

SUBMISSION ON POLICY ISSUES RAISED IN ROUND 5

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Submission for: My Self

Name of other person, business or organisation:

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Short Selling of Equities. Currently there are a number notorious short sellers that operate within the sphere of the Australian Stock Exchange. Reporting of short sales occurs daily and is monitored by ASIC. The latest report I have shows that for the TOP 100 most shorted stocks that there is \$25.163 billion dollars worth of short sales. Short sellers conduct their business by borrowing shares from an existing shareholder under a borrowing agreement. The Lender of the shares receives a fee from the Borrower. The Borrower then proceeds to sell on-market the borrowed shares in the hope that the share price of the particular share will fall which means that when the Borrower buys back the same number of shares originally borrowed a profit would arise and the borrowed shares are then returned to the Lender. Much of the borrowed shares are provided by superannuation funds both retail and industry funds. I fail to understand how a superannuation fund trustee can receive a small fee for lending out a share then take back the share which has a considerable reduction in value and say that members of the fund are better off. This cannot be the case because the short seller is on the other side of the transaction and for the short seller to succeed the superannuation fund must be worse off. If this is the case then the superannuation fund trustees have failed in their duty to protect members interests. I would respectfully ask that counsel assisting Royal Commissioner Hayne examine the practice of superannuation funds lending shares to short sellers in the context of trustee obligations to fund members.