



**CHARTERED SECRETARIES
AUSTRALIA**

Leaders in governance

15 October 2012

Diane Lewis
Regulatory and Public Policy
ASX Limited
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SYDNEY NSW 2000

By email: regulatorypolicy@asx.com.au

Dear Diane

ASX BookBuild®

Chartered Secretaries Australia (CSA) is the peak body for over 7,000 governance and risk professionals. It is the leading independent authority on best practice in board and organisational governance and risk management. Our accredited and internationally recognised education and training offerings are focused on giving governance and risk practitioners the skills they need to improve their organisations' performance. CSA has unrivalled depth and expertise as an independent influencer and commentator on governance and risk management thinking and behaviour in Australia.

Company secretaries have primary responsibility in listed companies to deal with the Australian Securities Exchange (ASX) and interpret and implement the listing rules. Our Members deal on a day-to-day basis with ASX and have a thorough working knowledge of the operations of the markets, the needs of investors and the listing rules, as well as compliance with the Corporations Act (the Act).

CSA welcomes the opportunity to comment on the ASX consultation paper: *ASX BookBuild®* (the consultation paper) and draws upon the experience of our Members in formulating our response.

General comments

CSA supports the move by ASX to introduce a new mechanism for capital raising that will allow ASX listed companies to price and allocate new securities through an on-market, automated bookbuild mechanism called ASX BookBuild®.

CSA is of the view that, as one alternative mechanism for capital raising, the ASX BookBuild® has the potential to provide small and mid-cap companies with a means of raising funds that could be more suitable for their purposes than undertaking other forms of capital raising, such as placements. For example, it could be suitable for a company without many institutional investors on its register that is seeking to maximise the price of a raising and increase the transparency of allocation.

CSA is of the view that large companies are unlikely to utilise this particular mechanism for capital raising, particularly if they are seeking to manage the allocation of shares to new investors and retain some control over their share register. Large companies will continue to use placements and ASX BookBuild® should not in any way interfere with or hinder the continued use of placements by listed entities.

CSA believes that the ASX BookBuild® proposal addresses a number of current issues, including the perception that:

- retail shareholders are disadvantaged in capital raisings relative to institutions
- the interests of companies and pre-existing shareholders can be harmed by the pricing of an issue.

CSA's support for the ASX BookBuild® proposal is based on our belief that it provides the opportunity for:

- greater price transparency
- participation in the capital raising by the whole of the market — although CSA is of the view that it is likely that only high net-worth individuals would be able to participate in these BookBuild®, and that smaller retail investors are not catered for in this alternative mechanism for fundraising
- price maximisation
- a more transparent and objective allocation process.

Guidance

Given that it is a mechanism for capital raising more likely to appeal to small and mid-cap companies, and given the emphasis in the consultation paper on providing greater access to fundraising, **CSA strongly recommends** that ASX issue guidance clarifying that this mechanism:

- cannot be used to preference eligible investors and maintain control of the share register (a company can set a cap as a deterrent to a bidder getting a significant stake in the company and the cap must be made public)
- is likely to appeal only to high net-worth retail investors, as small bidders are unlikely to participate.

Market hours

CSA notes that many placements are conducted outside of market hours, particularly if international investors are being sought. The consultation paper notes that ASX BookBuild® will only operate in market hours. **CSA recommends** that ASX examine the implications for companies of restricting this mechanism for capital raising to market hours, so that it can assure companies that they will not be disadvantaged in any way by this criterion.

Class Order

CSA notes that managed investment schemes seeking to undertake a placement or share buyback need Class Order relief from the Australian Securities and Investments Commission (ASIC) in relation to the requirement that there be equal access to fundraising.

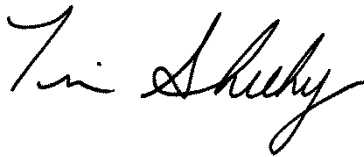
The ASX BookBuild® proposal does not provide for equal access. **CSA recommends** that ASX clarify if Class Order relief from ASIC will be required to utilise this mechanism for capital raising.

Fees

The consultation paper does not address any fees that will be set by ASX for use of this mechanism for capital raising.

CSA recommends that ASX provide transparency on any likely fees that an issuer may face if using this platform.

Yours sincerely

A handwritten signature in black ink, appearing to read "Tim Sheehy". The signature is written in a cursive, flowing style.

Tim Sheehy
CHIEF EXECUTIVE