

In part, this MSCI ranking is an endorsement by investors of their confidence in the underlying integrity of our markets. Trust is a vital ingredient in investment decisions and at ASX we liken it to airline safety. If airline passengers have doubts about an airline's safety standards, they will fly with another carrier or change to another mode of transport. This is why we put so much of our resources into ensuring the conduct of our markets is honest and fair, and is supported by the best available systems.

From time to time there are calls for ASX to hand over the critical function of market supervision to an outside party. We have continued to resist these calls because we believe there are inherent risks for us if we let go this vital element of market operation. We see market supervision as so integral to our commercial and reputational success, that we cannot allow our control of this function to be surrendered, or somehow separated, from ASX. Indeed, ASX Supervisory Review Pty Limited (ASX SR), with its independent board of directors, was established not only to give additional comfort to the market that we take our oversight responsibilities seriously, but to also be a further check on our practices and resourcing. More recently, ASX SR's work has been complemented by the Australian Securities and Investments Commission (ASIC), which not only regulates and supervises ASX but this year commenced an annual audit to ensure we fulfil our legal obligations under the Corporations Act. The successful outcome of this round of supervisory oversight permits us, we believe, to point with continuing confidence to a consistent and very high level of market integrity.

Of course, the success or otherwise of ASX as a market operator also depends on the compliance of brokers and issuers with ASX Business and Listing Rules. This is why we enforce them so rigorously, without fear or favour. That said, it would be a mistake to leave corporate shareholders with the impression that ASX and government regulatory arrangements have removed the need for them to act as proprietors. It has not.

In the year under review, ASX has played an active role in furthering transparency and disclosure in company reporting through the release of the 'Enhanced Disclosure' amendments to our Listing Rules and the establishment of the ASX Corporate Governance Council, which consists of 21 interested representatives of market participants. In March this year this Council released a set of guidelines, which concentrates on an 'if not, why not' code to ensure transparency and to avoid a one-size-fits-all regime.

Given our pivotal role in the development of these guidelines, we have been an early adopter as will be seen in our Corporate Governance Statement and elsewhere in this annual report, even though it is not a requirement until after 1 July 2004.

The latest set of guidelines is largely a sensible evolution of earlier codes of behaviour. They are intended to allow maximum flexibility, consistent with proper disclosure and transparency. It is often forgotten that ASX lists approximately 1,500 entities, some of which are quite small. It is important that all these entities ultimately report on their adherence to the new guidelines on time, but patience will have to be exercised as they come to grips with the new requirements. We are confident they will. However, the really important work in corporate governance is done in the boardroom itself and is culturally based. Where ASX is important is in identifying real or potential governance weaknesses, by supervising the contractual relationship entities have with us. Rather than get in the way, we believe we help our customers to be truer to their principles.

As champions of better corporate governance, we applaud those organisations who are constantly pushing at the frontiers, to ensure improved practices. However, we also caution that the corporate governance movement should keep in mind the need to avoid governance for governance sake. Process should not substitute for substance.

March 1987
Herald and Weekly Times
is taken over by The News
Corporation Limited.



June 1987
Prime Minister Thatcher
wins rare third term in
Britain.

US entertainer Fred Astaire
dies, aged 88.

Publishing and Broadcasting
Limited (PBL) listed.

30 June 1987
All Ords 1,818.16

April 1987
Formation of the national
Australian Stock Exchange
(ASX) from the six state
exchanges.

