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Submission to the Public Consultation: Simplifying, clarifying and enhancing the integrity and efficiency of the ASX Listing Rules - 28 November 2018

Thomson Reuters Connect 4 is part of Thomson Reuters (Professional) Australia Ltd and specialises in providing databases of ASX listed entity information to the legal, financial services, government, accounting, executive recruitment and university sectors.

Thomson Reuters Connect 4's range of databases covers corporate transaction details, director/executive information and remuneration, company announcements, ASX listing rule waivers and documents (annual reports, prospectuses and bidder & target statements). The New Issues database covers transactional data about IPOs and a range of secondary equity offerings. The Boardroom database monitors director information including director changes.

This submission to the Public Consultation responds only to certain sub-sections of the consultation paper. It is based on firsthand experience of Thomson Reuters Connect 4 interpreting and extracting data from announcements lodged by listed entities and its observations of investors, stakeholders and other third parties' (collectively 'users') demand for market information.

The aims of this submission are to:

- Highlight support for certain proposed changes
- Suggest changes to the proposed Appendix 3B and Appendix 2A smart forms
- Highlight the lack of clear and detailed information for the results of accelerated offers and underwritten placements as well as suggest a table for inclusion in results announcements

1/ '2.4. Disclosure of closing dates for the receipt of director nominations' / clarifying Rule 3.13.1

Comment

A good change as this will assist the market in identifying potential director movements as well as researching and monitoring director movements post-meeting.

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2/ '2.5. Disclosure of voting results at meetings of security holders' including the standardisation of such disclosure

Comment

This is badly needed as listed entities report their voting results differently which makes it difficult for users of this information to use or compare with the voting results of other listed entities in terms of research and making investment decisions.

Recommendation

It is recommended that the ASX releases a 'model' voting results table with column headings to make it clear what is required, create an order for reporting and eliminate any doubt on what needs to be reported.

Without such a table, different listed entities will put the results in different orders making the reading and collection of such information harder than needed.

3/ '2.6. Disclosure of underwriting agreements' amending various rules to create consistency also the insertion of new rule 3.10.9 for the notification of any underwriting of DRPs

Comment

A good change as it brings DRPs in line with the disclosure of underwriting information required for the other issue types.

Recommendation

Also examine the requirements for DRPs where the shortfall is placed. Shortfall DRPs don't occur often but when they do, the information is sometimes very minimal or only announced at listing. For example, the information about the shortfall only being released in the DRP results announcement and nothing released prior to the announcement of the DRP results/listing, such as what would happen to the DRP securities not taken up.



4/ '3.1. Announcing issues of securities and seeking their quotation' by separation of the current use of Appendix 3B into: A/ Appendix 3B for notifications of proposed issues and B/ Appendix 2A for the application of quotation of securities

Comment

This is an excellent proposal as this will assist the market in deciphering information about proposed issues and the listing status of those security issues as it:

- Clarifies when Appendix 3Bs need to be used/lodged. Currently some entities are not clear about when to lodge these or what information is new. As an example, recently an entity lodged four Appendix 3Bs about the same share issue within five weeks without clearly showing the changes or new information between each version.
- Will allow users to identify the listing information and status for security issues via the Appendix 2A.

5/ Early proto-type of Appendix 3B (Annexure L)

Comment

Good idea to have 'smart' forms with drop down boxes/lists, etc as well as tailoring the form to different raising types as this will reduce the confusion on what is required when filling out the forms. Please see the recommendations below for three areas for improvement.

Recommendations

- Point 5 – Investigate and change the order of the 'multi-choice drop down selection' – the current order looks to be in the reverse order of likely use e.g. '9. A placement or other type of issue' would be the most common type of issue and should be ranked '1'. Unless there is some other motive, the order needs to be changed to make it as simple and efficient as possible.
- 'Details of accelerated renounceable entitlement offer with rights trading' Appendix 3B - missing a 'details of any other material fees or costs' field. Needs to be added (possibly between 274 and 275) as per Point 220 in the previous 'Details of proposed accelerated or simultaneous accelerated renounceable entitlement offer with rights trading' form.



- ‘Details of proposed offer under securities purchase plan’ form – add clarification to Point 287 ‘minimum subscription amount/ minimum number of securities proposed to be offered’ & Point 288 ‘maximum subscription amount/ maximum number of securities proposed to be offered’. Need to clarify if these are for the overall issue or are the minimum & maximum of the application increment amounts?
Why? To eliminate any doubt as different people will read it and fill it in differently.

6/ Early proto-type of Appendix 2A (Annexure K)

Generally good except for the two following points:

A/ It does not address the need to provide clear and precise qualitative and quantitative information about the results of various security issues.

Comment

Listed entities should be required to clearly state the key details about the results of standard non-renounceable pro-rata issues, standard renounceable pro-rata issues and accelerated offers (both underwritten and non-underwritten) as well as other issues that could be underwritten such as placements and DRPs. This is so market information users can easily and accurately determine the actual outcome of security issues.

Currently the results of various security issues are reported in a variety of ways ranging from excellent to vague. The lack of a results breakdown table, the use of rounding of dollar and/or share amounts to large figures (e.g. millions) and unclear results commentary lead to this vagueness.

- Accelerated offers – the presentation of results tends to be unclear and often only roughly split between placements (where applicable), Institutional and Retail offers with little or vague information about the exact breakdown of the results of each offer. Particularly vague is the information concerning the amount of shortfall securities and shortfall securities taken up by other investors or by the underwriter(s).

This is surprising given the average size of accelerated offers as well as the fact that ASX300 constituents (as at 18/02/2019) prefer this method of capital raising in terms of both the number of transactions and the average size of the transactions over standard non-renounceable pro-rata issues and standard



renounceable pro-rata issues. Entities using this raising method would have the capacity to provide a more detailed breakdown of results.

| Type of offer | No of ASX300 offers | Total no of offers | Av. ASX300 \$ amount listed per total offer | Total av. \$ amount listed per total offer |
|------------------------------------|---------------------|--------------------|---|--|
| Accelerated | 21 | 54 | 679,772,554 | 331,959,790 |
| Standard non-renounceable pro-rata | 1 | 153 | N/A - only 1 transaction | 12,693,336 |
| Standard renounceable pro-rata | 1 | 32 | N/A - only 1 transaction | 13,899,565 |

Source: Thomson Reuters Connect 4 New Issues data

- Standard non-renounceable pro-rata issues and standard renounceable pro-rata issues – the presentation of results tend to be good but vary from ok by providing comments and numbers in a descriptive format to excellent by providing a comment with numbers and a breakdown clearly set out in a table.
- Placements where underwritten – often varies from no information on the breakdown of placement results or minimal information on key details with descriptive commentary about the results. This leaves investors and other market information users either only partially informed or ‘in the dark’, and having to generalise about the results of the offer in terms of numbers, breakdown and sentiment. It can also lead to situations where investors and underwriters involved in the placement have a ‘superior knowledge’ of the placement over those investors not involved in the placement. This could create a distortion in sentiment for subsequent trading.

Recommendation

Incorporate requirements for listed entities to disclose the breakdown of results of the above mentioned offers and underwritten placements into the proposed Appendix 2A. This will provide investors and market information users with details to clearly identify the securities taken up under the various components of the offer as well as those going to underwriters and any shortfall. Below are two examples of what the layout could look like.



Example 1: Accelerated offers

| Details of offer components | No of Securities |
|---|------------------|
| Maximum number of new securities offered | |
| Number of securities issued under placement (if applicable) | |
| Number of securities accepted under the institutional offer | |
| Number of securities accepted under retail offer | |
| Additional top-up securities accepted under the offer | |
| Securities to be taken up by underwriters | |
| Shortfall (undersubscriptions) | |

Example 2: Placements (underwritten), standard pro-rata non-renounceable and renounceable offers

| Details of offer components | No of Securities |
|---|------------------|
| Maximum number of new securities offered | |
| Number of securities accepted under the offer | |
| Additional top-up securities accepted under the offer | |
| Securities to be taken up by underwriters | |
| Shortfall (undersubscriptions) | |
| Oversubscription securities (if applicable) | |

B/ Be more precise on what is required by the 'Issue price/consideration' heading in the 'Securities to be quoted' section on page 1

Comment

What is required by the 'Issue price/consideration' heading (page 1) in the 'Securities to be quoted' section is open for interpretation as it is not clear cut and will be completed in many ways (as happens now). By changing it, it will be clear to put in a security price/value regardless of issue type. This will allow the market and users to easily compare it to the share price at the time as well as making it easier for use in financial market modelling and databases

Securities to be quoted

| ASX code | Number ² | *Security description | Issue price/consideration ³ |
|----------|---------------------|-----------------------|--|
| | | | {CURRENCY} {AMOUNT} |



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Recommendation

Replace 'Issue price/consideration' heading (page 1) in the 'Securities to be quoted' section with 'Issue price/consideration per security'

7/ Commentary required on how the announcement / quotation of Bidder's listed securities issued as consideration under a takeover or a merger are to be treated.

Currently the Appendix 3B is used to disclose securities issued as consideration for takeovers and mergers. Some commentary is needed to clarify the treatment of such issues as the Consultation Paper focuses on other issue types. Under the proposed changes, how are such issues to be treated? Does this come under 2A or 3B in the first instance? If the 3B, will multi-choice '9' in part '5' of the template be sufficient or does another selection need to be added?

Please feel free to contact me with any queries concerning this submission.

Yours sincerely,

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