



**CHARTERED SECRETARIES
AUSTRALIA**

Leaders in governance

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Dear Jane

Facilitating equity capital raising

Chartered Secretaries Australia (CSA) is the independent leader in governance, risk and compliance. As the peak professional body delivering accredited education and the most practical and authoritative training and information in the field, we are focused on improving organisational performance and transparency. Members of CSA deal on a day-to-day basis with the Australian Securities and Investments Commission (ASIC) and have a thorough working knowledge of the operations of the financial markets, the needs of investors and the Corporations Act.

Proposal to remove the 10% discount limit on placements for listed managed investment schemes

CSA supports the removal of the 10% discount limit on placements of quoted interests in listed registered schemes.

CSA notes that significant discounts are available to public listed companies and it should be no different for listed managed investment schemes.

Moreover, CSA notes that it is potentially unfair to offer significant discounts to institutional investors and not also offer them to retail investors. At the present time, it is quite often the case that the company will place shares with institutional investors, but will also have a retail shareholder component of its capital raising, and CSA believes that this should be encouraged for listed managed investment schemes as well.

Proposal to modify the maximum five-day suspension period for rights issues and secondary sales without a full prospectus (e.g. following a placement)

CSA supports ASIC using its modification powers to increase the maximum five-day suspension period for rights issues and secondary sales with relief being granted on a case-by-case basis.

CSA believes that ASIC should have the remit to decide if it will grant relief on a case-by-case basis. However, CSA believes that the proposal provided to ASIC by the issuer seeking such relief should also include any other general information relating to written enquiries raised by ASX in relation to continuous disclosure during the prior 12-month period, and that ASIC should consider this information along with the criteria discussed in the consultation paper when deciding whether to grant relief.

Proposal to broaden the takeovers exception for rights issues

CSA supports broadening the takeovers exception for rights issues, enabling the members of listed entities to be able to take up any shortfall in rights that other members have not accepted under a rights issue using a shortfall facility, even if by doing so they exceed the takeover threshold.

CSA supports this proposal on the basis that shareholders will be provided with opportunities to increase their investment. **CSA recommends** that the broadening of the shortfall facility exception only be on the basis that the facility is available to all shareholders, so that there is no distortion of company ownership structures and all shareholders have the ability to increase their shareholding.

Proposal to broaden the takeovers exception for dividend reinvestment plans

CSA queries whether granting class order relief to listed entities should be extended to dividend reinvestment plans (DRPs).

CSA notes that a rights issue is an optional cash flow, whereas a DRP is a mandatory cash flow. CSA is concerned that if the relief is extended as proposed, a major shareholder who does not take up rights under a DRP, as they wish to obtain the dividend, could then underwrite the DRP and hence take up a greater portion of shares than they are entitled to. CSA points to the average take-up of DRPs being around 30 per cent.

CSA notes that it would appear to be a remote possibility for a major shareholder to effect a takeover through exploitation of the extension of relief to listed entities to DRPs, but that this possibility needs to be considered as it would be an unintended consequence of the proposal for reform.

In preparing this submission, CSA has drawn in particular on the experiences of its two national policy committees, comprising members working in both small and large listed companies. We would be happy to meet with you and discuss these issues further.

Yours sincerely



Tim Sheehy
CHIEF EXECUTIVE