

## FINANCING OF SHAREBROKERS

### QUESTIONS AND ANSWERS

#### Question - From the Floor (Name not given):

Just a quick question, Mr Chairman, I will address to Mr Cox. I hear what you say about capital reserve requirements, but can you give an idea of what percentage of Australian brokers are trading profitably at the moment?

#### Response - Laurie Cox:

I know exactly what percentage of Australian brokers are trading profitably but I guess that is confidential information. I think what I can say to you is that there are a number of Australian brokers who are not trading profitably at the moment but as at the 31st of March, which is the last reporting date to the ASX, the proprietors' funds of Australian stockbrokers were higher than they were at the 31st of December. In other words, proprietors' funds have gone up by more than any losses that have been incurred across the industry as a whole.

#### Comment - Peter Hedge (Coopers & Lybrand):

Could I make one observation maybe because I think seeing the representative from the NAB speaking and Mr Cox speaking was a good balance of views. As manager of one of the stockbrokers that was suspended and as the person administering the liquidation of the other one, I think the banker has very clearly identified the problems of a banker in providing finance to a broker and yet Mr Cox has highlighted the way in which the broker got over the problem and that is, subordinated debt or an injection of capital where the financiers, because of their constraints, would not have been able to provide those funds.

Yes, there are risks involved and I think the NAB has certainly identified the way to get over that. As was mentioned by a speaker this morning, those risks can be minimised with more information and it is amazing how naive financiers can be as to how the broking industry actually operates.