205G

Lodgement of the appropriate Appendix 3X, 3Y or 3Z within the five business day time limit will serve to satisfy the requirements of Section 205G of the Corporations Act 2001 - see paragraphs 6, 7, and 16 to 19 of Guidance Note 22. Under Section 205G, a director is obliged to notify ASX of changes to his or her relevant interests in securities, and interests in contracts relating to securities, within 14 calendar days of the change.

ASX current monitoring of Appendices

All announcements made by listed entities lodged via CAP are monitored by ASXMS Issuers Advisers. This includes every Appendix 3X, 3Y and 3Z lodged on CAP. Where an Issuers Adviser identifies a case of possible non compliance with the listing rule action is taken and recorded. In all instances of breaches, action is taken by Advisers by letter, email or phone call.

[2] See also paragraph 9 of Guidance Note 22.

RESULTS OF REVIEWS CARRIED OUT

Review of Directors' Interest Notices and ASX action taken for non-compliance

The analysis of the data covered Q1 2008 and all Appendices 3X, 3Y and 3Z lodged under listing rule 3.19A on CAP by all entities. There were 4,137 Appendices lodged under listing rule 3.19A of which 538 (13%) breached the rule because of lateness. The actions taken in relation to the breaches were as follows:

- No action was taken in relation to 53 late lodgements which involved technical changes rather than disposals or acquisitions and which therefore presented no market concerns.
- There were 272 letters sent to listed entities, of which 42 letters were also sent directly to the director or chairman of the listed entity for a response.
- There were 64 emails sent to listed entities where the relevant Issuers Adviser noted the breach and reminded the entity of their obligations to comply with the listing rules.
- There were 149 phone calls made to listed entities where Issuers Advisers noted the breach and reminded the listed entity of their obligations to comply with the listing rules.

Types of breaches

Of the 538 breaches recorded, 289 breaches were recorded as lodged more than 14 days after the due date. This figure indicates that approximately 54% of all breaches for all Appendices involved lodgements more than 14 days late.

The determination of a possible serious or non-serious breach of listing rule 3.19A will depend on the circumstances of each matter. The factors that are considered in determining the seriousness of a breach include:

- The lateness of the lodgement, for example, more than 14 days late would be considered "serious".
- The nature of the transaction involved, for example where the transaction has already been announced or where it concerns a passive investment such as participation in a share purchase plans or dividend reinvestment plans, the possible breach would be considered "less serious".
- The culture of compliance of the company concerned, that is, whether the possible breach is repetitive or where ASXMS is of the view that there is a disregard for compliance.

"Less serious" breaches

In the case of "less serious" breaches, Issuers Advisers contacted the listed entity via telephone or email to understand the reasons for the breach. Where matters involved technical changes, genuine oversight and/or the transaction presented no serious market concerns, the Issuers Advisers noted the breach and the entity was reminded of their obligations to comply with the listing rules.

In other cases of "less serious" breaches a letter was sent to the entity if the Issuers Adviser considered it necessary. Generally, in these instances, the Issuers Adviser was aware of or confirmed with the entity that it has procedures in place to ensure it complies with the listing rule. Most breaches in this category are less than 14 days late. However, it is important to note that although the length of time is an indicator as to whether a breach was categorised as less or more serious, it is the nature of the transaction which is the overriding factor in determining the seriousness of a breach.

During Q1 2008, there were 496 breaches which were considered to be "less serious", which indicates that approximately 92% of breaches during Q1 2008 were "less serious" in nature.

"More serious" breaches

Where a breach was considered "more serious" and there was an apparent disregard for compliance with the listing rules, the breach was noted and a letter sent to the listed entity and to the relevant director or chairman for a response. The response should set out what procedures the entity has in place to ensure its continued compliance with listing rule 3.19A and comment on the entity's corporate governance practices. These responses may be released to the market.

The length of time of a breach is sometimes an indicator as to the seriousness of the breach. However, it is the nature of the transaction which is the overriding factor in determining the seriousness of a breach. These breaches do not involve technical changes in a director's shareholding or genuine oversight but unacceptable reasons for non-compliance.

There were 42 (8%) breaches during the first quarter of a "more serious" nature.

Referral to ASIC

ASX has referred to ASIC details of the identified breaches of Section 205G of the Corporations Act. Seventy of these breaches relate to "active", that is, on market trades by directors.

"Blackout" trading

The review of "blackout" trading involved looking at all 3,218 Appendix 3Y Notices lodged in Q1 2008. ASX found that 1,863 (58%) involved "active" trades or on market trades. Issues approved by security holders, under employee incentive schemes, dividend reinvestment plans, share purchase plans, rights issues and other trades not presenting market concerns were deemed to be "passive" and were excluded from further analysis. Of these active trades, 795 (43%) occurred during the blackout period.

The 795 trades involved the securities of 381 entities and were conducted by 556 individual directors. Of these entities, 52 (14%) are in the S&P/ASX 200 Index and 135 (35%) are in the All Ordinaries Index. The remaining 246 entities (65%) are outside of the All Ordinaries Index

A review of the publicly available information on share trading policies showed that prima facie 57 of the active trades conducted during the blackout period may also have breached the entities' own trading policies. ASX intends to write to the 33 entities involved to ask for an explanation. The data will also be analysed further to determine whether there are possible instances of insider trading by directors and/or breaches of the continuous disclosure requirements by listed entities, in which case, they will be referred to ASIC for further investigation.

ASXMS action to be taken in the future for non-compliance

From 1 July 2008, ASXMS will continue to actively monitor the lodgement of Directors' Interest Notices. ASXMS intends to take action in relation to any Directors' Interest Notice which is lodged late, or which is incomplete. The actions may include any or all of the following.

- Writing to the listed entity noting the breach of the listing rules, requesting an explanation for the breach, and asking for details of the arrangements that the listed entity has in place with its directors to enable it to comply with its obligations under listing rule 3.19A. This correspondence will be released to the market.
- Where an Appendix 3Y has been lodged later than 14 calendar days after the change in the director's interests, and the director has not lodged any other notification of his or her own to comply with Section 205G of the Corporations Act, ASX may refer the breach of the Corporations Act to ASIC.

METHODOLOGY

Directors' Interest Notices

The review of Directors' Interest Notices and "blackout" trading involved a review of approximately 4,137 announcements lodged between 1 January and 31 March 2008. The analysis looked at all Appendices 3X, 3Y and 3Z lodged by all entities under listing rule 3.19A. There were 4,137 Appendices lodged under listing rule 3.19A which were comprised of:

- 580 Appendix 3X
- 3,218 Appendix 3Y
- 339 Appendix 3Z.

The analysis then involved sorting the Appendices by type and determining the date of lodgement and the date of trade in order to determine compliance with the five-day time limit in listing rule 3.19A and the 14-day time limit in Section 205G of the Corporations Act

“Blackout” trading

ASXMS analysed all 3,218 Appendix 3Y Change of Director’s Interest Notices lodged from 1 January 2008 to 31 March 2008 inclusive. The changes of relevant interest were initially classified as “active” or “passive”. Changes of relevant interest were deemed to be “passive” if they involved the acquisition of securities through an employee incentive scheme, if the issue had been approved by security holders or otherwise presented no market concerns, for example, issues under dividend reinvestment plans, share purchase plans and rights issues – in each case directors participate on identical terms to all other security holders.

The active changes of relevant interest were then assessed to determine whether the trade occurred during the “blackout” period, that is, the period between the close of the financial period and the release of half-year or full-year results. The publicly available information on share trading policies was reviewed to determine whether or not any of the active trades conducted during the “blackout” period had also contravened the entity’s own trading policy.

All active changes of interest are currently being further analysed for possible instances of insider trading by directors and breaches of the continuous disclosure requirements by listed entities.