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The Manager
Financial Services Unit
Retail Investor Division, The Treasury
Langton Crescent
PARKES ACT 2600

By email: retailcorporatebonds@treasury.gov.au

Our ref: 1000969

Dear Sir/Madam,

Discussion Paper: Development of the retail corporate bond market: streamlining disclosure and liability requirements

ASX welcomes the policy initiatives, outlined in the discussion paper, to streamline the disclosure and liability requirements relating to retail corporate bonds so that the effectiveness of disclosure can be improved for investors.

The full prospectus requirement for retail corporate bonds is costly and onerous

ASX believes that the regulatory framework should not create an unnecessary bias toward a particular form of fundraising, or limit options that may be in the best interest of a company and its shareholders. The discussion paper recognises that the process for issuing corporate bonds to retail investors is costly and onerous compared to other means of fundraising, given the need to issue a full prospectus.

ASX supports the proposal for a tailored prospectus subject to compliance with the continuous disclosure regime under the ASX listing rules

The paper proposes that the main eligibility requirement to qualify to issue a tailored prospectus for an issue of retail corporate bonds be that the issuer is a listed entity with quoted securities and that the issuer is compliant with the relevant continuous disclosure and reporting requirements of the *Corporations Act 2001*.

This is similar to the policy settings that apply for a listed entity to undertake a rights issue without a prospectus under section 708AA, or to issue a tailored prospectus for continuously quoted securities under section 713, of the *Corporations Act*.

ASX listed entities are subject to the obligation under Listing Rule 3.1 to make timely disclosure of information that a reasonable person would expect to have a material effect on the price or value of its quoted securities.

ASX Compliance closely monitors compliance with the continuous disclosure regime and works co-operatively with ASIC in that regard.

Anything likely to have a material effect on the price or value of debt securities to be issued by an ASX listed entity is likely to have an even larger effect on the price or value of its quoted equity securities, given the lower ranking and higher risk of equity securities compared to debt securities. Hence, compliance by an ASX listed entity with its continuous disclosure obligations in relation to its equity securities, in conjunction with the additional disclosures required to be made about its debt securities in the tailored prospectus, should ensure that prospective investors in those debt securities have access to all of the material information they need to make an informed investment decision.

Listing of Commonwealth Government Securities is a necessary first step for a retail corporate bond market

The discussion paper also recognises the important role that retail access to exchange-traded Commonwealth Government Securities (CGS) can play in underpinning the establishment of a retail corporate bond market.

ASX is in discussions with the Treasury and the Australian Office of Financial Management (AOFM) to develop a retail exchange-traded CGS market utilising existing ASX capabilities. ASX would expect to be operational in Q3 2012 subject to ASIC approval of the operating rules and the timing of a decision on the selection of the registry function by AOFM.

ASX believes that quoting CGS on ASX and allowing retail investors to buy and sell CGS in the transparent, cost-effective and secure way they can trade shares will:

- improve Australia's economic competitiveness by generating the critical investor and asset class base on which the corporate bond market can be built;
- diversify and reduce volatility in Australia's savings pool by allowing retail investors to broaden their investments beyond equities and into a fixed income asset class; and
- reduce Australia's reliance on offshore funding and exposure to movements in foreign exchange rates by mobilising greater domestic savings for investment in local infrastructure and corporate expansion.

Please contact Paul Baranov at paul.baranov@asx.com.au or phone (02) 9227 0295 if you require further information.

Yours faithfully,



Amanda J Harkness
Group General Counsel and Company Secretary