

The Australian Shareholders' Association (ASA) submission and comments to the ASX's Consultation Paper on: 'Modernising the timetable for Rights Issues'

Executive Summary:-

The Australian Shareholders' Association (ASA) supports the simplification of Rights Issue and the reduction of the time frame. As this will entail online communication and payments, the ASA considers that some minor adjustments to the options of communication menu from registries to shareholders is desirable.

The ASA believe that the greatest impact will be on share registries, especially with regard to sorting out applications and finalisation of allocations in 3 days. There is no room for unofficial late acceptances, BPAY network delays, cheque payments (timely clearance issues) etc.

From **retail shareholders' perspective**, which we have been asked to comment, on the reduction a minimum of 10 days to a minimum of 7 days as the period from the day after the date that documents are sent to shareholders, to and including the date that applications for participation in the share rights issue closes [ref: Sect "D" - Items 6.36 - 6.46, pages 12 & 13].

As far as we can make it out, taking into account shareholders residing in a rural or provincial towns or interstate the process is likely to run as follows:-

Day 0: Registry sends documents to the mailing house, and say the mailing house takes it to Aust Post sorting centre in time on that same day;

Days 1 2 & 3: In transit with Australia Post.

Days 3 or 4: Received by shareholder.

If the shareholder applies in the traditional manner, by filling in the form and attaches a cheque, he/she will hardly have adequate time to satisfy the deadline if the documents are posted in the usual replied paid envelope. Sending it back by Express Post may help, but still only gives the shareholder one day to consider the rights offer. Applying by BPAY gives one or two days to consider, as the BPAY needs to be submitted on or before Day 6 (before the BPAY cut off time – usually 6 pm).

Also, even for retail shareholders in capital cities, and assuming that the registry is in another capital city, it will only leave 3 days for the shareholder to consider offer, seek advice from financial advisers, stockbroker, etc. [or 4 days if applying online using BPAY], as against a min of 6 business days currently.

ASX's suggestion that retail shareholders should continuously monitor Market Announcements on the ASX website and/or rely on media coverage is not entirely satisfactory from the ASA's retail shareholder perspective [Item 6.45 on page 13].

Clearly, the 7 days target does not seem practical if normal postal services is used.

Although the ASX proposal states that 7 days is only the minimum, registries may not have leeway to allow more time, unless the company specifically allows the extra time and directs the registry to do so.

Therefore, for "7 days" preferred target to be feasible the offers and acceptances need to be done online – through means of *eCommunication*. It should be noted that many elderly retail shareholders, including quite a number of ASA's members, are either not computer or online literate, or comfortable when relying on email and online lodgement.

Nevertheless, **the current position at the ASA is that we are keen to encourage companies to offer their capital raising to all shareholders, including SMSF's and small retail shareholders.** We expect that the reduction of a minimum of 26 days to a min of 16 days, together with some simplification of the required documentations, could reduce direct placements in favour of more equitable offerings to all shareholders. **Hence, we feel that shareholders should be encouraged, wherever possible, to take up *eCommunication* to minimise the timeframe.**

This may be by means of email, with or without a secure link feature, or by using the proposed up and coming "Digital Post" formats (*).

To ease in the acceptance by small retail shareholders of *eCommunication*, we feel that registries need to offer a greater range of selection options in *eCommunication* [+/- Advance Preferences] in a much more proactive and overt manner than is the case at present (currently some registries only offer "either/or" options, while others do not display them prominently at all) this situation applies as well for "Important" Company Information and Offers to include an additional options of "email or post". The latter option will go a long way towards mitigating the fears of those shareholders who are still uneasy in receiving important communications by email, and would provide them with the experience and confidence to move the less computer literate retail shareholders towards total *eCommunication* in the not too distant future.

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(*) – Digital Post Aust – from Salmat, Computershare, and Zumbbox Software:-

<http://www.salmat.com.au/content/documents/dpa-announcement.pdf> &
<https://digitalpost.com.au/>

– Australia Post Digital Mail Box

<http://www.theaustralian.com.au/australian-it/telecommunications/telstra-snares-major-cloud-deal-with-australia-post/story-fn4iyzsr-1226416640721> &
<http://auspost.com.au/personal/digital-post.html?cmpid=digitalpost-google&mkwid=sFGU5hUox|digital%20post%20box|e|pcrid|8708179826>

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