

14 February 2013

Manager
Disclosure and International Unit
Retail Investor Division
The Treasury
Langton Crescent
PARKES ACT 2600

[By email to: SimpleBonds@treasury.gov.au]

Dear Sir or Madam

RE: *Corporations Amendment (Simple Corporate Bonds and Other Measures) Bill 2013 (Cth) (Bill)*

The Trust Company has more than 125 years experience in providing financial services and since 1954 has acted as a corporate trustee. The Trust Company is well respected and well known in the marketplace as a provider of corporate trustee services, including acting as trustee in respect of debentures.

We support the further development of a retail corporate bond market in Australia and we welcome the opportunity to provide comments in respect of the Bill, the purpose of which we understand is to amend the *Corporations Act (Act)* to facilitate increased trading in retail corporate bonds in Australia.

The Bill is an important step in aligning offers of debt and equity to retail investors under Australia's securities laws. We do note however that creating a genuine retail corporate bond market in Australia will require more than simply reform to existing legislation. Other commercial and market conditions will need to be present including pricing, demand and the willingness of market participants to encourage growth of the retail corporate bond market.

Our specific comments in respect of the Bill, which are set out below, relate to the ranking of simple corporate bonds and the disclosure regime.

Ranking of simple corporate bonds

We note that the Bill requires that holders of simple corporate bonds have a higher priority than unsecured creditors of the issuer should the issuer be wound up. Our view is that a requirement of this nature would undermine the effectiveness of the simple corporate bond regime for many issuers of simple corporate bonds. This is because many issuers would be in breach of existing unsecured debt facilities were they to issue corporate bonds with the priority ranking currently required under the Bill.

We suggest that this requirement be amended to provide that the holders of the bonds cannot be *subordinated* to unsecured creditors of the issuer, rather than needing to rank higher than unsecured creditors.

Disclosure regime for simple corporate bonds

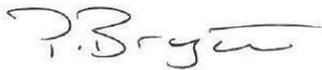
The Bill places great emphasis on changes to the existing disclosure regime under Chapter 6D of the Act for the purpose of the simple corporate bond regime.

From the industry's perspective, as well as acting as a consumer education tool, disclosure documents are a mechanism to facilitate the sale of the product or service and to limit providers' liability. The latter role often leads to lengthy and complex disclosure which may mean the document ends up failing to achieve the purpose of informing investors. In this sense the driver for such lengthy disclosure documents is a commercial one, where industry seeks to produce compliant documents that will avoid regulator scrutiny.

Accordingly we suggest that the specific disclosure requirements in the accompanying regulations to the Bill need to be thoughtfully drafted so as to ensure that disclosure requirements are simplistic and not overly prescriptive. Furthermore, we would advocate that the more dynamic information that is needed to be disclosed by a simple corporate bond issuer to the bond holders should be able to be disclosed through the well understood continuous disclosure regime as opposed to a further prospectus update.

We would be happy to discuss any of the comments that we have made in this submission.

Yours faithfully,



Peter Bryant
Group General Counsel