



Australian Securities Lending Association

Industry Release

21st November 2008

Head of Payments Policy Department
Reserve Bank of Australia
GPO Box 3947
Sydney NSW 2001

Dear Sir/Madam

RE: Consultation on Variation of the Financial Stability Standard for Securities Settlement Facilities: Disclosure of Equities Securities Lending:

The Australian Securities Lending Association (ASLA) endorses transparency and efficiencies in our settlement systems, however the industry would be remiss if it did not raise a number of points which we believe would make the reporting system more efficient and beneficial to the market in general.

ASLA supports the use of stock loan data to assist in the analysis of settlement risk. However we do not believe it is an appropriate proxy for determining levels of short-selling, as you are aware securities are borrowed for numerous reasons.

ASLA is not going to discuss the operational or other custodial issues as we believe ACSA will be addressing these points in their submission, however, we have a number of concerns [over the format] the information is being disclosed.

Issue of Chain of Loans: We think it is very important that each loan within the chain is identified separately and indicates that the same security is being on-lent. Although, in our meeting last week it was mentioned that you were going to look at the on-loan position on a cumulative basis – this can cause market distortion and potentially result in it appearing that more securities are on loan than are issued in a particular name. For the information published to have any relevance it has to be accurate. It is essential to clearly explain if the data is the total on loan balance or the volume of loan activity, depending on the way the loan activity is recorded.

Recalls – As in the case of on-lends, we believe recalls and returns need to be reported and should be netted against the loans/on-loans.

Timing of disclosure of the information to the market. Although we appreciate your desire to keep the public as informed as possible, it is critical to achieve that balance between information flows and preventing market abuse based on the information. For example if there is a large recall in the market – it is evident that one of the lenders has decided to sell a position. If that data is released to the market too soon (recall size etc) an unscrupulous market participant might attempt to frontrun the lender. Also the lender's do not want their strategies revealed to the public and the timing on the public disclosure will have an impact.

ASLA would be happy to assist in any further discussions or provide any additional information which you may require.

ASLA, the Australian Securities Lending Association, was formed in August 1991 to allow industry participants a unified representation in regulatory and other issues relevant to its members. ASLA also promotes standardisation throughout the industry in terms of documentation and market practice.

For further information please contact:

ASLA
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