

Senate Select Committee on Financial Technology and Regulatory Technology
Written questions on notice

Australian Shareholders' Association

Question: The committee has received evidence supporting the introduction of an Australian scheme based on the US Rule 10b5-1 trading plans. Does the Australian Shareholders' Association have a view on this evidence?

Response:

ASA would not object to the concept of introducing a similar scheme to the SEC's Rule 10b5-1 Trading Plans in the US, providing the rules for the plans are kept simple with minimal changes, the number of shares involved are not huge relative to the issued capital and the administration is transparent.

While understanding a preference for best execution price, we would prefer orderly trading which may mean spreading volume over a longer period rather than any plan rules facilitating overly opportunistic purchases.

We would expect executives would accrue their more substantial holdings through the equity component of their remuneration packages.

We would expect sales programs to be announced to shareholders when set up.

ASA supports Directors and executives having "skin in the game". Our voting guidelines state:

After three years on a board, a director should own or have invested at least one year's worth of base cash fees in the company's ordinary shares.

We also expect the CEO and KMP (Key management personnel) to build holdings over time.

Building up such a holding can be more challenging when a start-up/new listing appoints new directors under rules at this time, so a sensible scheme would be beneficial providing the rules for the plans are kept simple with minimal changes, the number of shares involved are not huge relative to the issued capital and the administration is transparent.