



# Modernising the timetable for rights issues: Facilitating efficient and timely rights issues

Consultation paper

July 2012

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## Invitation to comment

ASX is seeking submissions on the proposals to reduce the standard timetable for rights issues canvassed in this paper by 14 August 2012. Submissions should be sent to:

[regulatorypolicy@asx.com.au](mailto:regulatorypolicy@asx.com.au)

or

Regulatory & Public Policy  
ASX Limited  
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Sydney NSW 2000

Attention: Ms Diane Lewis

ASX prefers to receive submissions in electronic form.

Submissions not marked as 'confidential' will be made publicly available on ASX's website.

If you would like your submission, or any part of it, to be treated as 'confidential', please indicate this clearly in your submission.

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# 1 Executive summary

- 1.1 This paper examines the scope and opportunities for reducing the standard timetable for rights issues in the near term by leveraging off advances in systems, operational processes and technology. Through the consultation, ASX aims to develop a revised timetable that both provides sufficient time for each of the components required to complete a rights issue and responds to the need for timely mechanisms for raising capital. The primary objective is to help ensure that standard rights issues remain a viable capital raising mechanism.
- 1.2 Reducing the standard timetable for rights issues is a key element in a suite of capital raising initiatives that ASX currently has underway. The capital raising initiatives being progressed by ASX continue to facilitate flexibility in the structuring of capital raising mechanisms and seek to better accommodate the capital raising needs of the diverse range of ASX listed companies across the credit cycle.
- 1.3 This paper identifies a number of areas in the timetable for rights issues where there may be opportunities to reduce the number of days required to undertake particular processes and activities through the adoption of system, process or technological changes. A number of the areas identified will require ASX to implement system changes and achieve process efficiencies to deliver the savings in the timetable. A number of these areas may also require process efficiencies and system changes to be implemented by other stakeholders that are integral to completing a rights issue, including share registries, listed companies, custodians and brokers.
- 1.4 In developing a revised standard timetable that facilitates timely rights issues within the existing legislative framework, ASX will seek to ensure that any proposals to reduce the timetable take into account the compliance costs incurred to comply with a shorter timetable and seek to better balance listed companies' need for timely capital raising mechanisms and the opportunity for existing shareholders to participate in the capital raising.
- 1.5 This paper identifies a number of potential reductions to the standard timetable for rights issues, which together could reduce the timetable by more than a third from a maximum timetable of 26 business days to a maximum timetable of 16 business days, by:
  - Reducing the period from the announcement of the rights issue to the ex date from 2 business days to 1 business day.
  - Reducing the period from the ex date to and including the record date from 5 business days to 3 business days.
  - Reducing the period from the day after the record date to and including the date that documents are sent to shareholders from a maximum of 4 business days to a maximum of 3 business days.
  - Reducing 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 rights issue close from a minimum of 10 business days to a minimum of 7 business days.
  - Reducing the period from the day after the date that applications for participation in the rights issue close to and including the issue date from 6 business days to 3 business days.
- 1.6 A shorter timetable for rights issues responds to the need for listed companies in post GFC market conditions to be able raise capital efficiently and quickly to minimise market risk and maximise price discovery. The benefits of a shorter timetable could include lower underwriting risk and related cost, potentially a reduction in the discount required to raise the required capital, and increased attractiveness of the rights issue as a capital raising mechanism.
- 1.7 While the range of proposals examined in this paper are consistent with the existing legislative framework and could be expected to be implemented in the near term, ASX considers that there is also merit in raising for discussion the appetite for, and desirability of, examining the options over the longer term for developing an alternative and significantly shorter timetable for a rights issue that could be undertaken in under a week. In the final section of this paper, ASX identifies some key threshold issues which would need to be addressed, including through any necessary regulatory or legislative change, to achieve a rights issue timetable that is competitive with that for a placement.

- 1.8 ASX is also proposing to make amendments to the ASX Listing Rules to facilitate accelerated rights issues. Consultation on these amendments took place during 2011. The rules to facilitate accelerated rights issues will be finalised after the consultation process set out in this paper is concluded. This is to ensure that any amendments to the standard timetable for rights issues are taken account of in the rules for accelerated rights issues, where appropriate.

## 2 Overview of proposals for the standard timetable for rights issues

- 2.1 The proposals summarised below have the potential to reduce the standard timetable for rights issues<sup>1</sup> by 10 business days (based on a 26 business day standard timetable).<sup>2</sup>

Step	Current timetable	Proposed timetable
Announcement date to ex date	2 business days (day 0 to day 1)	1 business day (day 0)
Ex date to and including record date	5 business days (day 2 to day 6)	3 business days (day 1 to day 3)
Trading period for renounced rights (renounceable offer only)	14 business days (day 2 to day 15)	8 business days (day 1 to day 8)
Day after record date to and including date that documents are sent to holders	4 business days (day 7 to day 10)	3 business days (day 4 to day 6)
Day after documents are sent to holders to and including acceptances close date	10 business days (day 11 to day 20)	7 business days (day 7 to day 13)
Day after acceptances close date to and including issue date	6 business days (day 21 to day 26)	3 business days (day 14 to day 16)
<b>Total timetable</b>	<b>26 business days</b>	<b>16 business days</b>

<sup>1</sup> References in this paper to “the standard timetable for rights issues” mean the timetables in sections 3 and 4 of Appendix 7A of the ASX Listing Rules. These timetables run for a standard period of 23 to 26 business days. The standard 26 business day timetable assumes that where a minimum time period is allowed, the issuer does not take any longer than that minimum period to complete the relevant actions, and that where a maximum time period is allowed, the issuer does not take any less than that maximum period to complete the relevant actions.

<sup>2</sup> This table assumes that the standard 26 business day timetable is used. That is, that the issuer takes the maximum allowed time of 4 business days between the record date and the date that documents are sent to holders. The minimum allowed time for this to occur is 1 business day, which would result in a standard 23 business day timetable. As a result of the proposed changes, the standard timetable of 23 to 26 business days would reduce to 14 to 16 business days.

### 3 Why reduce the standard timetable for rights issues?

- 3.1 The Australian regulatory regime, including the ASX Listing Rules, recognises the importance of a flexible secondary capital raising regime to enable a diverse range of listed companies<sup>3</sup> to determine the most appropriate capital raising mechanism, having regard to the circumstances of the company and the prevailing market conditions.
- 3.2 The regulatory framework should facilitate the widest variety of forms of capital raising in the context of an informed market. It should not create an unnecessary bias towards a particular capital raising mechanism, or limit options that may be in the best interests of listed companies and their shareholders.
- 3.3 The main equity capital raising mechanisms available to ASX listed companies are, placements, share purchase plans, dividend reinvestment plans, rights issues and 'non-traditional' or accelerated rights issues.
- 3.4 The different mechanisms strike different balances between certainty of funding and time to market, on the one hand, and maximum participation by existing shareholders, on the other. A traditional renounceable rights issue, made on equal terms to all shareholders, maximises the potential for participation by existing shareholders. However, a traditional renounceable rights issue can take considerable time to complete, with the consequence that shareholders are exposed to greater costs (including underwriting costs) and execution risk.
- 3.5 Over the last 12 months, ASX has been focused on its rules which support various capital raising mechanisms with a view to improving and enhancing the efficiency of certain capital raising processes. This has included reviewing the standard timetable for rights issues to ensure that it takes full advantage of developments in technology and communications to modernise rights issues, and to reduce the timetable to the minimum that is practicable having regard to the interests of the diverse group of stakeholders. This includes listed companies, shareholders, share registries, custodians, advisers and brokers.
- 3.6 By seeking to ensure that the standard timetable provides for the most efficient rights issue process as possible, ASX aims to help maintain the standard rights issue as a viable capital raising mechanism. This requires striking a better balance between listed companies' need for timely capital raising mechanisms and the opportunity for existing shareholders to participate in the capital raising. A shorter standard timetable is expected to help reduce costs, market execution risks, and the size of the discount required to raise the necessary capital, and so remove any unnecessary disincentives to the offering of rights issues by listed companies.

### 4 Rights issues in Australia

- 4.1 Rights issues are offers to all existing shareholders to subscribe for additional securities in the company in proportion to their holding, usually at a discount to the current market price of the shares. Shareholders have the choice of accepting the offer in whole or part.

#### Traditional rights issues

- 4.2 In a traditional rights issue, an entity raises capital by offering existing shareholders the opportunity to subscribe for new securities or interests in proportion to their holdings of securities or interests in that class. The terms of the offer are the same for each holder, including the timing of the offer. In certain cases (renounceable rights issues) the shareholder may be able to receive some value for their rights even if they do not participate in the capital raising. In other cases (non-renounceable rights issues), any rights not taken up are extinguished with no value accruing to the shareholder.

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<sup>3</sup> The term "listed company" in this paper includes all listed entities and the term "share" includes all securities.

- 4.3 Traditional rights issues are conducted according to a detailed timetable prescribed in the ASX Listing Rules. This timetable in its standard form currently takes between 23 and 26 business days.<sup>4</sup> By contrast, an institutional placement can commonly be completed in 1-2 days or less.
- 4.4 A company conducting a rights issue will not know how many shareholders will take up their rights, and so will have a low certainty of funding (that is, there may be a large shortfall). This can be addressed through underwriting, but the timetable for a rights issue means that the underwriter will be exposed to market risk for a considerable period, which in turn (together with the potential for a considerable shortfall) results in increased underwriting costs. The timetable also impacts on the company's ability to use a rights issue to respond to investment opportunities in an efficient and timely manner.

### **Non-traditional rights issues**

- 4.5 Non-traditional or accelerated rights issues are one response from the market to address the issues associated with the long timetable for traditional rights issues. They are structured as a two-stage process with an initial accelerated institutional component followed by a secondary non-accelerated retail component.
- 4.6 Accelerated rights issues provide a level of balance between certainty of funding and participation by existing shareholders. The bulk of funding is received in the initial institutional phase, and then retail shareholders are given an opportunity to participate over a longer period. The shortfall risk and associated underwriting costs are considerably reduced. However, the accelerated offer structure is generally used by larger companies that have both a significant institutional and retail shareholder presence on their share register.

## **5 Proposals for reducing the standard timetable for rights issues**

- 5.1 The current standard timetable for pro rata issues (including rights issues but excluding bonus issues) is set out in Appendix 7A of the ASX Listing Rules. The standard timetable in fact consists of 2 timetables – one for non-renounceable rights issues in section 3 of Appendix 7A and one for renounceable rights issues in section 4 of Appendix 7A.
- 5.2 The standard timetable was last amended in 2004. Those amendments reduced the timetable for both non-renounceable rights issues and renounceable rights issues from a standard period of up to 40 business days to a standard period of up to 26 business days.

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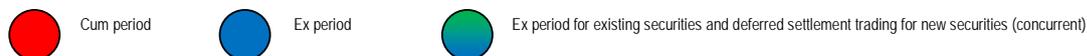
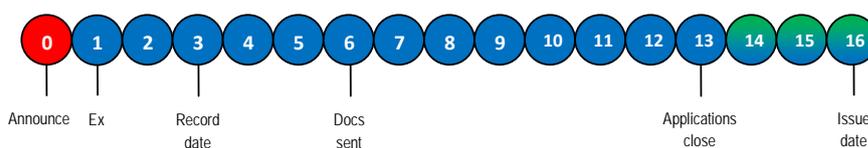
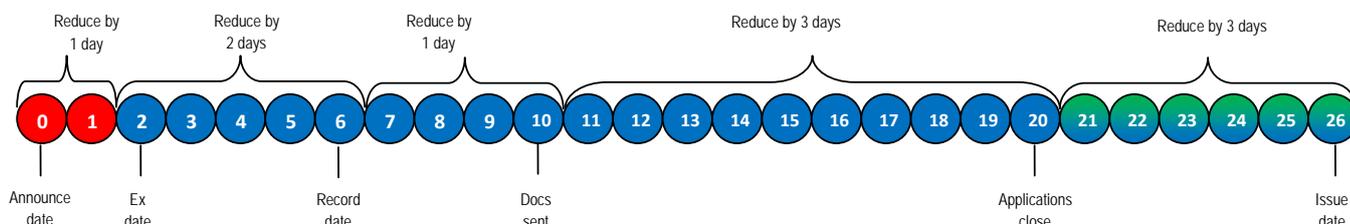
<sup>4</sup> On the "standard timetable" see footnote 1 above.

## 6 Non-renounceable rights issue timetable

6.1 The timetable for non-renounceable rights issues is in section 3 of Appendix 7A of the ASX Listing Rules. It runs for a standard period of 23 to 26 business days.

### Overview of proposed changes

Impact on timetable for non-renounceable rights issues (based on 26 business day standard period)



6.2 The proposals have the potential to reduce the standard timetable for non-renounceable rights issues by up to 10 business days (based on a 26 business day standard timetable), by:

- Reducing the period from the announcement date to the ex date from 2 business days to 1 business day – see Section A below.
- Reducing the period from the ex date to and including the record date from 5 business days to 3 business days – see Section B below.
- Reducing the period from the day after the record date to and including the date that documents are sent to shareholders from a maximum of 4 business days to a maximum of 3 business days – see Section C below.
- Reducing the period from the day after the date that documents are sent to shareholders to and including the date that applications close from a minimum of 10 business days to a minimum of 7 business days – see Section D below.
- Reducing the period from the day after the date that applications close to and including the issue date from 6 business days to 3 business days – see Section E below.

## A. From announcement of issue to ex date

### Current timetable: business day 0 to business day 1

- 6.3 The timetable commences on business day 0, being the latest of the following:
- Lodgement with ASX of an Appendix 3B (new issue announcement).
  - Lodgement of a prospectus or other disclosure document (or the giving of a cleansing statement, as applicable).
  - Advice of shareholder approval being obtained (if required).
- 6.4 The disclosure document or cleansing statement must also be lodged with ASX on business day 0 and will be available on the ASX Market Announcements Platform to any shareholders who may wish to access it prior to the printed version being available.
- 6.5 The announcement of the offer, the lodgement of the Appendix 3B, and the lodgement of the disclosure document or cleansing statement are all required before market opens on business day 0. If the announcements are received after market open, business day 0 is deemed by ASX to be the following business day and subsequent days in the timetable are adjusted accordingly.
- 6.6 Business day 0 and business day 1 are both cum entitlement trading days, meaning shares sold on these days carry the entitlement to participate in the offer.
- 6.7 On business day 1, the company must send a notice to shareholders, advising them of certain details of the offer, including the ex date and the acceptances close date.

### Proposal: reduce the period between announcement and ex date by 1 business day (business day 0 only)

- 6.8 ASX proposes that this phase of the timetable be amended by reducing the period of cum entitlement trading by 1 business day. The single day of cum entitlement trading will be business day 0, the day of the announcement of the offer.
- 6.9 As with the current timetable, the announcement of the offer (including the requisite accompanying documents) must be made before market open on business day 0. ASX proposes to amend Appendix 3B to set out all the information required from listed companies for ASX's internal processes to be completed to quote a security on an ex entitlement basis. These processes must be carried out by 3.30 pm EST in order for the new basis of quotation of the securities to be processed overnight before the ex entitlement date. By requesting this information in one document, these processes would be streamlined.
- 6.10 In the proposed timetable, the preliminary notice about the offer must be sent to shareholders on business day 0, rather than on business day 1.
- 6.11 This change would reduce the overall timetable by 1 business day.

### Issues for consideration

- 6.12 This proposal to reduce the cum entitlement trading period to 1 business day reduces the period of time that investors will have to buy or sell securities in response to the announcement in order to join or exit the share register prior to the commencement of ex entitlement trading. This may impact particularly on foreign shareholders (and the custodians acting on their behalf).

- 6.13 Reducing the period between announcement and ex date would require the security to be placed in a trading halt in the unlikely event that an information processing error is made in changing the basis of quotation. Errors are unlikely, but technically possible (for instance in periods where there is a very high volume of corporate actions underway). If an error occurred, it could only be resolved under the reduced timetable by placing the security in a trading halt on what would otherwise be business day 1. This would result in the ex date being postponed to business day 2. The additional day in the current timetable allows for any such errors to be resolved without impacting on the timetable.
- 6.14 This proposal would reduce the corporate action notice that market information subscribers and service providers would have prior to the commencement of trading of a security on an ex entitlement basis. Market information products, such as ReferencePoint®, normally disseminate information about corporate actions at the end of day on the day that a corporate action is announced. This means that the corporate action notification would occur only late in the day on the day before the ex date, unless intra-day market information dissemination was introduced. Notification about a stock going into ex entitlement trading (change to the quotation basis) would occur late in the day on the day before the ex date under the current timetable.
- 6.15 Implementation of this proposal would result in differences between the standard timetables for different corporate actions as a result of the need to treat dividends and capital returns differently. Both special dividends and capital returns require two business days of cum entitlement trading. On the basis that market users would prefer the same timetable for ordinary dividends and special dividends, this would mean that there would be a separate timetable for all dividends and capital returns, from that for other corporate actions.

#### Your feedback

- Q1. With advancements in communications technology and operational systems, is it feasible to reduce the cum entitlement trading period to 1 business day and still provide the ability for foreign shareholders to trade in or out of the securities on a cum entitlement basis?
- Q2. What are your views on the trade-off between shortening the standard timetable for all market users and a security being placed in a trading halt in the unlikely event that there is an information processing error made in changing the basis of quotation?
- Q3. What are your views on whether the introduction of intra-day market information dissemination would mitigate the impact of reducing the cum entitlement trading period?
- Q4. What are the impacts of reducing the cum entitlement trading period to 1 business day on common market transactions, for example, stock lending arrangements?
- Q5. Would the introduction of a separate standard timetable for dividends and capital returns that is different to the standard timetable for all other corporate actions create significant complexity or other compliance issues for market users?

## B. From ex date to and including record date

### Current timetable: business day 2 to business day 6

- 6.16 Currently, the period from and including the ex date must be 4 business days before the record date. That means that the period from and including the ex date to and including the record date is 5 business days.
- 6.17 On the ex date, the securities are quoted on an ex entitlement basis. This means that trades in the relevant securities conducted from this day will not carry the entitlement (that is, the entitlement to participate in the rights issue).

- 6.18 ASX purges orders in its trading platforms for the securities during end-of-day processing the evening prior to the ex date, so that orders that were entered when the securities were quoted on a cum entitlement basis do not remain in the order queue.
- 6.19 Shareholders who are on the register on the record date are entitled to participate in the offer.
- 6.20 On business day 2 (and through to business day 6), the share registry will obtain details of the cum entitlement balances created by CHESS in relation to CHESS holdings. The registry will make its own arrangements for the calculation of cum entitlement balances in relation to issuer sponsored holdings.

**Proposal: reduce the period from ex date to record date by 2 business days (business day 1 to business day 3)**

- 6.21 ASX proposes that this period be shortened by 2 business days, moving the record date to business day 3. This would be consistent with the T+3 settlement cycle. Trades conducted on a cum entitlement basis on business day 0 will settle on a T+3 basis on the record date.
- 6.22 The additional 2 business days were included in the timetable as a buffer period to allow for settlement of cum entitlement trades by the record date if they fail to settle on a T+3 basis. The certainty of settlement provided by CHESS removes the requirement for a buffer period. The monthly average fail rate to date is 0.10% of all trades conducted on ASX.
- 6.23 This change would reduce the overall timetable by 2 business days. It would require systems development work by ASX but this is regarded as achievable within a reasonable period.

**Issues for consideration**

- 6.24 The Australian Custodial Services Association's (ACSA) Corporate Actions Working Group released a discussion paper in May 2012 which indicates support for reducing the period between the ex date and the record date to 3 business days, subject to the election date for dividend reinvestment plans being mandated as 2 settlement days after the record date. ACSA indicates that bringing the record date into line with the 3 day settlement period from the ex date will reduce investor confusion and better align this part of the timetable with the practices in other jurisdictions. In relation to the recommendation for mandating the election date for dividend reinvestment plans, ACSA argues that two settlement days following the record date for dividend reinvestment plan elections provides for a more orderly process for custodians to reconcile client entitlements up until the record date and then subsequently execute dividend reinvestment plan elections.
- 6.25 Introduction of this proposal to reduce the period between the ex date and the record date from 5 business days to 3 business days for all corporate actions will require ASX to undertake significant systems development work, which will impact on the timing of implementing revised standard timetables.

**Your feedback**

- Q6. What is the impact on reducing the period between the ex date and the record date on the settlement systems and processes of market users?
- Q7. What are the impacts of reducing the period between the ex date and the record dates to 3 business days on common market transactions, for example, stock lending arrangements?
- Q8. What are your views on the recommendation put forward by ACSA for the date for dividend reinvestment plan elections being mandated as 2 settlement days after the record date?

## C. From day after record date to and including date that documents are sent to shareholders

### Current timetable: business day 7 to business day 10

- 6.26 The current timetable requires offer documents and personalised entitlement and acceptance forms to be sent to shareholders no later than 4 business days after the record date.
- 6.27 On the day after the record date, the share registry will obtain final shareholder details from CHESS in relation to all CHESS holdings, calculate entitlements for both CHESS and issuer sponsored holdings, and balance off. Personalised entitlement and acceptance forms can then be printed. The speed with which entitlements can be calculated will largely depend on the size of the company's register (that is, the number of shareholders).
- 6.28 When offer documents and entitlement and acceptance forms are printed, they must be collated and despatched to shareholders.
- 6.29 The current timetable allows a maximum of 4 business days (not including the record date) for shareholder details to be determined, and documents to be printed and despatched to shareholders.

### Proposal: reduce the period from day after record date to date that documents are sent to shareholders by 1 business day (business day 4 to business day 6)

- 6.30 ASX proposes that this period be reduced by 1 business day. Under this proposal, the latest date by which documents must be despatched to shareholders will be 3 business days after the record date.
- 6.31 This would return the timetable to the period allowed for shareholder details to be determined and documents to be printed and despatched, prior to the amendments made to the timetable in 2004. At that time, an additional day was provided between the record date and the despatch of documents to give greater flexibility to listed companies. A return to the pre-2004 timetable would be on the basis that current technology and processes can facilitate a 3 business day limit for these functions to be performed.
- 6.32 Listed companies will still be able to send offer documents and entitlement and acceptance forms as early as the business day after the record date (i.e. business day 4).
- 6.33 This change would reduce the overall timetable by 1 business day.

### Issues for consideration

- 6.34 Implementation of this proposal would reduce the time available to companies to finalise the offer documentation for the rights issue, and the time available to share registries and mailing houses to compile and disseminate the documents.
- 6.35 Processes that could be adopted to manage a shorter period between the record date and the date documents must be sent may also support a further reduction in the order of another business day (that is, reducing this period from 4 business days to 2 business days). For instance, it may be possible for companies to send a first round of personalised offer documentation prior to the record date, based on the share register as at a date after the ex date but before the record date, subject to the condition that only shareholders on the register on the record date would be entitled to participate in the rights issue. The register on the record date would then be used to identify and send out any additional personalised offer documentation as required (for shareholders who have joined the register since the first round of documentation was sent) and to confirm that shareholders who have completed and returned forms are entitled to participate. If feasible, this could considerably cut down the work to be performed between the record date and the date by which documents must be sent and provide for a further reduction in that part of the timetable.

## Your feedback

- Q9. What are your views on the feasibility of sending out offer documentation in more than one stage, based on more than one “cut” of the share register, on condition that only shareholders on the register on the record date would be entitled to participate in the rights issue?
- Q10. What other process or technology changes may be adopted to facilitate a reduction in the period between the record date and the date that documents must be sent out?
- Q11. What are your views on whether the period between the record date and the date that documents must be sent out could be reduced from 4 business days to 2 or 3 business days?

## D. From day after date that documents are sent to shareholders to and including acceptances close date

### Current timetable: business day 11 to business day 20

- 6.36 The current timetable requires that there be a minimum of 10 business days after the company confirms that all offer documents and personalised acceptance forms have been sent until the close of acceptances.
- 6.37 During this period, the documents are mailed to shareholders. Shareholders who choose to participate complete their entitlement and acceptance forms, and completed forms (together with cheques, if payment is made by cheque) are mailed back to the company.
- 6.38 Listed companies can send offer documents and entitlement and acceptance forms as early as the business day after the record date (that is, business day 7 in the current timetable). This means that the period can commence as early as business day 8 (that is, the day after the documents are sent) and finish as early as business day 17.
- 6.39 Listed entities can also choose to have a longer period for applications to be received.

### Proposal: reduce the minimum period from day after date that documents are sent to acceptances close date by 3 business days (business day 7 to business day 13)

- 6.40 ASX proposes that this minimum period be reduced by 3 business days, so that there would be a minimum of 7 business days after the documents are sent until the close of acceptances. This would be on the basis that:
- The prospectus or cleansing statement will have been available on the ASX Market Announcements Platform since business day 0. Shareholders will have had the opportunity to consider an electronic version of that document for several days before they receive a paper version with their entitlement and acceptance forms.
  - Any new and material information not available on business day 0 will have been released to the market in a supplementary prospectus or cleansing statement. The company's continuous disclosure obligations will have continued to apply during that time.
- 6.41 It would continue to be prudent for all documentation sent to shareholders to clearly and prominently display the acceptances close date. It will also continue to be open to listed companies to choose to have a longer period within which to receive acceptances.
- 6.42 This change would impact on shareholders, in particular those in remote (or foreign) locations where a greater amount of time is required for mailing documents. However, shareholders will need to weigh up these potential costs against the potential benefits of a reduced timetable for rights issues.

6.43 The cut-off date for listed companies to extend the acceptances close date is currently 6 business days. It is proposed to reduce this to the greatest extent possible, and potentially to as little as 1 to 2 business days. See further paragraph 7.11 below.

6.44 This change would reduce the overall timetable by 3 business days.

### Issues for consideration

6.45 This proposal to reduce the period between the date that documents must be sent out and the acceptances close date reduces the period of time that shareholders will have to: consider the disclosure documentation and the details of the offer; make their investment decision; and arrange for cleared funds to be available to make the payment for the subscription. The impact of the reduction in this disclosure period is mitigated by the following:

- The availability of the offer document electronically on ASX's Market Announcements Platform from the date of the announcement.
- That many shareholders would have become aware of the rights issue early in the timetable, whether it be through the announcement, subsequent media coverage or through their broker or financial adviser.
- The increasing use of low-documentation offers using a cleansing notice.
- The use by many companies and shareholders of electronic acceptance of the offer and electronic methods of payment.

6.46 The impact of this reduction would be greater on foreign shareholders and shareholders in remote areas to the extent that they are reliant on the receipt of hardcopy documents. For shareholders in remote areas that are reliant on hardcopy documents and who would send hard copy acceptance forms back, the proposal may mean that a shareholder could have 1 business day to consider the offer and make their investment decision. It is not clear what proportion of shareholders would at this stage fall into this category and whether the proportion of shareholders that fall into this category justifies maintaining a longer timetable that exposes both the company and the shareholders who subscribe early to market risk for the additional days required in the timetable.

### Your feedback

Q12. What are your views on the trade-off struck between the benefits of reducing the timetable and costs of reducing the time available to investors to make their investment decision in the proposal to reduce the period between the date that documents must be sent to the acceptances close date?

Q13. If you do not think it is feasible to reduce the disclosure period from 10 business days to 7 business days, what are your views of a smaller reduction in this period from 10 business days to either 8 or 9 business days?

Q14. What are your views on whether the increasing use of low-documentation offers using a cleansing notice and of electronic methods of acceptance and payment support the case for reducing the disclosure period?

## E. From day after acceptances close date to and including issue of securities

### Current timetable: business day 21 to business day 26

6.47 After acceptances close:

- ASX sets up a deferred settlement market in the new securities to be issued under the offer, which runs from the day after acceptances close (i.e. business day 21) until the securities have been issued.
- The company calculates under-subscriptions and notifies them to the market.
- The company and its share registry process acceptances and application money, and issue the securities.

6.48 This period can commence as early as business day 18 and finish as early as business day 23 (depending on the timing of sending of offer documents and entitlement and acceptance forms – see above).

6.49 The maximum period after acceptances close until the issue of the securities is 6 business days (up to business day 26)

6.50 The period for calculation and notification of under-subscriptions after acceptances close is 3 business days (from business day 21 to business day 23).

6.51 The registry will be aware of the extent of under-subscriptions as acceptance processing is completed each day. One exception to this relates to acceptances that have been accompanied by a cheque that is then dishonoured.

### Proposal: reduce the period from day after acceptances close date to issue date by 3 business days (business day 14 to business day 16)

6.52 ASX proposes that this period be reduced from a maximum of 6 business days to a maximum of 3 business days.

6.53 This will require the company to process all acceptances and to receive cleared funds accompanying all acceptances within 3 business days. This will limit the company's ability to deal with payments received by cheques which are subsequently dishonoured. Taken together with the proposed reduction to the period between sending of documents to acceptances close date (see Section D above), it will also more generally limit the ability of shareholders, particularly shareholders in remote areas, to pay by cheque. However, the general use and acceptance of electronic payment methods (and the existence of alternative methods such as bank cheques) makes this a practicable way of shortening the timetable.

6.54 The company will still have to announce under-subscriptions within 3 business days of acceptances close (the same date by which it has to issue the securities). In some issues, the formalities involved with underwriting arrangements may require some time once under-subscriptions are determined.

6.55 This change would reduce the timetable by 3 business days.

6.56 It may be that less than 3 business days is required, if electronic payment methods are used. ASX would welcome any comments on whether 2 business days would be sufficient for this part of the timetable.

## Your feedback

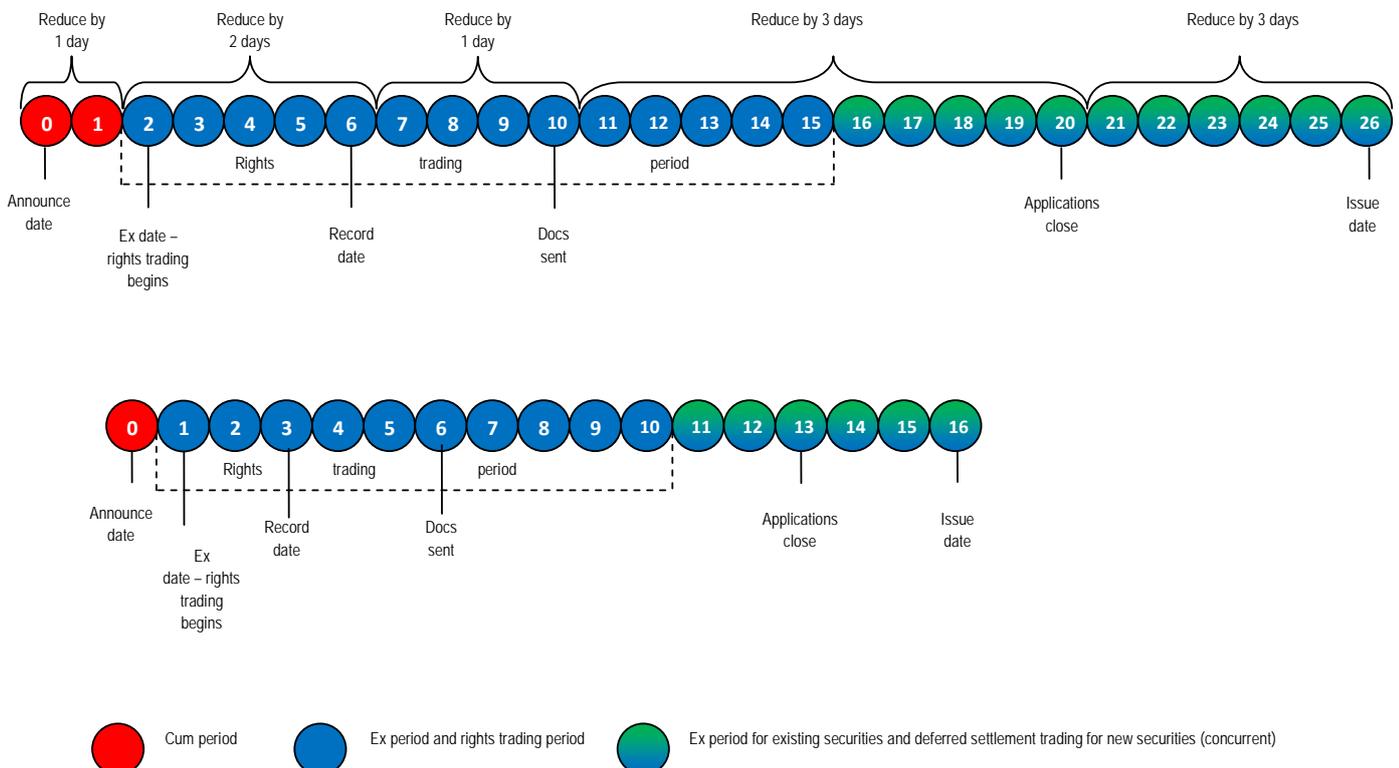
- Q15. Given the general acceptance and use of electronic acceptance of offers and electronic methods of payments by shareholders, what are your views on whether a greater reduction in the number of business days in the period between the acceptances close date and the issue date than the 3 business day reduction canvassed in the proposal can be achieved (that is, whether 2 business days would be sufficient for this part of the timetable)?
- Q16. What are your views on whether a reduction in period between the acceptances close date and the issue date from 6 business days to 3 business days, or even 2 business days, provides sufficient time for finalising the details of the securities to be issued and to announce any under-subscriptions?

## 7 Renounceable rights issue timetable

- 7.1 The timetable for non-renounceable rights issues is in section 4 of Appendix 7A of the ASX Listing Rules. It runs for a maximum of 26 business days.

### Overview of proposed changes

#### Impact on timetable for renounceable rights issues (based on 26 business day standard period)



7.2 The proposals have the potential to reduce the standard timetable for non-renounceable rights issues by up to 10 business days (based on a 26 business day standard timetable), by:

- Reducing the period from the announcement date to the ex date from 2 business days to 1 business day. This is the same proposal as for the non-renounceable timetable – see Section A above.
- Reducing the period from the ex date to and including the record date from 5 business days to 3 business days. This is the same proposal as for the non-renounceable timetable – see Section B above.
- Reducing the period from the day after the record date to and including the date that documents are sent to shareholders from a maximum of 4 business days to a maximum of 3 business days. This is the same proposal as for the non-renounceable timetable – see Section C above.
- Reducing the period from the day after the date that documents are sent to shareholders to and including the date that applications close from a minimum of 10 business days to a minimum of 7 business days. This is the same proposal as for the non-renounceable timetable – see Section D above. For renounceable rights issues, the period of rights trading will also be reduced from 14 business days in the standard timetable to 8 business days in the standard timetable – see Section F below.
- Reducing the period from the day after the date that applications close to and including the issue date from 6 business days to 3 business days. This is the same proposal as for the non-renounceable timetable – see Section E above.

## F. Additional changes for renounceable rights issues timetable – rights trading

7.3 The impact of the proposals on the timetable for renounceable rights issues is largely the same as for the timetable for non-renounceable rights issues. The key additional impact is the effect on the period provided for rights trading under the renounceable timetable.

7.4 Rights trading is generally conducted as follows:

- Rights trading begins on the ex date (business day 2 in the current timetable and business day 1 in the proposed timetable).
- Rights trading is conducted on a deferred settlement basis until and including the record date (business day 7 in the current timetable and business day 4 in the proposed timetable).
- From then, rights trading is conducted on a normal T+3 settlement basis until it concludes 5 business days before the acceptances close date (business day 15 in the current timetable and business day 8 in the proposed timetable).
- Deferred settlement trading of the underlying securities begins on the business day after rights trading concludes (business day 16 in the current timetable and business day 9 in the proposed timetable).
- Each shareholder on the record date will be sent personalised entitlement and acceptance forms. Shareholders who buy rights on market and are not on the register on the record date will ordinarily obtain the necessary documentation from their broker.

7.5 The duration of the rights market is dependent on the acceptances close date. Rights trading under the current timetable ceases 5 business days before the applications close date. This is principally to allow for settlement of trades in the rights, and for applications to be made by those persons who have purchased rights on market. Under the current timetable, based on an acceptances close date being as short a period as is allowed after the last date for sending the offer document and entitlement and acceptance form (that is, 10 business days), the acceptances close date would be business day 20. Consequently, the last day of rights trading would be business day 15.

- 7.6 If the company sets the acceptances close date later than business day 20, then the rights trading period will also consequently be longer. However, the last day of rights trading under the current timetable will always be 5 business days before the acceptances close date.
- 7.7 If the company extends the previously announced acceptances close date, then under the current timetable the rights trading period will also be extended. Extension of the acceptances close date requires 6 business days' notice to ASX (that is, the extension will always be notified before the rights trading period ends).
- 7.8 Currently, the minimum duration of a rights market is 11 business days (from ex date on business day 2, to business day 12, which is 5 business days before the earliest possible acceptances close date of business day 17 if offer documents were sent on business day 7).
- 7.9 By reducing the period from the ex date to the acceptances close date, the proposals necessarily reduce the period for rights trading. ASX proposes to reduce the current 5 business day period between the end of rights trading and the acceptances close date to 3 business days, to make the rights trading period as long as possible. The 3 business day period will conform to the normal T+3 settlement cycle, and in that sense this change would be consistent with the proposal described in Section B above.
- 7.10 With this reduction in the period between the end of rights trading and the acceptances close date, under the proposed timetable the minimum duration of a rights market would be reduced by 3 business days, to 8 business days (from ex date on business day 1, to business day 8, which is 3 business days before the earliest possible acceptances close date of business day 11 if offer documents were sent on business day 4).
- 7.11 Currently, a notice for extension of the acceptances close date must be received by ASX no later than 6 business days prior to the acceptances close date. ASX proposes to reduce this 6 business day notice period as far as possible, and potentially to as little as 1 to 2 business days. ASX's view is that in the reduced timetable it is important to give companies as much time as possible to assess the progress of the rights issue, before making a decision to extend the acceptances close date. Reducing this notice period involves a number of complications. It would mean that there could be no extension to the rights trading period if the acceptances close date was extended. Rights trading would already have concluded 3 business days prior to the current acceptances close date (see above). It would also require substantial development work in relation to a number of ASX systems and processes which are currently built around a 6 business day notice period, including certain CHES adjustments. ASX intends to conduct targeted consultation with brokers, back office service providers and registries to confirm the feasibility of this change.

### Issues for consideration

- 7.12 Implementation of the proposals in this paper to reduce the period of time between the ex date and the acceptances close date would reduce the period for rights trading. Assuming the earliest possible acceptances close date (based on documents sent to shareholders the day after the record date), the rights trading period would be reduced to 8 business days. This would mean 4 days of rights trading from the day after documents are sent to shareholders. For foreign shareholders and shareholders in remote areas to the extent that they are reliant on the receipt of hardcopy documents, there would be an impact on their ability to trade their rights.
- 7.13 The period of rights trading in the reduced timetable is maximised by reducing the period between the end of rights trading and the acceptances close date, from 5 business days to 3 business days. Without this additional 2 business days, rights trading would end on business day 8, even if documents were sent to shareholders on business day 6, the latest possible date. This would significantly increase the impact noted above. However, the trade-off for reducing the period of time between the end of rights trading and the acceptances close date from 5 business days to 3 business days is that investors who have bought the right to participate in the offer on the last day of rights trading will have less time available to complete and lodge acceptance forms and payment for the subscription assuming settlement of the rights on a T+3 settlement cycle.

## Your feedback

- Q17. What are your views on the reduction in the period of rights trading which would result from the implementation of the proposals to shorten the standard timetable discussed in this paper?
- Q18. What are your views on the approach of maximising the rights trading period in the reduced timetable, by reducing the period between the end of rights trading and the acceptances close date? Do you think that the benefit of extending the rights trading period outweighs the loss of time for those investors who bought rights on the last day of rights trading to lodge application forms and payments?
- Q19. What are your views on the inability in the reduced timetable to extend the rights trading period if the acceptances close date is extended on the minimum notice proposed to be required? Is this an appropriate trade-off for providing companies with as much time as possible under the reduced timetable to assess the progress of the rights issue and decide if an extension in the offer period is required?

## 8 Impact on accelerated rights issues

- 8.1 There is currently no standard timetable provided in the ASX Listing Rules for accelerated rights issues. To conduct an accelerated rights issue a listed company must apply for, and be granted, waivers of the ASX Listing Rules.
- 8.2 ASX undertook public consultation in 2011 on a proposal to introduce listing rules to facilitate standard timetables for accelerated rights issues, which would allow companies to conduct accelerated rights issues without obtaining waivers from ASX.
- 8.3 While ASX still intends to introduce amendments to the ASX Listing Rules to facilitate accelerated rights issues, ASX proposes to conduct consultation on the proposals to reduce the standard timetable for traditional rights issue put forward in the first part of this paper prior to finalising the listing rule amendments and the proposed standard timetables for accelerated rights issues. This is to ensure that any consequential impacts to the proposed timetables for accelerated rights issues from changing the standard timetable for traditional rights issues are identified and taken into account where appropriate.
- 8.4 Any further changes to the draft rules previously exposed for comment on the proposed timetables for accelerated rights issues that result from this consultation process and changes to the standard timetable for traditional rights issues will be subject to further consultation.

## 9 Consultation process

- 9.1 You are invited to comment on the proposals to reduce the standard timetable for rights issues discussed in this paper. As well as responding to the specific proposals and questions posed in this paper, any other feedback relevant to facilitating a shorter standard timetable for rights issues is welcome.
- 9.2 Submissions should include the name of your organisation (or your name if the submission is made as an individual) and contact details for the submission, including an email address and telephone number where available. While submissions may be lodged electronically or by post, electronic lodgement is strongly preferred.
- 9.3 All information (including name and address details) contained in submissions will be made publicly available to the public on the ASX website, unless you indicate that you would like all of your submission, or part of your submission, to be treated as confidential.
- 9.4 A copy of all submissions will be provided to ASIC for the purpose of the regulatory review of proposed rule amendments.

### Feedback sought

Proposal	Question	Page
<b>A. Announcement date to ex date</b>	Q1. With advancements in communications technology and operational systems, is it feasible to reduce the cum entitlement trading period to 1 business day and still provide the ability for foreign shareholders to trade in or out of the securities on a cum entitlement basis?	8
	Q2. What are your views on the trade-off between shortening the standard timetable for all market users and a security being placed in a trading halt in the unlikely event that there is an information processing error made in changing the basis of quotation?	
	Q3. What are your views on whether the introduction of intra-day market information dissemination would mitigate the impact of reducing the cum entitlement trading period?	
	Q4. What are the impacts of reducing the cum entitlement trading period to 1 business day on common market transactions, for example, stock lending arrangements?	
	Q5. Would the introduction of a separate standard timetable for dividends and capital returns that is different to the standard timetable for all other corporate actions create significant complexity or other compliance issues for market users?	
<b>B. Ex date to and including record date</b>	Q6. What is the impact on reducing the period between the ex date and the record date on the settlement systems and processes of market users?	9
	Q7. What are the impacts of reducing the period between the ex date and the record dates to 3 business days on common market transactions, for example, stock lending arrangements?	
	Q8. What are your views on the recommendation put forward by ACSA for the date for dividend reinvestment plan elections being mandated as 2 settlement days after the record date?	

Proposal	Question	Page
<p><b>C. From day after record date to and including date that documents are sent to shareholders</b></p>	<p>Q9. What are your views on the feasibility of sending out offer documentation in more than one stage, based on more than one “cut” of the share register, on condition that only shareholders on the register on the record date would be entitled to participate in the rights issue?</p> <p>Q10. What other process or technology changes may be adopted to facilitate a reduction in the period between the record date and the date that documents must be sent out?</p> <p>Q11. What are your views on whether the period between the record date and the date that documents must be sent out could be reduced from 4 business days to 2 or 3 business days?</p>	11
<p><b>D. From day after date that documents are sent to shareholders to and including acceptances close date</b></p>	<p>Q12. What are your views on the trade-off struck between the benefits of reducing the timetable and costs of reducing the time available to investors to make their investment decision in the proposal to reduce the period between the date that documents must be sent to the acceptances close date?</p> <p>Q13. If you do not think it is feasible to reduce the disclosure period from 10 business days to 7 business days, what are your views of a smaller reduction in this period from 10 business days to either 8 or 9 business days?</p> <p>Q14. What are your views on whether the increasing use of low-documentation offers using a cleansing notice and of electronic methods of acceptance and payment support the case for reducing the disclosure period?</p>	12
<p><b>E. From day after acceptances close date to and including issue of securities</b></p>	<p>Q15. Given the general acceptance and use of electronic acceptance of offers and electronic methods of payments by shareholders, what are your views on whether a greater reduction in the number of business days in the period between the acceptances close date and the issue date than the 3 business day reduction canvassed in the proposal can be achieved (that is, whether 2 business days would be sufficient for this part of the timetable)?</p> <p>Q16. What are your views on whether a reduction in period between the acceptances close date and the issue date from 6 business days to 3 business days, or even 2 business days, provides sufficient time for finalising the details of the securities to be issued and to announce any under-subscriptions?</p>	14
<p><b>F. Additional changes for renounceable rights issues timetable – rights trading</b></p>	<p>Q17. What are your views on the reduction in the period of rights trading which would result from the implementation of the proposals to shorten the standard timetable discussed in this paper?</p> <p>Q18. What are your views on the approach of maximising the rights trading period in the reduced timetable, by reducing the period between the end of rights trading and the acceptances close date? Do you think that the benefit of extending the rights trading period outweighs the loss of time for those investors who bought rights on the last day of rights trading to lodge application forms and payments?</p> <p>Q19. What are your views on the inability in the reduced timetable to extend the rights trading period if the acceptances close date is extended on the minimum notice proposed to be required? Is this an appropriate trade-off for providing companies with as much time as possible under the reduced timetable to assess the progress of the rights issue and decide if an extension in the offer period is required?</p>	16

## 10 Longer term considerations

- 10.1 While this paper is focused on proposals to reduce the standard timetable for rights issues that are consistent with the current legislative and regulatory framework, ASX considers that there is merit in facilitating a discussion amongst all interested stakeholders about the feasibility of developing a significantly shorter alternative timetable for rights issues in the medium to longer term. It is envisaged that any such timetable would be in addition to the standard timetable for rights issues and, as such, would provide another option for listed companies seeking to both raise capital quickly by means of a rights issue. It is also not envisaged that this additional timetable could be applied to other corporate actions (that is, it would only be applicable to rights issues).
- 10.2 In recognition of the importance for listed companies to be able to raise capital quickly and efficiently and the interests of existing shareholders seeking greater opportunity to participate in capital raisings, ASX considers that it is timely to test the appetite for, and desirability of, examining the options for developing an alternative timetable for a rights issue that could be undertaken in less than a week. In order to be able to complete a rights issue in less than a week, it would certainly involve significant changes to the way rights issues have traditionally been conducted in Australia and would also likely involve legislative or regulatory change. As such, the development of a proposal that could be presented to Government and could be implemented will require significant collaboration by all affected and interested stakeholders as substantial changes in the way companies communicate with shareholders and substantial changes to systems and operational processes would be necessary.
- 10.3 ASX has identified two threshold issues that would be critical in delivering a rights issue in under a week and which should be considered by all relevant stakeholders in assessing the feasibility of developing a significantly expedited alternative timetable for rights issues. The two threshold issues for consideration involve the use of a retrospective record date for determining who is entitled to participate in the rights issue, and the electronic dissemination of disclosure documentation and the use of electronic funds transfer.

### Retrospective record date

- 10.4 Implementation of a retrospective record date would have the effect of eliminating the cum entitlement trading period (the period between announcement and the ex date) where investors have the opportunity to buy (or sell) securities in the listed company following the announcement of the rights issue and the securities have the entitlement to participate in the rights issue. It would also have the effect of eliminating the period between the ex date and the record date which enables the trades undertaken on a cum entitlement basis to be settled in the normal T+3 settlement cycle so that those shareholders entitled to participate in the rights offer are represented on the share register on the record date.
- 10.5 Under a rights issue with a retrospective record date, on the day that a listed company announces a rights issue (business day 0) it would also announce that the record date was 1 business day before the date of the announcement. The benefit of introducing a timetable that uses a retrospective record date is that it would reduce the current timetable by 6 business days. However, a using a retrospective record date isn't without costs. Issues to consider in examining the feasibility of introducing a timetable that utilises a retrospective record date include:
- the need for the securities of the companies to be placed in a trading halt on the date of the announcement of the rights issue (business day 0) to provide for the following operational processes to be undertaken by ASX overnight:
    - the security to be quoted on an ex entitlement basis on the following day; and

- the determination of the impact on exchange traded options over the security and the need for contract specification adjustments, and the need to send a derivatives notice to participants in the ETO market prior to the underlying security being traded on an ex entitlement basis;
- the need for CHESSE diary adjustments to maintain equity between those that have traded on a cum entitlement basis in the three days prior to the record date where the T+3 settlement cycle has not been completed. In these circumstances, ASX may be able to make CHESSE diary adjustments to reflect the trades that have occurred in the three days prior to the record date where settlement hasn't been completed to identify those that should be entitled to participate in the rights offer, but are not on the share register as at the record date. While ASX may be able to facilitate CHESSE diary adjustments, brokers would also need to adopt new processes. Shareholders who bought the securities in this period may also need to play an active role in contacting the issuer and/or their broker to ensure that they receive the offer documentation and have the ability to participate in the rights issue; and
- the need for new market data products to facilitate real time streaming of market announcements and related information to subscribers for the purposes of providing notification that a security is trading on an ex entitlement basis in real time as opposed to at the end of day.

## Electronic dissemination of disclosure documentation and electronic payment

- 10.6 Given a large component of the current standard timetable for rights issues relates to the dissemination of hard copies of the disclosure documentation, the receipt of hard copy application forms and the processing of payments, any proposal to significantly shorten the timetable for a rights issue will need to encompass electronic dissemination of the disclosure and offer documents, electronic mechanisms for the acceptance of the offer and electronic funds transfer.
- 10.7 With electronic dissemination of the disclosure and offer documentation via email and electronic mechanisms for the acceptance of the offer (for example, through an online facility or registry account), a significant proportion of the 10 business day disclosure period under the current standard timetable for rights issues could be eliminated. However, an appropriate period for shareholders to consider the offer and make an investment decision will need to be maintained. In determining what the appropriate period for shareholders to consider the offer and make an investment decision, consideration should be given to the fact that the disclosure documentation will be available electronically on the ASX Market Announcements Platform on the date of the announcement and that the operation of the continuous disclosure regime should mean that there is little new material information to be disclosed to the market.
- 10.8 In addition to being able to eliminate a number of days at the back end of the disclosure period by the introduction of the use of an electronic mechanism for the acceptance of an offer, a number of days from the current standard timetable could be eliminated between the acceptances close date and the date of issue of the securities. This could be achieved by requiring that payment for the subscription of securities is made by an electronic funds transfer (for example, BPAY). The current standard timetable includes additional days that provides for the ability for subscribers to pay via cheque.
- 10.9 Assessing the feasibility of developing a timetable for rights issues that utilises electronic dissemination of disclosure and offer documentation and electronic payment would require that consideration be given to, among other things, the likely need for legislative or regulatory changes and the need for shareholders to provide listed companies with their email addresses for the purpose of receiving disclosure and offer documentation.

## Next steps

- 10.10 In addition to commenting on the proposals put forward for reducing the standard timetable for rights issues in the first part of this paper, ASX invites comments from all interested stakeholders on the feasibility of developing a significantly shorter alternative timetable for rights issues in the medium to longer term, and the issues that need to be considered in progressing any such proposal.