SUBMISSIONS ON ASX CONSULTATION PAPER: UPDATING ASX'S ADMISSION REQUIREMENTS FOR LISTED COMPANIES

STEINEPREIS PAGANIN
Lawyers & Consultants

TABLE OF CONTENTS

1. BACKGROUND 1

2. EXECUTIVE SUMMARY 2

2.1 Proposed Changes 2
2.2 Overview of submission 2
2.3 Group Submissions 4

3. SUBMISSIONS – PROPOSED CHANGES TO ASX LISTING RULES 5

3.1 Proposal 2 – changes to assets test 5
3.2 Proposal 4 – Changes to the minimum spread requirements 6
3.3 Proposals 6 and 7 – Requirement for 3 years of audited accounts 6

4. SUBMISSIONS – CHANGES TO ASX POLICY 8

4.1 Two cent rule 8
4.2 Suspension of trading in securities for a Backdoor Listing 9

5. RESPONSE TO ASX QUESTIONS IN CONSULTATION PAPER 12

1. BACKGROUND

Steinepreis Paganin welcomes the opportunity to provide a submission to the Australian Securities Exchange (**ASX**) on certain aspects of ASX's Consultation Paper dated 12 May 2016 'Updating ASX's admission requirements for listed entities' (**Consultation Paper**).

Steinepreis Paganin is an independent corporate and advisory law firm operating in Perth, Western Australia. We provide legal advice to mid to small cap companies seeking a listing on ASX. Importantly:

(a) Steinepreis Paganin has advised on over 250 initial public offerings together with over 100 reverse takeover or backdoor listing transactions since its inception;

(b) since 2007, our firm has regularly been recognised by independent reporting sources as the most active legal adviser on initial public offerings in Australia;

(c) our firm currently advises approximately 200 mid to small cap companies listed on ASX, with the majority of these companies from the resources sector; and

(d) we understand that we have the most number of interactions with ASX, based on the number of clients we service and transactions that we act on, of any adviser in Australia and that we are the largest 'client' of the Australian Securities and Investments Commission (**ASIC**), calculated on the number of documents lodged from our office with ASIC.

Steinepreis Paganin has a unique understanding of the Australian mid to small cap market given that it acts for a significant number of listed public companies in this area and it has been actively involved in the most listings, Australia wide, for a significant period of time.

2. EXECUTIVE SUMMARY

2.1 Proposed Changes

The Consultation Paper sets out the proposals from ASX and the request for consultation with industry participants in relation to changes to the admission requirements for listing on ASX, including proposed changes to the way in which ASX will manage reverse takeovers or backdoor listings under Chapter 11 of the ASX Listing Rules (**Listing Rules**).

The Consultation Paper invites submissions on a number of proposals to implement changes to the ASX admission requirements.

2.2 Overview of submission

Steinepreis Paganin submits that the Listing Rules, as currently drafted, provide ASX with the power to determine which entities are suitable for listing on ASX, without introducing a black letter regime. The veracity of the existing Listing Rules appears to be acknowledged by ASX in the Introduction to the Consultation Paper.

The Consultation Paper notes that ASX considers that it is recognised globally as a market of quality and integrity. We agree and would add that ASX is also recognised as being a market which is easy to understand and accessible to entities and investors of various sizes and backgrounds, and not only high net worth or otherwise sophisticated investors.

Acknowledging that, ASX is noted both within and outside Australia for its robust yet easy to navigate listing requirements, Steinepreis Paganin questions if there is likely to be any real or tangible improvement in ASX's reputation or contemporaneous decrease in risk to that reputation resulting from the implementation of these changes?

From our reading of the Consultation Paper and subsequent verbal discussions with various representatives of ASX, the reason for a number of these changes was the increased prevalence of emerging technology and emerging markets entities seeking a listing on ASX, mostly through backdoor listings. The technology development market is a relatively new market that has developed as the costs of technology development have decreased and the ability to create and build on new ideas has become easier. For this reason, as a new sector, we submit that many of the proposed amendments are better dealt with by the introduction of policies or rules relating to technology entities rather than global amendments to the ASX Listing Rules.

Our overall position on each proposed change (extracted from the Consultation Paper) is as outlined below:

	Proposal	Summarised position
1.	To increase the consolidated profit requirement under the profit test for the 12 months prior to admission to at least $500,000	No objection, although the increase in the profits test as a percentage is significantly higher than the increase in the NTA test.

2.	To increase these thresholds to an NTA of at least $5 million or a market capitalisation of at least $20 million	Recommend against, or in the alternative, a carve-out for mining exploration entities for which the existing thresholds will apply be introduced.
3.	To introduce a rules-based 20% minimum free float requirement for ASX listings at the time of admission	Agree.
4.	To change the minimum spread requirement for listing on ASX	Agree on number of Shareholders but recommend against the $5,000 threshold on the basis that it will reduce less sophisticated investors' accessibility to initial public offerings and backdoor listings.
5.	To standardise the current $1.5 million minimum working capital requirement by extending the additional requirement that currently apply only to mining and oil and gas exploration entities, to all entities admitted under the assets test	Agree.
6.	To introduce a new requirement for entities seeking admission under the assets test to produce audited accounts for the last 3 full financial years. If the accounts for the last full financial year are more than 8 months old, it is proposed that the entity also be required to produce audited or reviewed accounts for the last half year	Agree subject to comments below.
7.	An entity seeking admission under the assets test be required, unless ASX agrees otherwise, to produce 3 full financial years of audited accounts for any entity or business to be acquired by the entity at or ahead of listing (applicable particularly to backdoor listings)	Disagree in relation to any regime that allows for a discretion that can be altered or changed without notice, given potential for transaction and costs risks to entities. In addition, wording should be included to ensure that an entity only need provide accounts for up to three years, to cover instances where the entity has been incorporated for less than three years.

8.	To update the introduction of the ASX listing rules to reinforce ASX's absolute discretion on admission and quotation and to state that ASX will take into account the reputation, integrity and efficiency of its market in exercising these discretions	No comment, other than the removal of the appeal rights may ultimately result in legal action in a superior court as an alternative to the previous appeal process at a significantly greater cost to all parties.

In addition to the above proposals, there are certain ASX policy changes in relation to entities undertaking backdoor listings or reverse takeovers that have already been adopted and are currently being implemented. This includes the suspension of entities from trading from when they announce a backdoor listing transaction until it has re-complied with ASX's admission and quotation requirements and changes to the availability of the 20 cent waiver. This paper discusses these policy changes in Section 4.

We set out more detailed submissions below.

2.3 Group Submissions

In addition to these submissions, Steinepreis Paganin has been involved in the preparation of submissions prepared by a group of Western Australian broker, legal and other advisers dated on or around the date of these submissions incorporating the views and collective opinions of:

Argonaut Limited, Euroz Limited, Hartleys Limited, Patersons Securities Limited, Bellanhouse Legal, DLA Piper, Gilbert + Tobin, Jackson McDonald, Steinepreis Paganin, Azure Capital Limited, FTI Consulting and others,

(**Group Submissions**).

Steinepreis Paganin generally supports those Group Submissions, in addition to our specific submissions outlined below.

3. SUBMISSIONS – PROPOSED CHANGES TO ASX LISTING RULES

3.1 Proposal 2 – changes to assets test

Steinepreis Paganin is concerned that the proposal to increase the minimum net tangible assets from $3 million to $5 million will prevent a number of entities that would otherwise be capable of achieving a listing on ASX, from being able to meet the minimum conditions, in particular mineral and oil and gas exploration entities.

Steinepreis Paganin notes the following in relation to this proposed change:

(a) The increase in the net tangible asset threshold does not take into account the additional amounts that entities need to raise in seed investments prior to undertaking any initial public offer (**IPO**) raising. Therefore, at a practical level, an increase in net tangible assets required for these entities is not an increase from $3 million to $5 million, but more likely an increase from $4 million to $6 million. This is significant.

(b) Since the release of the Consultation Paper, various reports have been made public showing how an increase in the net tangible assets requirement would have impacted on entities currently listed on ASX. We encourage ASX to consider these independent reports, in particular the high number of mineral and oil and gas entities that would have been effected by having needed to comply with these new requirements; in particular given that mineral and oil and gas entities make up a significant proportion of entities listed on ASX.

(c) Australia does not have, and has never had, a strong and robust venture capital market, meaning ASX has been a preferred and often only source for funding for new developments, whether they be in mining and resources, bio medical, technology or other sectors, including many that have grown to become significantly bigger entities and successful businesses. Any increase that would remove ASX as a potential source for early-development capital for those entities should be discouraged.

By way of a case study, Alexium International Group Limited (ASX:AJX) was recently admitted into the ASX300 having been the result of a backdoor listing of the Alexium technology into the shell of the previously listed Evans & Tate wine group. Alexium raised $1.5 million at 20 cents per share in 2010 in order to complete that backdoor listing.

(d) Mineral and oil and gas exploration entities seeking to list on ASX often do not require a level of cash required to meet a $5 million net tangible assets condition, and therefore any requirement to raise such funds in order to achieve a listing on ASX could lead to inflated expenditure budgets or inefficiencies, which should be discouraged.

(e) On 13 May 2016 in *The Australian* newspaper, the ASX chief compliance officer was quoted as saying in relation to an increase in small companies listing on ASX through backdoor listings, "*…[ASX] think some of [these backdoor listed entities] were possibly too small to list*." Steinepreis Paganin understands this concern, in particular in relation to small technology companies. However, ASX at all times has had, and retains, the ability to prevent those companies from being admitted to trading on ASX, either through a backdoor listing or an IPO, by exercising its discretion under Listing Rule 1.1, condition 1. Therefore, a greater exercise

of its discretion under that Listing Rule may create a better overall result than increasing the threshold that may see otherwise appropriate ASX-listing candidates prevented from accessing the capital market opportunity ASX provides. There was clear evidence of this regime working with the ASX's decision to reject the application of Guvera Limited to list on ASX, as announced on Friday, 17 June 2016.

3.1.1 Submission

Steinepreis Paganin submits that ASX should reconsider any increase in the net tangible assets requirement on the basis that it may have a greater negative impact, by removing an ASX listing option from legitimate listing candidates, than it will protect ASX from inappropriately listed entities where ASX already has a discretion available to them to prevent such entities from being admitted to trading.

Alternatively, ASX should consider a carve-out from the new listing requirements that would enable mineral or oil and gas entities seeking to list on the basis of a main undertaking referred to in paragraph (a) of '*classified asset*' in Chapter 19 of the Listing Rules to be exempt from the increase net tangible asset threshold.

3.2 Proposal 4 – Changes to the minimum spread requirements

The change to the minimum spread requirements comprises two components:

(a) an increase in the value of a parcel of shares required for a security holder to be counted toward the satisfaction of spread; and

(b) a corresponding reduction in the number of shareholders required to satisfy the ASX spread requirements.

3.2.1 Submission

Steinepreis Paganin agrees with the change to lower the number of shareholders required to meet spread requirements. However, we consider that the only likely effect of an increase in the value of a parcel of shares required for a security holder to be counted toward the satisfaction of spread may be to discourage or otherwise eliminate many 'mum and dad' investors from participating in an IPO.

Steinepreis Paganin encourages consideration of how this change may impact on investors as part of the global changes being proposed and how those changes in total may impact on the investment market, including 'mum and dad' investors.

3.3 Proposals 6 and 7 – Requirement for 3 years of audited accounts

The wording of this proposed change makes it clear that an entity is required to provide 3 years' of audited accounts, without any consideration for entities that have existed for less than 3 years. Steinepreis Paganin is concerned that these changes do not take into account entities that have existed for less than 3 years.

3.3.1 Submission

(a) Steinepreis Paganin recommends that ASX consider the wording used in any such amendment, or provides further guidance in relation to the operation of this requirement to address concerns about entities that have been operating for less than 3 years.

(b) It is not unusual for a situation to arise where a business is demerged or 'spun out' from a larger corporate group, or a specific asset is acquired from a larger corporate group for the purpose of undertaking an ASX listing of that particular asset. Previously, some entities have run into difficulties where ASIC has required either, the audited accounts of the larger group, or an audit of the individual business. Each of these requirements have proven to be problematic, particularly in relation to the often arbitrary assumptions which have had to be made to delineate shared costs of the previously merged businesses.

If the intention of providing audited accounts is to ensure that investors are provided with accurate and independently verified financial information, then ensuring that accurate and relevant financial information is provided to investors should be the key criteria. We submit that an arbitrary requirement to provide information that may or may not be relevant to investors making an informed decision appears to be at odds with the concern seeking to be addressed.

(c) We would recommend against the insertion of any discretion on the part of ASX to accept accounts for less than 3 years where an entity has not been operating for a full three financial years.

Any discretion that can be changed, as a matter of policy, or leads to uncertainty as to acceptance, can create significant risk to transactions, in particular where the outcome of such discretion is unknown to the entity until significant cost has been incurred in the progress of the transaction.

(d) Steinepreis Paganin recommends that any financial reporting requirements be worded to ensure that accounts required to be provided are relevant to investors considering an investment in the entity, and that any requirements to provide such financial information be stated in clear terms to deal with entities that have operated for more than, as well as less than, three years.

4. SUBMISSIONS – CHANGES TO ASX POLICY

4.1 Two cent rule

Policy Change

Draft Guidance Note 12 (**Draft GN 12**) (page 40) seeks to include a new proviso as to when an entity will qualify for the minimum two cent rule. The new proviso that has been added to the draft policy requires that the price at which the entity's securities last traded on ASX must be not less than two cents in order to qualify.

We are aware that this policy change is being applied from 12 May 2016, notwithstanding the submission process. This implementation of policy before the closing of submissions on the actual changes has significantly disadvantaged entities which have relied on the existing policy in order to structure transactions before this proposed change was disclosed. Moreover, the immediate implementation of the policy without notice caught entities, and even ASX listing officers, unaware for several weeks, creating unfairly adverse consequences.

The previous policy had two conditions, both of which have been retained. The relevant conditions are:

(a) that the issue or sale price of any securities being offered or sold as part of the transaction is not less than two cents each; and

(b) that the price was specifically approved by shareholders.

This allowed a listed entity with its shares trading below two cents to undertake a consolidation as part of the transaction and raise capital at a minimum of two cents. The pre-amble to these conditions outlined that having to undertake a consolidation or restructure in conjunction with a capital raising can add timing and other impediments to the completion of a transaction and might not otherwise be in the interests of the entity and its security holders.

Our experience has been that the undertaking of a consolidation or restructure as part of the backdoor listing process has been an accepted part of these transactions, and has not created any timing or other impediments. It has been well understood and generally implemented without issue.

We submit that the new policy change will have the following effect:

(a) entities will undertake a consolidation prior to any re-compliance transaction. In its own right this is acceptable and will allow the entity to comply with the new policy, however, importantly, in our view, it will telegraph to the market that the entity is contemplating a transaction. We have concerns that this change has the potential to create wider speculation in the market than at present.

Under the current policy, the consolidation is undertaken as part of the whole transaction, which transaction is fully disclosed at that time and therefore ensures the market operates in an informed manner as there is full and transparent knowledge of the consolidation (or the need for a consolidation) and the transaction at the same time. Under the new policy, there will be speculation leading up to an announcement after a consolidation has been announced and completed, a minimum 6 week

period(allowing for preparation and despatch of a notice of meeting and completion of the consolidation); and

(b) the concept of the "last traded" price on ASX has the potential to create poor market behaviour. If a share is trading at 1.5 cents, but the last marketable parcel trade or trades on the day pre announcement are moved up to 2 cents (for whatever reason), the rule is seemingly met. We assume that ASX would consider in that instance if the 'spirit' of the rule is being complied with, but it makes no sense to make a rule that encourages behaviour for a share price to be moved up to the two cent level to comply with this rule.

4.1.1 Submission

ASX should reconsider this policy amendment and allow an entity to seek a waiver to raise funds at two cents notwithstanding the last trading price, subject to complying with the existing conditions outlined in Guidance Note 12.

4.2 Suspension of trading in securities for a Backdoor Listing

4.2.1 Policy Change

Draft GN 12 (paragraph 5 on page 22 to 24) sets out the proposed policy on suspensions for Chapter 11 transactions. Relevantly, ASX seeks to suspend an entity's securities on announcement of an option to enter into a transaction and on the announcement of a transaction. The suspension for a transaction under Listing Rule 11.1.3 will continue until the re-compliance has been completed, with ASX stating this this is to "maintain parity with a new listing application".

4.2.2 Inconsistency within Chapter 11

A backdoor listing is not a new listing application, it is a re-compliance with the Listing Rules for an entity that is already listed and for which the market has assessed a value up to that point in time. Then, further detailed information must be provided to the market in the nature of a detailed announcement, notice of meeting and prospectus.

Along this line, ASX has always enabled other transactions to occur under Listing Rule 11.1, with shareholder approval, providing for the significant change to the nature and scale of an entity's business without requiring the entity to be suspended from the date of announcement of a transaction until approved by shareholders.

4.2.3 Takeovers concerns

A backdoor listing is generally structured as a transaction by which a section 611 item 7 approval under the *Corporations Act 2001* (Cth) (**Corporations Act**) is required, although at times it is structured as a conditional takeover of an unlisted entity in consideration of the issue of shares in the listed entity. In either case, the provisions of Chapter 6 of the Corporations Act apply. It is a fundamental principle of the takeover provisions outlined in Chapter 6 of the Corporations Act that the acquisition of control over a listed company takes place in an efficient, competitive and informed market under Section 602 of the Corporations Act.

In this way, target companies that are subject to a takeover under Chapter 6 of the Corporations Act and bidder companies continue to trade after the date of the announcement of any takeover and prior to the lodgement of the bidder's

and target's statements, albeit that limited information on the terms of the takeover may only be available to the market.

Further, in order to comply with Section 602 of the Corporations Act, it is a fundamental requirement under law that the bidder's shares must continue to trade on ASX. With the current policy, it is unclear what would happen where the acquisition of the target by a listed entity (bidder) is classified as a change in the nature or scale of the listed entity's activities under Chapter 11 of the Listing Rules. How does ASX intend to apply its discretion in these circumstances and still ensure that the requirements of Chapter 6 of the Corporations Act are satisfied?

We expect that, if ASX intends to still apply its discretion to suspend a listed entity's securities from trading in these circumstances outlined above, it will likely result in applications being made to the Takeovers Panel and/or the Courts. This will create significant uncertainty around takeover bids and also undermine Chapter 6 of the Corporations Act. Either way, ASX's policy in this regard needs to be made very clear.

Further, if ASX continues to exercise its discretion to suspend a listed entity's securities and that discretion is subsequently overturned by a Court or the Takeovers Panel, it could have material negative consequences if the period of suspension has already been for longer than 5 trading days.

4.2.4 ASX concern around trading

The Consultation Paper makes it clear that one of the concerns of ASX in relation to backdoor listings is the issue of pre-emptive capital raisings and 'mischief' around trading in entities prior to the completion of a backdoor listing transaction.

In addition to the reasons for the importance of continued trading outline above, in the context of takeovers regulations in Australia, the trading of securities in an entity following the announcement of a backdoor listing is also an important element of valuing the transaction.

It is also the case that many transactions undertaken by listed entities are conditional on shareholder approval and completion. The market factors these risks into the decision making process of buying and selling based on the disclosures provided by the listed entity.

We also consider that there are other methods for dealing with the 'mischief' of pre-emptive capital raisings and trading that ASX has alluded to without the need to suspend an entity from trading.

We submit that, if the market is fully informed, the nature of an efficient and competitive market is that the market must decide, and shareholders are free to make a decision on, the merits of a transaction, which implies continued trading in the securities of a listed entity. The imposition of a suspension by ASX is against this basic principle and suggests that it is only on completion of a transaction that the market can be fully informed.

4.2.5 Suspension on entry into option agreement

In our view, the suspension of an entity from the time of announcing the entry into an option to acquire an asset will likely only result in lesser non-binding style arrangements being entered into prior to entering into formal option arrangements.

The introduction of rules that could lead to behaviour that creates less certainty in the market should be strongly discouraged. However, policy that would see an entity suspended from the time of entering into an option agreement would likely result in this type of behaviour.

At the time of signing an option agreement, there is no certainty that a transaction will proceed, particularly if it is subject to due diligence and we submit that appropriate cautionary statements could be made to the market. We would see this as a better solution, rather than a blanket suspension at this time.

Based on our experience with respect to this new rule since 12 May 2016, we expect that there will be a large number of entities that are trying to find 'work arounds' to the rule leading to the potential for more 'mischief' that is contrary to what ASX indicates in the Consultation Paper it is trying to eradicate.

4.2.6 Submission

(a) ASX reverse its policy in relation to the suspension of entities from the announcement of a backdoor listing transaction, including the entry into an option agreement that could lead to a backdoor listing transaction (if the option is exercised) where the entity can demonstrate that:

  (i) no securities have been issued (other than on conversion of convertible securities already on issue) in the three month period immediately prior to the announcement of a backdoor listing transaction; or

  (ii) where such securities have been issued, the entity provides evidence satisfactory to ASX that those securities have not been traded and remain subject to voluntary escrow restrictions that will remain in place until the entity is re-instated to trading.

(b) In the alternative to (a) above:

  (i) ASX enable an entity to re-commence trading following the despatch to shareholders of its notice of meeting, which is required to contain 'prospectus type disclosure' to meet current requirements under the Listing Rules and Corporations Act; or

  (ii) an entity be suspended from trading upon the announcement of the entry into an option agreement until such time as it announces the exercise of the option or its election not to terminate the option, following which it be re-instated to trading.

5. RESPONSE TO ASX QUESTIONS IN CONSULTATION PAPER

Steinepreis Paganin supports the philosophy of ASX to remain a market recognised around the world for its quality and integrity.

On the basis of the submissions outlined above, we provide the following responses to the questions outlined in the Consultation Paper.

Question 1: Do you support the introduction of a 20% minimum free float requirement? If not, why not and would you support a different minimum free float requirement?

Answer: We support the free float concept.

Question 2: Do you have any comments on the proposed definitions of "free float" and "non-affiliated security holder" for the purpose of the proposed minimum free float requirement? Do you see any issues with excluding shares that are subject to voluntary escrow from the definition of "free float"?

Answer: No comment.

Question 3: Do you support the proposed changes to the spread test? If not, what element or elements of the changes do you not support, and what are your reasons?

Answer: We support the reduction in the number of shareholders but do not support the increase in the threshold for the reasons outlined in our submission above.

Question 4: Do you support the increase in the last year's profit element of the profit test? If not, please provide your reasons.

Answer: We support the increase in the last year's profit element of the profit test.

Question 5: Do you support the increase in the net tangible assets and market capitalisation elements of the assets test? If not, please provide your reasons.

Answer: We do not support the increase in the net tangible assets element of the assets test for the reasons outlined in Section 3.1 above.

Question 6: Do you think it is appropriate to extend the minimum requirement for $1.5 million working capital after deducting the first year's budgeted administration costs and costs of acquiring any assets (to the extent that those costs will be met out of working capital) to all entities admitted under the assets test? If not, please provide your reasons.

Answer: We support the proposed amendment to extend the requirement to have $1.5 million in working capital to all entities.

Question 7: Do you think it is appropriate to maintain a fixed minimum $1.5 million working capital requirement in addition to a requirement for the entity admitted under the assets test to make a statement that it has sufficient working capital to meet its stated objectives? If you think the fixed working capital requirement should be a different amount, please tell us the amount and explain why.

Answer: We have no comment on this question.

Question 8: Do you support the proposed requirement for entities admitted under the assets test to provide 3 full financial years of audited accounts, unless ASX approves otherwise? If not, please provide your reasons and describe what, if any, alternative approach you consider should be taken by ASX in order to meet the objectives of the proposed change.

Answer: We do not support the concept that ASX have discretion to determine the appropriate time period of accounts that are required to be provided on the basis that such a discretion has the potential to create uncertainty and has the potential to lead to delays and transaction risk for entities where ASX changes any policy underlying that discretion. In particular where there is limited recourse, at least without significant cost, where ASX applies an adverse discretion to the entity.

We support the concept of a defined period of time equal to the lesser of three full financial years or the period of time of which the entity has been operating.

Question 9: ASX has proposed that it will generally accept less than 3 years of audited accounts for an assets test entity (or an entity or business to be acquired by the entity) only in the circumstances where ASIC will accept less than 3 full years of accounts in a disclosure document, as explained in Part F of ASIC Regulatory Guide 228 (RG 228).

Simultaneously with the release of this consultation paper, ASIC has released a consultation paper seeking comments on proposed changes to RG 228 setting out these circumstances.

Are there additional circumstances where you consider ASX should be prepared to accept less than 3 years of audited accounts to those outlined in ASIC's consultation paper on RG 228?

Answer: As referred to in Question 8 above, we do not support the concept of any discretion in relation to the time period that will be acceptable to ASX.

Otherwise, we have no comment on this question.

Question 10: ASX has also proposed that it will only accept the types of modified opinion, emphasis of matter or other matter paragraph in accounts lodged with a listing application that ASIC will accept in a disclosure document, as explained in Part F of RG 228. Are there additional types of modified opinion, emphasis of matter or other matter paragraph that you consider ASX should be prepared to accept to those outlined in ASIC's consultation paper on RG 228?

Answer: We have no comment on this question.

Question 11: Do you agree with the list of overseas home exchanges proposed in section 2.1 of Guidance Note 4 (ie the main boards of Deutsche Börse, EuroNext (Amsterdam), EuroNext (Brussels), EuroNext (Paris), HKSE, JSE, LSE, SGX, TSE (Tokyo), TSX (Toronto), NASDAQ, NYSE and NZX) as being ones generally acceptable for an ASX Foreign Exempt listing? Are there any of these exchanges you would delete from this list? Are there any other exchanges you would add to this list?

Answer: We have no comment on this question.

Question 12: Do you agree with the introduction of a further window for admission for ASX Foreign Exempt listings allowing them to be admitted to ASX if their market capitalisation is at least $2,000 million? If not, what threshold (if any) do you think would be appropriate?

Answer: We have no comment on this question.

Question 13: Are there any specific issues or concerns that you can identify that would result from ASX removing the current requirements for foreign entities listed on ASX to maintain certificated registers in Australia?

Answer: We have no comment on this question.

Question 14: Do you believe the transition date of 1 September 2016 that ASX proposes for the introduction of the new admission rules is appropriate? If you think it should be sooner or later, please explain why?

Answer: A transition date of 1 September 2016 does not take into account the significant impact many of the changes proposed by ASX will have on participants that have been planning (at various stages) an IPO or backdoor listing transaction for a substantial period which may pre-date the release of the Consultation Paper. It also fails to take into account that the implementation of these requirements remains uncertain until ASX has made a final decision on any changes to the Listing Rules.

To the extent that ASX decides to make any changes to the Listing Rules, we would therefore recommend that the transition be effective from the date that is 6 months after ASX announces its decision to make these changes.

Question 15: Do you have any other comments on the issues discussed in this paper or the proposed listing rule and Guidance Note changes?

Answer: We understand that ASX has recently instituted new internal procedures for processing listing applications including the introduction of the 'applications for listing review panel' (**ALRP**) which meets weekly and the 'policy and listing standards committee' (**PLSC**) which meets monthly to consider applications referred to it from the ALRP.

We have concerns regarding the length of time it takes for matters to be considered by the PLSC, specifically given the risk it introduces to the certainty of a listing application as well as the risk to an entity meeting the condition outlined in Section 723(3) of the Corporations Act (requirement to have securities admitted to quotation within 3 months from the date of its prospectus).

We therefore encourage ASX to consider scheduling the PLSC to meet more regularly, such as twice monthly, to limit these potential risks.

For all questions:

Roger Steinepreis Chairman of Partners roger@steinpag.com.au	Mark Foster Managing Partner mfoster@steinpag.com.au	Toby Hicks Partner thicks@steinpag.com.au