
Index

Australian Securities and Investments Commission (ASIC)

- Australian Stock Exchange Ltd, matters referred by, 207
- actions taken, 216
- detection and investigation powers, market misconduct, 205
- directors' duties, enforcement of – *see* **Directors' duties**
- disclosure of examinations
 - bodies or agencies, to, 556
 - confidentiality, 555
 - examinee, in proceedings against, 557
 - liquidators, to, 557
 - litigants, to, 556
 - other persons, in proceedings against, 558-559
 - subpoena, pursuant to, 557
 - transcripts, admission into evidence of, 559
 - use of transcripts, potential, 555
- powers, arguments for greater
 - immunity policy an option, whether introduction of, 211-212
 - interception, 210
 - limitations, 210-211
 - rationale, 205
- securities law, enforcement of, 204
 - bounties for informers, proposal for, 212-213
 - divided framework for regulation, current, 213-215
 - low rate of success, 205
 - remedies, 204
 - statutory framework, 204
- structure of Australian securities markets, review
 - confidence in, erosion of, 203

Australian Stock Exchange Ltd

- ASIC, referral of matters to, 207
- detection and investigation functions, 206-207
- divided framework for regulation, current
 - ASIC, with 213-215
- enforcement of securities law, 205
 - low rate of success, 206
- periodic disclosure regulation – *see* **Periodic disclosure**
- statutory framework, 205-206

Continuous disclosure

- Listing Rule 3.1, general, 144-145

- Listing Rule 3.1A, exceptions, 145-146
- margin loans subjected to, whether, 149-151
- material effect on price or value of shares, test for, 146-149
- notifiable interests, informing the market, 146

Corporate governance

- directors' duties – *see* **Directors' duties**
- foreign investment regulation, 53-54
- purpose of, 52-53

Corporate litigation

- allocation costs, 449
 - litigation issue, bearing of, 450-451
- ALRC inquiry, 448-449
- company value, impact on listed, 448
 - abnormal returns, announcement of, 451-453
 - defendant company, 449, 451-457
 - plaintiff company, 451-457
 - studies in United States, 449-450
- litigation initiations, types of, 451
- market reaction to, 449

Corporate whistleblowing

- ASX Corporate Governance Guide
 - CLERP 9, incorporating, 525-526
 - code of conduct, companies disclose, 526, 543
 - internal compliance programs, framework for effective, 541-544
 - non-mandatory, 526
- civil remedies against retaliation
 - qualified privilege against defamation, 527
 - reinstatement of employment, 527
- corporate culture, obstacles challenging, 529-530
- Corporations Act provisions
 - protected person, meaning of, 527
 - qualifying disclosure, requirement of, 527
- global initiatives, 524
- meaning of, 524
- protection laws, 524
 - inadequacy of, 531
 - responsive regulation, concept of, 531-532
- Sarbanes-Oxley Act, and United States
 - burden of proof, 534-535
 - different approach, suggestions for, 536-538
 - literature, post effects, 532-533
 - procedural and structural mechanisms effective, whether, 534-536
 - scope of protection, 533-534
 - two-fold approach, 533

self-regulation, focusing on importance of, 538-541

whistleblowers, treatment of, 529-531

Credit rating agencies

allocated ratings controversy, 125

historical overview, 126

liability

basis for, 128

Credit Rating Agency Reform Act 2006 (US), 127

disclaimers, 128-129

First Amendment, constitutional protection from, 128-129

paradox of value, 130-131

regulatory reform, impetus for, 129-130

recommendations, 130-132

Securities and Exchange Commission (SEC), and recognition criteria, 126-127

Standard and Poor's, 126

structured finance transactions, rating of, 125

regulatory oversight, incorporated into, 127

sub-prime crisis, whether contribution to, 125, 130

Cross-border insolvency

UNCITRAL Model Law

aims and objectives, 90

application, difficulties in, 91

Cross-Border Insolvency Act 2008 (Cth) and, 90-91

demise of insolvent schemes, whether, 89-92

United Kingdom experience, 92-93

voluntary administrator subject to, whether, 91-92

Directors' duties – see also Former directors

ASIC enforcement

civil and criminal penalties, use of, 383-385

criminal or civil prosecutions, whether, 381-383

criminal sanctions, preference for, 385-388

civil penalties, advantages of, 373-375

burden of proof, 375

deterrence effect of, 373

Corporations Act, under, 377

mens rea elements, 377-378

criminal law penalties

civil penalties, overlap with, 375-377

inadequacy of, 371

perceived harshness, 372

criminal prosecutions

Cooney Report, 372-375

offences difficult to detect, 371

inspect company books, right of access to, 397

termination benefits – *see* **Termination benefits**

Former directors

inspect company books, right of access to, 397

commencement of proceedings, for, 397-398

discretion of court, whether to exercise, 400-402

Hardcastle case, 397-399

materiality test, relevance of, 400

Frustrating action policy

application, 47

basis of, 47

Guidance Note 12, Takeovers Panel, 47

Lion Selection Ltd 02, 46

Masel principle, meaning of, 45-46

mistaken application of, 46

Midwest 02, 47-49

inconsistent with previous decisions, 49-50

Golden shares

abolition, arguments for

capital market operation, compromising, 170-171

internal operations of undertakings, effect on, 171

special rights entities, significance of, 172-173

comparative overseas structures, 169-170

EU Directives and, 167

direct investment, 167

free movement of capital analysis, 167

national laws, reference to, 167

European Court of Justice rulings, effect of, 169-170

corporate mechanisms, other, 179-180

countries' accession to European Union (EU), 177-178

EU, within, 176-177

ex post opposition to capital transfers, 182

non-EU countries, 178-179

proportionality, 181-182

protective mechanisms, on, 176

EU jurisprudence

illegality, 175-176

- legal structures, 166-167
 - legislation and factual shareholding, arising from, 168-169
 - meaning of, 166
 - renationalisation, or return to, 174-175
 - state authorisation, schemes requiring, 167-168
 - Treaty Establishing the European Community, restrictions in, 180-181
 - underestimated effects, 183
 - lessons for Australia, 183
 - market distortion, unnecessary, 183
- Indemnity and insurance arrangements**
- common law, limitations imposed by, 290
 - criminal acts, 290-291
 - defence costs, 294
 - finances and penalties, 291-294
 - third party liabilities, 290-291
 - environmental legislation, restrictions in, 280-281
 - indemnity restrictions cover insurance, whether, 287
 - legislative reform, recommendations of, 294-297
 - arm's length insurers, 287-289
 - captive insurers, 289-290
 - occupational health and safety legislation restrictions in, 281
 - s 199A(2), Corporations Act, restrictions under, 270
 - as an officer, 270-271
 - conduct in good faith, 271-272
 - innocent directors, indemnity of, 274-275
 - s 199A(3), Corporations Act, restrictions under, 275, 279-281
 - civil penalty proceedings brought by ASIC, 277-278
 - criminal, uncertainty as to whether proceedings, 276-277
 - s 199B, Corporations Act, restrictions under
 - innocent directors, insurance of, 283-284
 - wilful breach of duty, 284-287
 - s 77A, Trade Practices Act, restrictions under, 267, 278, 282
 - restrictive trade practices, 278-279
 - uncertain ambit of restrictions, argument, 267-270, 297-298
- Insider trading**
- actions, 235, 323-324
 - Anisman Report, recommendations of, 234
 - Australian regulatory framework, 315-316
 - insider information, meaning of, 315
 - policy rationales, 316
 - CAMAC review and proposals, 317
 - proposed changes, efficacy of, 320-322
 - government response, 319-320
 - minority's recommendations, 319
 - published information test, 317
 - readily observable matter test, 317-318
 - Companies and Securities Advisory Committee
 - insider trading report, 245-246
 - economic and market efficiency goals, 243-244
 - Griffith Committee, rejected by, 245
 - effective enforcement, whether, 324-326
 - market fairness, 327
 - prohibited behaviour, deterrence of, 326-327
 - uncertainty as to prohibited market conduct, 326
 - general availability element, information, 236
 - achieving objectives, whether, 248
 - ASIC v Citigroup, 240-242
 - manner of dissemination, 237
 - published information test, 236
 - Griffiths Report, 234-235
 - R v Finns, 238-240
 - R v Hannes, 236
 - R v Rivkin, 240
 - incoherency, argument of, 235
 - justifiable, whether, 312-314
 - provisions, 236
 - nature and scope, 251-253
 - rationale, 234
 - reconsideration, argument for, 243-244
 - market fairness goals
 - equal access theory, 244-245
 - indiscriminate application, argument of, 246-247
 - parity of information norm, limitations of, 247
 - materiality of information, and
 - investors and share price, to potential, 242-243
 - share price, incorporated within, 243
 - simplistic view of market reality, argument, 250-251
 - test achieves objectives, whether, 248
 - nature, scope and ambit of enforcement, 310
 - application, ambiguous in, 310
 - CAMAC approach, 311
 - public views, Australian enforcement, 322
 - readily observable matter and analysis test, 237-238

Insolvency

- direct payment clauses, 225-226
 - superannuation plans, 226
- investor protection – *see* **Investor protection**
- pari passu principle
 - Australian corporations law, whether existent in, 220, 231-233
 - British Eagle decision, 222-223
 - broad or narrow application, 219-220
 - early cases, 223-224
 - making sense of, 227-230
 - meaning of, 219-220
 - overview, 219
- pre-emption rights, 224-225
- rescission, rights of, 225
- rights attaching to assets under general law
 - pari passu principle, whether conflict with, 220-221
- set off, 226-227
- shareholders
 - CAMAC recommendations, 427, 446-447
 - equal ranking in insolvency, whether, 427-428
 - Sons of Gwalia case, 426-427
 - unsecured creditors, whether equal ranking fair to, 432-433, 444-446
- subordination, 227
- unsecured creditors – *see* **Unsecured creditors**

Investor protection

- misleading and deceptive conduct, 427
 - model of capital raising, and, 433-444
 - remedies against issuers, 429-432
- shareholders equal ranking in insolvency, 427-428
 - benefits, 446
 - CAMAC recommendations, 427, 446-447
 - Sons of Gwalia case, 426-427
 - transaction costs, magnitude of, 447
 - unsecured creditors, fairness to, 432-433, 444-446

Limited liability

- corporate creditors, and protection of, 112-113
- Corporations and Markets Advisory Committee Report (CAMAC)
 - long tail liabilities, and, 113
 - unascertained future personal injury claimants, recommendations on, 113-114
- criticisms of corporate form, and, 115
- doctrine, 108-109

- James Hardie case, judgment proofing, 110
- justifications, 109
- modification of rule, arguments for, 116-117
 - consequences of, 123-124
 - natural person shareholders, with respect to, 117-121
 - reform proposal, 121-123
- shareholders
 - defensive asset partitioning, and, 109
 - residual liability, 108
- structured relations, problems with, 110-111
- tort creditors, and, 111-112
 - long tail claims, 112
 - piercing the corporate veil, 112

Litigation funding

- commercial profit, purely for, 257
- continued viability, 255
- Hall v Poolman overturned, 257-258
- principles
 - Green's case, 256-257
- regulation, whether need for, 255
- way forward, recommendations, 258-260

Margin lending

- ABC Learning Centres, share collapse of, 139
- disclosure regime, adequacy of, 139
- listed companies, debt levels of, 139-140
- mandatory and continuous disclosure, rationale for, 142-144
 - margin loans subject to, whether, 149-151
- purpose, 141
- rules and legislation, reform of, 144
 - Corporations Amendment (Short Selling) Act 2008 (Cth), 139
- undisclosed, 140

Market manipulation

- Australia, extent in, 13, 412
- CAMAC overseas review, 411
- civil penalties
 - evidentiary burden, and, 12-13
 - international comparison, 13
 - overview, 12
 - role of, 12
- Corporations Act 2001 (Cth), prohibition in, 8-9
- Criminal Code, application of, 10-11
- deeming provisions, 9-10
- market trading, false or misleading appearance of, 9

- false trading and market rigging provisions, 8, 411-412, 416-420
 - application of civil penalties, 416
 - deeming provisions, 418-420
 - efficacy, 8
 - evidentiary difficulties, 413, 424
 - former regime, compared to, 8-10, 414-416
 - prohibitions, 417-418
 - unclear in operation, 413
 - fault, elements of
 - artificial price, creating or maintaining, 10
 - automatic, 10
 - dishonesty, 12
 - knowledge, 10
 - mental and physical elements, 10-11
 - onus, prosecutorial, 10-11
 - recklessness, 12
 - Financial Services Reform Act 2001 (Cth), effect of, 9, 21, 416
 - intent
 - artificial price, creating or maintaining, 11
 - common purpose, 13
 - Criminal Code, application of, 10-11
 - deemed, 9-10
 - evidential burden, 12-14
 - inference, judicial, 13
 - relevance of, 16-18
 - self-implied approach, 8, 11
 - specific versus general, 18-19
 - international comparison, 19-21
 - objective test, feasibility of, 14-17
 - historically unusual price test, 15
 - legitimate supply and demand approach, 15
 - market efficiency, effect on, 8
 - regulatory reform, proposals for, 4
 - civil liability, 423-424
 - Criminal Code, uncertainty as to application of, 421-423
 - defences, 424-425
 - penalties, 425
 - trading, false or misleading appearance of, 9
 - rebuttable presumption, 10
- Market-based class action**
- causation, appropriate tests of, 484-485
 - fraud on the market, 491-494
 - reliance, 485-491
 - indirect causation
 - mere inflation theory, 495-498
 - loss
 - actual loss, quantification of, 498
 - calculation, 502-504
 - type of, 498-502
 - shareholders, 483-484
- Non-financial reporting**
- listed companies
 - disclosure of internal management information, arguments for, 41-42
 - voluntary or mandatory, whether, 42-44
 - management discussion and analysis reporting
 - ASX guidance, 38
 - Australian preliminary final reports, in, 39
 - importance of, 39
 - purpose, 38-39
 - regulatory requirements, 38-39
 - United States, comparison with, 39-40
- Periodic disclosure**
- ASX, regulation by
 - enforcement, 31
 - half-year reports, 30
 - preliminary final reporting, 29
 - quarterly reports, 30
 - Australian case studies, 33-36
 - Altium Ltd, 35-36
 - Toll Holdings, 34
 - company reports, empirical research, 33
 - earnings announcements, importance of, 32-33
 - empirical research, 32-33
 - financial position, 23
 - policy rationale, 25
 - requirements, 25-26
 - listed companies, statutory requirements for
 - annual reports, 26-27
 - half-year reports, 27-28
 - quarterly reports, 28-29
 - management discussion and analysis reporting – *see Non-financial reporting*
 - mandatory online quarterly reporting, arguments for, 36-38
- Public securities – *see also Takeover bids***
- competitor for control, 549
 - rights issues, possible effect of, 545
 - standstill provisions, structured sale processes and, 550
 - adequate price, where, 551
 - commercially justifiable, requirement of, 550
 - confidentiality agreements, 550

- counter bids, 551
 - duration, 551
 - Revlon moment analysis, 551
- Takeover Panel decisions, implications of
 - placements can be challenged, whether, 548
 - scrip bidders, no superior proposal conditions and, 552-553
 - sub-underwriting, 545-547
- target directors
 - prospective bids, gatekeepers of, 549, 553
- underwriting arrangements, best approach to, 547

- Responsible entity**
 - alternative replacement strategies, 306
 - ASIC relief, 308-309
 - conditional consent, 307-308
 - responsible entity duties, non-entrenchment of, 306-307
 - consent to appointment, 299
 - Corporations Act, requirements for removal under,
 - consent at same meeting and due diligence, 302
 - meaning of, 300
 - members, removal by, 300
 - powers and duties, 300-301
 - regulatory scheme
 - Ch 5C, Corporations Act, 299
 - global financial crisis, impact of, 299
 - replacement mechanisms, overview of, 301
 - replacement of responsible entity, statutory construction, 303-304
 - purpose and improbability, 304-306
 - texture and structure, 304

- Schemes of arrangement**
 - advantages, 74
 - binding nature, 71-72
 - continuing role for, 71
 - court, powers of
 - reconstruction and amalgamation, to order, 80-81
 - cross-border recognition of administrations, 86
 - disadvantages, 74
 - distinct classes of creditors, approval by, 73-74
 - financial affairs, restructuring of, 81-82
 - historical overview, 72
 - implementation, 72-73
 - insolvent schemes
 - creditors' rights, substitution of, 85
 - HIH scheme, 84-86
 - statutory pooling mechanism, 85
 - meaning of, 71
 - member's schemes, and
 - options and convertible notes on issue, where, 80
 - purpose
 - complex enterprises, 78
 - reform, proposals for, 93-94
 - solvent schemes
 - binding bondholders, 81-82
 - England, in, 80-81
 - insurance run-off, termination of, 82-83
 - off-market takeover bid, alternative to, 79
 - reconstructions and amalgamations, 78-79
 - transfer of assets and liabilities, 80-81
 - voluntary administration procedure, compared with, 74-75
 - advantages, 75-77
 - disadvantages, 77-78
 - schemes of arrangement, impact on, 83-85

- Securitisation**
 - special purpose vehicles and – *see* **Special purpose vehicles**

- Shareholder class action** – *see* **Market-based class action**

- Shareholder protection** – *see* **Investor protection**

- Short selling**
 - legislative response
 - Short Selling Act 2008 (Cth), 139
 - limitations, regulatory regime, 153-155
 - market manipulation and
 - bear raiding, 155
 - Pt 7.10, Div 2, Corporations Act, prohibitions, 156
 - meaning of, 152
 - mechanisms for enhanced transparency, alternative, 161-162
 - media, portrayed in, 153
 - monitoring difficulties, 155
 - regulatory response, short-term, 157-158
 - recommendations
 - director-held margin loans, approaches to, 164-165
 - disclosure of all short positions, 163-164
 - United States House Committee Report, 152-153

Sovereign wealth funds (SWF)

- capitalism and, 55-56
- emergence, 54-55
- foreign investment regulation, 53
- golden shares, investment in, 173-174
- investment
 - benefits, 59-60
 - future trends, 60-62
- meaning, 54, 173
- political risks, 51
 - size and nature, 59
- state policy, vehicle for, 56-58
- strategic versus minority interests, 59
- transparency of SWFs, 58-59

Special purpose vehicles

- common features, 328
- enforcement of security and, 328-329
- featherweight charge
 - crystalisation, 390
 - enforcement rights, 389
 - enforcement risk, 391
 - priority, 389
 - qualifying requirement, 391-392, 395-396
 - re-characterisation, two-stage process of, 390-391
 - scope of operation, 389-390
 - unknown risks, 393
- meaning of, 328
- personal property securities regime, proposed, 393
 - no-assignment clauses, 394-395
 - security interest, functional definition of, 393-394
- project financing, 333-334
- qualifying charge, secured creditors and, 334-336
- securitisation
 - asset and whole business, 331-333
- Standard and Poor's
 - floating charge, value of, 328
 - project finance transactions, criteria for, 328

Stock Exchange Hong Kong

- amendments to Listing Rules, primer on, 187-189
- Model Code, proposals to amend, 184
 - black out periods, extension of, 184-185
 - business community, discontent of, 184-185
 - chronology of events, 185-186
 - Listing Committee functus, whether actions of, 189-195
 - rationale, 184

- statutory obligations, 184

Superannuation

- termination provisions, under – *see* **Termination benefits**

Takeover bids

- Australian regulatory framework
 - advantages and disadvantages of equal access, 348-350
 - information access adequate, whether, 344-345
 - Masel principle, falls short of, 368-369
- asymmetry between rival bidders
 - access to corporate information, 345-346
 - effective auction for control, prevention of, 355-356
 - frustrating action, 347-348
 - shareholders opportunity to consider rival bids, interference with, 357
- insider participation
 - conflicting duty, whether, 356-357
 - conflicts of interest, 359-361
 - Takeover Panel's position, 361-362
- Masel principle, 351
 - Eggleston principle, reconciliation with, 351
 - meaning of, 352-354
 - origin of, 351
- public securities, and – *see* **Public securities**
- reform, recommendations of, 366-368
- target companies, 344
 - mandatory disclosure, 344-345
- United Kingdom, experience in, 363-366

Termination benefits

- Corporations Amendment (Improving Accountability on Termination Payments) Bill
 - impact of, 468-472
 - shareholder approval, lower threshold of, 458
- provisions, ambit of, 459-460
 - anomalies, 458
- superannuation contributions
 - defined benefit fund, 467
 - employer-sponsored funds, 463-464
 - externally operated funds, 465
 - nature of, 458
 - pre-appointment agreements, 466
 - prescribed circumstances and, 463
 - relevance of purpose, under termination provisions, 465-468

- superannuation, treatment of, 459-461
 - benefits exempt from prohibition, 461-462
 - breach, consequences of, 463
 - payments for past services, 467-468
 - payments required by law, 467
 - prohibitions, 459-461
 - shareholder approval, requirement of, 462

Unsecured creditors

- Commissioner of Taxation
 - taxation instalments, unremitted, 513-514, 519
- employees
 - diversify risk, inability to, 520
 - entitlements, recovery of unpaid, 515-517
 - no pre-contract bargaining, 521
 - self-protection, 520, 521
- insolvency law, theories of
 - contractual protection, ex ante, 508
 - legislative protection, ex post, 508
 - maximising welfare of creditor group as a whole, whether, 518-519
 - rationale, 518-519
- Jackson's creditor's bargaining model, 509-510
 - advantages, 509
 - limitations, 510
 - objections, 509-510
 - objectives, 518
- Korokbin's value-based approach, 510-511
- lifting the corporate veil, 511
 - arguments against, 511-512
- Pt 5.3A, Corporations Act, aims of, 511
- trade creditors, 514-515
 - bargaining power, lack of, 519
 - self-protection, disparity in, 520

- voluntary administration, and, 521-522
 - *see also* **Voluntary administration procedure**
- welfare protection, 506

Voluntary administration procedure

- advantages, 75-77
- Cork Report, 96
- court approval, requirement of, 75
 - supervisory role, 75
- cross-border recognition of administrations
 - foreign companies may seek aid of Australian courts, whether, 87
 - voluntary administration recognised in foreign jurisdictions, whether, 87
- cross-border recognition of schemes, 81-82
 - HIH schemes, new approaches, 89
- disadvantages, 77-78
 - limited application, 77
- general model of corporate decline, 100
 - patterns of decline, 104-106
- Harmer Report, 95
- legislative framework, background to, 96-100
 - advantages, 97
 - availability of procedure, 97
 - commencement of, 97
- objectives, 95-96
- Pt 5.3A, Corporations Act
 - purpose of, 95
- resource slack, concept of, 100-101
 - immediate, 101
 - potential, 101
 - profitability, and, 101
- scheme of arrangement, compared with 74-75
 - impact on, 83-85