

17 August 2012

Ms Diane Lewis
Regulatory and Public Policy
ASX Limited
20 Bridge Street
Sydney NSW 2000

By Email: regulatorypolicy@asx.com.au

Dear Ms Lewis

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

Thank you for the opportunity to comment in relation to the proposals contained in the above noted consultation paper.

As a securities registration services provider, Boardroom Pty Limited (**'Boardroom'**) has a wide variety of clients; both listed and unlisted with both large and minimal securityholder bases. As such Boardroom considers we are well placed to provide a balanced yet considered view in relation to the proposals. For convenience, our comments are ordered in the same manner as they are presented in the consultation paper.

We would point out however, there are some issues we do not feel able to provide specific comment on. For example, there are questions posed in relation to the effect the reduction in the period between announcement and ex date could have on stock lending transactions.

As a general comment, subject to the specific matters raised below, Boardroom supports the overall thrust of the proposals and the overarching principle to sensibly minimise the timetable for rights issues whilst still maintaining a balance between the interests of stakeholders; in particular, issuers, advisors and investors. Our concern in relation to some of the proposals is however, that they seem to be predicated on the basis of relatively wide spread usage of electronic methods of information distribution and payment. Our experience is that, for the type of client whose registers we manage, adoption of electronic methods of information distribution and payment is neither widespread nor universally accepted. As a result, we can anticipate the need for adoption of changes to administrative processes used for rights issues that could be both complicated and costly.

Looking at each section in turn:

A. From Announcement of issue to ex date

Q5:- Each of the timetables for common corporate actions have a number of standard features. For example, all currently have a standard amount of time between announcement and ex date. If the period between announcement and ex date was to be different depending on the type of corporate action (rights issue, dividend payment, capital return etc.) there is the potential for confusion for both issuers and investors. In particular, unless targeted education programs are undertaken, it would be conceivable for incorrect information to inadvertently be released to the market by issuers and investors, particularly foreign investors, who believe they have more time than is actually available to buy or sell securities to (for instance) balance a portfolio position to be disadvantaged as a result.

Accordingly, we would recommend that all timetables for common corporate actions contain standard time periods, including for the period between announcement and ex date, wherever possible.

B From ex date to and including record date

Q8:- It is suggested that the current situation whereby the issuer is able to chose their own timing for the close for receipt of dividend reinvestment plan elections should be retained. In a previous discussion in relation to a similar request it was suggested the main reason for the extension was to enable instructions to be obtained from overseas clients. Given that for the vast majority of plans, participation is restricted to residents of either Australia or New Zealand, there should be no need for custodians to obtain instructions from overseas clients.

Further, in many cases, clients are requiring that information concerning the amount of dividend that is to be reinvested, be provided as soon as possible after the record date; this being for capital management purposes (such as where the DRP is underwritten). Addition of extra time after the record date will affect the ability to efficiently deal with these capital management issues, as well as extend a timetable that may, in the view of investors, already be overly long.

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

Q9:- There are some practical difficulties associated with the sending of Entitlement and Acceptance forms in more than one tranche that would negate any benefit that was obtained.

If Entitlement and Acceptance forms were to be mailed prior to the record date, there would need to be at least one additional mailing. That mailing would have to be undertaken after the record date holdings are known and would have to include:

- any holders who have come on to the register following the first mailing;
- any holders who have increased their holding since the first mailing. As these holders will have an increased number of existing shares, it is quite feasible their entitlement to the new shares will also have increased; and
- any holders who have sold some or all of their shares since the first mailing and who now have a reduced or nil holding as at the record date. In this case the entitlement of these holders to new shares will have been reduced proportionate to the decrease in their holding.

In relation to the latter two points, it will also be necessary to send some fairly detailed information directed to the holders receiving these letters as the first mailing could mislead the holder into believing they have a greater or lesser entitlement and given the volatility of the market, could mean those holders either lose money or miss out on a potential capital gain.

Q11:- the ability to reduce the period referred to will be dependent on the size of the shareholder base and the type of information to be sent. For small shareholder bases, a reduction as contemplated would be feasible. However, once the number of holders was (say) greater than 5,000, if there an entitlement and Acceptance Form, a prospectus, a letter from the company concerning the issue and a reply paid envelope, the amount of time required to prepare that information for mailing will increase and conversely, the ability to reduce the amount of time available, will decrease.

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

Qs 12, 13 and 14:- the common issue relating to all of the questions is the fact that once the documents are lodged with Australia Post, we lose control as to delivery of the documents to shareholders. There have been numerous instances where documents mailed to shareholders in New Zealand have not arrived with those holders until the applications close date or just before that date. Even if arrangements have been made for receipt of application money by BPay, as the application is to be paid in Australian dollars and many of those holders will not have an Australian dollar bank account, these holders will not be able to utilise the BPay facility. Similarly, we have had experience where documents mailed in New South Wales have taken 5 or 6 days to reach destinations in Victoria. Similar, if not longer timeframes, have applied to deliveries to Western Australia addresses. Whilst these holders will at least theoretically be able to use BPay to remit the application money, they face a reduced amount of time to make an informed judgement as to whether to invest, based on the documentation they have been sent.

One other point to note, while the use of BPay in these types of transactions is becoming much more common, depending on the make up of a register of shareholders (retail as opposed to institutional, inexperienced as opposed to experienced investors, etc.) the use of cheques can still be very high. In a recent share purchase plan, the majority of participants paid by cheque, even though BPay facilities were provided.

That is not to say there should be no reduction. Rather, there may need to be further investigation of methods for delivery of the information to shareholders.

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

Qs 15 and 16:- as noted above, our experience with a number of recent corporate actions is that the use of cheques for payment of application moneys, remains high. That would mean, a reduction in the time available after the close until the issue of securities to a time less than or equal to the cheque clearance time would require issuers to assume the risk there could be cheques dishonoured. Alternatively, the issuer would need to pay for cheques received after a certain time to be subject to special clearances; albeit these are relatively expensive and may still take more than one business day.

It should also be noted that BPay do not guarantee next day crediting of funds. In some cases it can still take up to 3 business days for funds to be credited to the issuer. Therefore, it may not be possible to reach a properly reconciled position in the timeframe being considered.

F. Additional change for renounceable rights issues timetable – rights trading

Q17:- we are concerned that the proposed reduction in the rights trading period will concentrate onto the last day (the closing date) the lodgement of acceptance forms applicable to holders who have bought. In turn that will impact upon the ability to process applications and hence abide by a shorter period between applications close and the issue of securities.

We would be happy to discuss any aspect of the comments made above. In this connection, please contact the writer either by email (martin.jones@boardroomlimited.com.au) or telephone (02 9290 9673). Alternatively, if the writer is unavailable, please discuss with Allan Nicol, Senior Manager Corporate Actions, on email (allan.nicol@boardroomlimited.com.au) or telephone (02 9290 9602)

Yours sincerely



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