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21 December 2005

ADELAIDE BANK LIMITED

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Mr Scott Gregson
 General Manager – Adjudication
 Australian Competition and Consumer Commission
 PO Box 1199
 Dickson ACT 2602

Dear Mr Gregson

**ADELAIDE EQUITY FINANCE Margin Lending
 Notification of Exclusive Dealing – Third Line Forcing**

I enclose an application form for notification of exclusive dealing (third line forcing).

The application relates to Adelaide Equity Finance Pty Ltd's (**AEF**)'s margin lending product, (**AEF Margin Loan**). AEF is a wholly owned subsidiary of Leveraged Equities Limited (**LE**), which is in turn a subsidiary of Adelaide Bank Limited. AEF was acquired from Goldman Sachs JBWere Capital Markets Limited (**GSJBW**) in June 2005.

AEF Margin Loan is a share financing arrangement whereby AEF grants a loan to a borrower to purchase or borrow against shares, securities and other investments from a list of 'Approved Securities'. A borrower may also purchase or borrow against other securities agreed to by AEF from time to time. The borrower mortgages the shares, securities and other investments to AEF as security for the loan.

There is strong competition for the provision of margin lending and loan-based investment products and there are a large number of participants that offer a wide range of products and services. Consumers wanting to acquire shares or other investments and borrow money for business or investment purposes are free to choose, on the normal commercial basis of quality and price, whether or not to adopt the margin loan account or obtain alternative finance.

In order to preserve AEF's loan security over the shares, securities and other investments, AEF proposes to:

(a) require the borrower and any guarantor for accounts other than "platform" or "wrap" accounts to:

- (i) utilise Leveraged Equities Nominees Limited (**LEN**) (a wholly owned subsidiary of LE as the sole sponsor for its CHESSE holding;
- (ii) in respect of unlisted securities and other investments utilise LEN and/or Leveq Nominees Pty Ltd (**Leveq**) as nominee holder of the uncertificated securities and other investments on behalf of the borrower and guarantor. Leveq is a wholly owned subsidiary of Adelaide Bank Limited; and

(b) require the borrower and any guarantor for "platform" or "wrap" accounts to utilise Invia Custodian Pty Limited (**Invia**) (a company owned by the GSJBW group) as the sole sponsor or nominee holder of platform/wrap account assets

The proposed conduct is an efficient and cost-effective way of controlling security over the shares and allows AEF to offer a wider range of product choice for the customer. Presently AEF utilises the services of Invia to provide the CHESSE sponsorship and custodian services, but this will predominantly change to LEN and Leveq in February 2006, as part of the post-sale transition.

Prior to the acquisition, the activities undertaken by AEF were subject to an Exclusive Dealing Notification by Were Stockbroking Limited, JB Were Group Holdings and their respective

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subsidiaries, of which AEF was a subsidiary. The conduct of AEF post-acquisition has not changed and the activities described above are the same as the activities undertaken by LE, which is currently subject to an Exclusive Dealing Exemption

Following the acquisition of AEF from GSJBW, AEF now considers it necessary to submit a new notification as the AEF Margin Loan product may involve conduct of the kind described in section 47 (6) and/or 47(7) of the Act and accordingly makes the attached notifications in relation to:

- (a) the requirement to appoint LEN and Invia as CHESSE sponsor; and
- (b) the requirement to appoint LEN, Invia and/or Leveq as nominee.

I enclose a cheque for the \$1,200 filing fee in respect of the 2 notifications. If you have any questions or require any additional information, please call me on (08) 8300 6716.

Yours faithfully,

A handwritten signature in black ink, consisting of a series of loops and a long horizontal stroke that curves upwards at the end.

Damien Harby
Head of Legal Services
Adelaide Bank Limited

Form G
Commonwealth of Australia
Trade Practices Act 1974 -- Sub-section 93(1)

EXCLUSIVE DEALING NOTIFICATION

To the Australian Competition and Consumer Commission:

Notice is given, in accordance with sub-section 93(1) of the *Trade Practices Act 1974*, of particulars of conduct or of proposed conduct of a kind referred to in sub-section 47(2), (3), (4), (5), (6) or (7), or paragraph 47 (8) (a), (b) or (c) or (9)(a), (b), (c) or (d) of that Act in which the person giving notice engages or proposes to engage.

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- (a) Name of person giving notice
Adelaide Equity Finance Pty Limited (ABN 17 008 614 122) (AEF).
- (b) Short description of business carried on by that person
Financial services – provision of financial accommodation.
- (c) Address in Australia for service of documents on that person
*Legal Department
Adelaide Bank Limited
Level 5, 169 Pirie Street
Adelaide SA 5000
Attention: Damien Harby*

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- (a) Description of the goods or services in relation to the supply or acquisition of which this notice relates
AEF Margin Lending . See Attachment A.
- (b) Description of the conduct or proposed conduct
See Attachment A.

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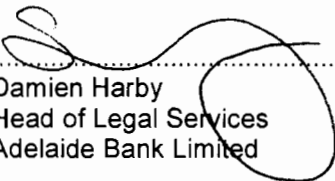
- (a) Class or classes of persons to which the conduct relates
Potential purchasers of the product are usually clients of a broker, financial adviser or public accountant.
- (b) Number of those persons
 - (i) At present time – *approximately 5,200*
 - (ii) Estimated within the next year – *6,000*
- (c) Where number of persons stated in item 3(b)(i) is less than 50, their names and addresses
Not applicable

- 4 Names and address of person authorised by the person giving this notice to provide additional information in relation to this notice:

*Warwick Painter, Partner
Allens Arthur Robinson
Chifley Tower, 2 Chifley Square
Sydney NSW 2000
Telephone : 9230-4174*

Dated: 21 December 2005

Signed on behalf of the applicant giving notice


.....
Damien Harby
Head of Legal Services
Adelaide Bank Limited

Attachment A

Background

Adelaide Equity Finance Pty Limited (**AEF**) provides a range of financial products and services to a range of customers and is a wholly owned subsidiary of Leveraged Equities Limited (**LE**) which is in turn a subsidiary of Adelaide Bank Limited. Leveraged Equities Nominees Limited (**LEN**) is a wholly owned subsidiary of LE. Leveq Nominees Pty Ltd (**Leveq**) is also a wholly owned subsidiary of Adelaide Bank Limited. Adelaide Bank acquired AEF from Goldman Sachs JB Were Capital Markets Limited (**GSJBW**) in June 2005. Invia Custodian Pty Limited (**Invia**) is a company owned by the GSBW Group.

AEF offers the Goldman Sachs JBWere Margin Loan Account product (the **Margin Loan Account**). The Margin Loan Account is a share financing arrangement which allows a borrower to borrow money from AEF to purchase shares and other investments chosen by the borrower from a list of 'approved securities'. A borrower may also purchase or borrow against other securities agreed to by AEF from time to time. The shares, securities and other investments are used as security for the loan. The borrower may contribute shares and other investments which are already owned by the borrower or can purchase the shares or other investments and instruct the borrower's broker to settle directly with AEF. Other persons may guarantee repayment of the borrower's loan and may contribute shares and other investments as security for the repayment of the borrower's loan.

A feature of the Margin Loan Account is that all listed shares and investments which are mortgaged to AEF must be transferred to a CHESS holding controlled by either LEN or Invia as the Sponsoring Participant for the borrower or guarantor. LEN or Invia is appointed by the borrower or the guarantor under a CHESS Sponsorship Agreement required by the SCH Business Rules.

In addition, AEF may require a borrower or guarantor to transfer legal title to LEN, Invia or Leveq as nominee holder, where the shares or other investments are unlisted and so cannot be controlled through a CHESS Sponsorship Agreement. The terms of the appointment of LEN, Invia or Leveq as nominee are set out in the legal agreements which the customer agrees to upon application for the Margin Loan Account.

A borrower under the Margin Loan Account may also be required to contribute further shares or other investments, or repay part of the Loan, if the market value of the mortgaged shares and investments is less than the required coverage for the Margin Loan (this is referred to as a 'margin call').

The above features allow AEF to protect its security in relation to the Margin Loan Account, by requiring that dealings in the secured property need consent from AEF

Trade practices issue

It is possible that the proposed conduct may involve conduct of the kind in section 47(6) of the Trade Practices Act 1974 (Cth) (**the Act**) on the basis that AEF will only provide financial accommodation to the borrower for the purchase of the approved securities on the condition that the borrower or guarantor uses LEN or Leveq as the nominee holder of unlisted securities and other investments. Similarly, the conduct might involve conduct of the kind in section 47(7) of the Act if AEF refuses to provide the loan because the borrower or guarantor will not use LEN or Leveq as its nominee.

Where shares, securities and other investments are unlisted, it is often the case that the issuer of the shares or investments will not take notice of security interests such as those given to a financier, and so the financier must establish a method to allow it to control the security over the shares and other investments, by transferring the investments to a nominee holder. AEF therefore proposes to use LEN and/or Leveq as the nominee for holding unlisted securities and other investments on behalf of borrowers and guarantors.

These arrangements allow AEF to offer the Margin Loan Account and to maintain control over its security interests in the shares and other investments.

Public Benefit

AEF submits that the proposed conduct is not anti-competitive.

The products and services of AEF are provided by associated companies. If the products and services of AEF were all provided by the same legal entity, there would be no question of breach of section 47(6) or 47(7) of the Act.

There is strong competition for the provision of margin lending and loan-based investment products and there are a large number of participants that offer a wide range of products and services. Consumers wanting to acquire shares and other investments and borrow money for business or investment purposes are free to choose, on the normal commercial basis of quality and price, whether or not to adopt the Margin Loan Account or obtain alternative finance.

The proposed conduct is an efficient and cost-effective method of obtaining security over unlisted shares, securities and other investments. It enables AEF to offer a margin lending product with a wide range of additional features of benefit to consumers at a price that it would not otherwise be able to offer. The benefits of the loan include providing borrowers with:

- the ability to make regular planned investments using the Margin Loan Account;
- a centralised point of contact for the administration of their loan and share portfolio; and
- a mechanism for the efficient clearing and settlement of transactions in the shares and other investments associated with the Margin Loan Account.

By enabling AEF to offer a wide range of products and flexibility for the customer at a lower price than would otherwise be available, the proposed conduct promotes competition among margin lending and loan-based investment products. Since there are a large number of products being offered to potential customers wishing to purchase shares and borrow for business or investment purposes, there is no likelihood that the proposed conduct would substantially lessen competition in any market. The benefits from the proposed conduct outweigh any possible detriment considered to arise from the conduct.