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THE AUSTRALIAN FINANCIAL REVIEW

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ASX plans market index review

Jemima Whyte

The Australian Stock Exchange is reviewing its relationship with global financial services group Standard & Poor's as it seeks to regain influence over the composition of the key sharemarket indices following the controversy over News Corp's move to the United States.

"In terms of his strategy, D'Aloisio was masterfully vague, saying all the right things without committing to anything."
– Chanticleer, back page

The ASX is concerned that foreign companies are being deterred from raising capital in Australia because they do not meet the rules laid down by index provider S&P, which refuses to allow companies to be included on its key sharemarket indices in more than one equities market.

The ASX's chief executive, Tony D'Aloisio, said he was examining the index management arrangements with S&P as part of a sweeping review of the ASX's operations.

"The index is definitely an issue, and our relationship with S&P. It's one of the issues that is on our agenda to review to see what we can do to retain and encourage foreign-listed companies in raising capital here and getting into the index," he said.

The ASX outsourced the provision of the indices to S&P four years ago, partly to combat any perception of a conflict of interest in running the exchange as well as being listed on it.

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Bumper volumes drive profit, page 51

Macquarie in $3.6bn US shopping spree

Kathryn House

Macquarie CountryWide Trust has become the biggest owner of convenience shopping centres in the United States after buying a $US2.79 billion ($3.6 billion) portfolio with its US joint-venture partner, Regency Centers.

The deal continues the large offshore expansion of major listed property trusts. Property trusts now have more than 40 per cent of their assets outside Australia because of the lack of growth opportunities locally and the higher returns on offer in the US and Europe.

MCW will fund its share of the deal through debt and an $843 million equity raising – the second largest in Australia's listed property trust (LPT) sector behind Westfield America's $1.1 billion raising in early 2002.

The deal sparked a sell-off in the LPT sector, which dropped 1.7 per cent as major investors cashed up to participate in MCW's renounceable rights issue and a placement.

MCW chief executive Kylie Rampa described the purchase of the First Washington portfolio and two additional US properties as a "trust-transforming transaction", which gave MCW stakes in another 103 shopping centres across the US.

Combined with its existing US assets, accumulated over the past four years, MCW now controls $US3.5 billion in property through its Regency joint venture.

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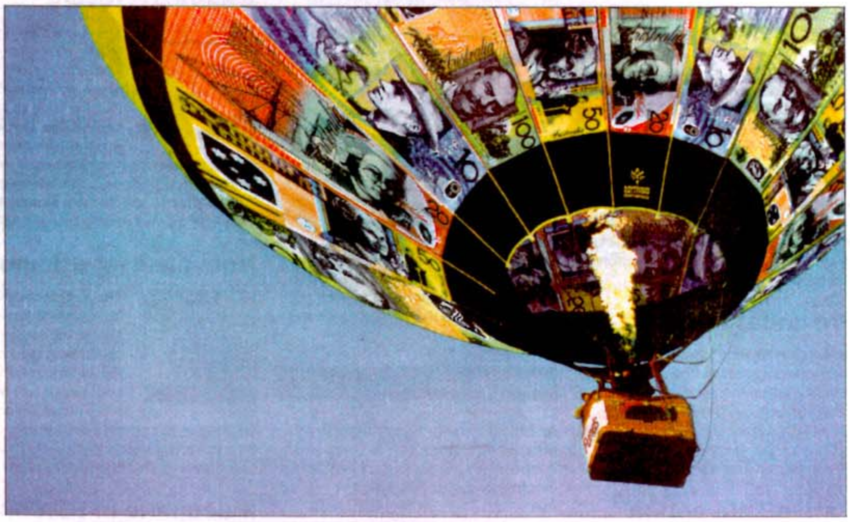
Veteran takes helm at AMP, page 56



Super returns flying high

Superannuation and managed fund investors rode the soaring equity markets to log their best returns in a decade in 2004. **Special 16-page liftout inside today. Plus**: Employers reel under administrative burden of choice regime, **page 50.**

Photo-illustration: PHIL CARRICK/afrphotos.com

Banks seek new personal credit checks

Andrew Cornell

The consumer finance industry has called on the federal government to make new laws giving banks and lenders greater access to personal financial information amid growing concerns about credit risk.

With the Reserve Bank of Australia set to lift interest rates in the coming months, representatives of the major banks, small lenders and finance companies have met federal Attorney-General Philip Ruddock to put the case for access to "positive" credit information.

At present, credit providers are able to obtain only "negative" information, such as missed payments and defaults, not a complete picture of a would-be borrower's debts and capacity to pay them off.

The industry has warned of the looming danger of growing delinquencies, arguing greater access to personal financial information would allow more sensible lending practices.

Critically, it would allow lenders to identify those who do not have a negative credit record but are still highly indebted and particularly vulnerable to tighter conditions.

According to RBA data, household debt is at historically high levels and the bank has warned that consumers are vulnerable to high interest payments.

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Blair does backflip on Kyoto targets

Geoff Kitney
Europe correspondent

As the Kyoto Protocol on climate change came into effect today, European hopes of leading moves for stronger action to reduce greenhouse gas emissions were undermined by a row over British plans to renege on emission reduction targets.

Britain signalled that it intended to defy European Union threats of legal action to force it to stick to its commitments. The UK proposes to allow British industry to produce about 20 million tonnes more carbon dioxide than the limits it agreed in July last year as part of EU-wide targets, which British industry has warned would impose economically damaging compliance costs. By appearing to bow to industry pressure and aim for less ambitious gas emission targets, British Prime Minister Tony Blair has in effect conceded ground to the anti-Kyoto forces.

The protocol today becomes binding on signatories, requiring developed nations to reduce greenhouse gas emissions to 1990 levels by 2012, an average cut of 5.2 per cent.

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SBA 001

Banks seek new checks on personal credit

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"If regulators like the Reserve Bank are concerned about household debt, they should be looking extremely closely at positive information," said Leigh Clapham, the head of MasterCard Australia, whose members include all the banks, smaller lenders and finance companies.

"Australia is the only one of the top 12 developed countries without such information."

The industry group, led by Dun & Bradstreet, which is keen to establish a new credit bureau with the extra information, spoke to parliamentary committees, Treasury, senators and Mr Ruddock, as any moves would require changes to the Privacy Act, .

FBA 006

"Few issues will be as important to Australian households over the next 12 to 36 months as the sustainability of their credit position," said a briefing note from the meeting, obtained by *The Australian Financial Review*.

"With evidence that Australia's credit reporting system is contributing to a high rate of defaults compared to international rates, there is now a strong case for government review of the issue."

D&B is part of a broader industry grouping of credit providers, the Australasian Consumer Credit Council, which was established in March last and includes banks, telecommunications companies, finance companies, and non-bank providers such as GE Money.

"We support access to more information," GE Money Australia president Tom Gentile said. "Our experience internationally is that allows us to make more informed decisions."

"Australia's system is contributing to a high rate of defaults."

Treasury is reviewing the issue of positive credit scoring, and the Australian Finance Council is expected to report on the matter in coming months. A spokesman for Mr Ruddock said that while the minister appreciated the industry's position, he would not form a view until he had seen the AFC's report.

At present, would-be credit providers such as banks, finance companies and utilities rely on honesty in applications, their own data models and Australia's "negative credit bureau" – which tracks only defaults and missed payments.

Australia is one of the few developed economies where lenders don't have access to more complete details of consumers' financial history and current debts.

But any changes to Australia's regulation of access to personal credit details are likely to meet strong opposition from parts of the consumer movement, spearheaded by the Australia Consumers Association.

The manager of the Victorian Consumer Credit Legal Service, Carolyn Bond, said bureaus did not have a good record for accurate information and the industry would use positive information to simply lend more money. Profits would improve, but with more lending would come more people in trouble in real terms.

"I think the industry is particularly dishonest about this issue, saying it will lower credit problems," she said.

The consumer industry raises the spectre of American-style access to personal data which has led to a surge of unsolicited credit offers. However, the model proposed for Australia is more limited than the US model.