



# STATE ONE STOCKBROKING LTD

Participant of the ASX Group  
AFSL 247100

ABN 95 092 989 083

## **Advisory in relation to Short Selling**

ASIC lifted the ban on Covered sales of non-financial stocks from open of trading on **19 November 2008**.

The ban on Covered short selling of financials will continue until at least **31 MAY 2009**.

Naked short selling remains banned.

New categories of Long sales, and Short sales (includes Covered and Exempt sales) have been introduced.

ASIC requires us to ask clients whether a sale is a Long or a Short sale. Clients are obliged to inform brokers and brokers must report all Short sales to ASX who will issue a report for the next day.

## **How this impacts you**

Although State One Stockbroking (including amscot Discount Stockbroking) does not allow short selling, clients are none the less required to confirm to us that they are selling shares that they own and that the sale is not a Covered short sale. If a client does not confirm that they are requesting a Long sale, we are required to confirm this.

**You will need to confirm with your client that the sale is a long sale.**

**Long Selling (sale of stock you own)** : You may sell your stock as per normal. You must confirm to us at the time of sale that you own the stock you are selling.

If a client does not understand what a long sale is, you can ask them whether they are selling stock they own.

In the case of **margin lending clients and clients selling stock that is issuer sponsored** you will need to confirm with them that they own the stock, they have not sold it elsewhere and that there are no restrictions on selling the stock

## **FOR INFORMATION ONLY**

**Short Selling** \*: Only new trades in non-financial stocks can be short sold from the 19<sup>th</sup> November 2008. No new orders will be accepted in financial stocks until ASIC lifts the ban on these (expected in late January 2009).

\* There are two types of Short Selling:

**Covered short selling** : is when the seller does not own but has a presently exercisable and unconditional right to vest the product through a 'firm' (legally binding) commitment from another party (like a stock lender) to deliver the stock in place before the sale. Note that 'Best endeavours' to deliver is not sufficient. An example of this would be short selling via Leveraged Equities Short Share facility.

**Naked short selling** : is where the seller does not own, nor have a presently exercisable and unconditional right to vest the products in the buyer. That is the seller does not own and does not have a 'firm' (legally binding) commitment from another party (like a stock lender) to deliver the stock in place before the sale. An informal promise to borrow/locate stock is not enough. Naked short selling is banned.