



An MSCI Brand

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Regulatory and Public Policy Unit
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RE: Consultation paper: Modernising the timetable for rights issues

Thank you for the opportunity to comment on ASX's consultation paper on modernizing the timetable for rights issues. ISS Governance Services (ISS) is a governance advisory firm serving Australian and international institutional investors. This submission reflects the views of ISS and not those of our clients.

As a preface to our remarks, we note that it does not appear to be a coincidence that this consultation paper follows months of increased media and investor scrutiny over private placements, which offer ASX listed companies the ability to quickly raise capital yet potentially expose existing investors to substantial dilution. In principle, we welcome the ASX's attempt to increase the timeliness of rights issues, which will hopefully increase their relative attractiveness.

We are particularly supportive of technology or process solutions that would reduce processing time without impacting shareholders' investment decisions. We thus support targeting efficiency gains in the following periods:

- Ex date to record date,
- Day after record date to release of documents to shareholders, and
- Day after acceptances close date to issue date.

At the same time, we caution the ASX from unduly restricting investors' rights for the sake of expediency, given that the built-in structural restrictions under the rights issue regime prevents such issuances from ever being as fast to execute as private placements. We would therefore like to focus attention on the cum entitlement trading period as this is our main source of concern.

Cum entitlement trading period

From an investor perspective, this period is one of the most important steps of the rights issue process, in that investors may determine whether to trade securities in response to an announcement of a rights issue so as to change their level of eligibility to participate in the rights issue. It is also the shortest period in the current timetable, leaving little time for investors to make such a decision. The proposed reduction from 2 business days to 1 business day further compresses the decision-making window.

Foreign investors, especially those in Europe and the Western Hemisphere, might be disenfranchised by this reduction, as the single trading day during which investors would be able to trade securities in response to the announcement would be outside normal business hours for such shareholders. This is particularly concerning, given that foreign investors provide a substantial portion of the total equity capital employed by Australian companies (the RBA estimates foreign ownership of the ASX to be approximately 40 percent of total market value). In our opinion, the introduction of intra-day market information dissemination would not sufficiently mitigate the impact of reducing this trading period.

Other periods involving investment decisions


Whilst shrinking the main window for eligible investors to elect whether to participate in the rights issue, as well as reducing the trading period for renounced rights (as applicable), risks reduced participation in such capital raisings, the proposed periods still afford ample time for investors to make informed decisions. This is supported by the general electronic availability of the prospectus or

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cleansing statement on the date of announcement, as well as the increasing use of electronic methods of acceptance and payment support.

We would be happy to discuss these issues with you in more detail. Thank you again for the opportunity to comment on this consultation paper.

Best regards,


Daniel J Smith & Michael Chandler
ISS Governance Services

