



11 December 2020

Committee Secretary  
Department of the Senate  
PO Box 6100  
Parliament House  
Canberra ACT 2600  
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Dear Senate Select Committee on Financial Technology and Regulatory Technology,

### **ACCESS TO CAPITAL**

The SMSF Association (SMSFA) and Stockbrokers and Financial Advisers Association (SAFAA) welcome the opportunity to provide a submission to the Senate Select Committee on Financial Technology and Regulatory Technology. We focus this submission on 'access to capital' and the issue facing retail and SMSF shareholders who have been unable to participate in many recent capital raisings.

Retail shareholders and SMSF trustees are significant investors in ASX listed companies which helps generate living and retirement income for a significant proportion of the Australian population. Our associations believe there is a level of inequity in recent and current capital raisings that are being undertaken by many Australian ASX-listed businesses.

Due to the financial impacts of COVID-19, ASX-listed companies have undertaken emergency capital raisings to fund cash shortfalls from both debt and equity markets. During this time, ASIC announced temporary measures that made it easier for companies to raise equity.

However, the investment banking industry which facilitates the capital raisings typically do not offer retail and SMSF investors a proportionate opportunity to participate in discounted capital raisings, instead relying on domestic and international institutional clients. Not only does this restrict retail investors (including SMSF investors) from participating in the recovery of Australian businesses, but those investors also miss out on the benefits of the discount and have their existing shareholdings diluted.

In almost all cases of capital raisings during the COVID-19 pandemic, the investment banking industry (which is the facilitator), did not offer retail and SMSF investors a proportionate opportunity to participate in discounted capital raisings. Most emergency fund raisings that were undertaken were via heavily discounted placements (utilising the new 25% placement capacity without shareholder approval) and, only in some cases, with attached meaningful Share Purchase Plans or entitlement offers that lessened the dilutionary impact on retail and SMSF shareholders. This was particularly evident in the larger companies with widely distributed shareholder registers.



It is vital that we continue to promote and support the capacity of all Australians to participate in equity capital markets and to support Australian businesses.

Therefore, the SMSFA and the SAFAA believe that:

- ASX 200 listed companies should structure offers to maximise access for retail investors to a proportionate offer.
  - This includes setting aside a certain proportionate allocation for retail-focused brokers and firms to utilise their current modern technologies to provide offers quickly to SMSFs and retail clients
- If a company does not offer retail investors the chance to participate, they should publicly explain why not.
- Companies should disclose post-allocation to their investors the percentage of retail, SMSF and institutional offer allocations.

We believe that developing a single digital retail platform that builds on advances in financial technology could create a more efficient mechanism for fund raising from SMSFs and retail investors.

The purpose of a such a platform would be to create a more efficient mechanism for fund raising from SMSFs and other retail investors. Participants could register for the single depository which would help facilitate an even quicker process for brokers to access larger retail markets. Not only would this be more effective for capital raisings, but it may also be useful for larger scale infrastructure investments that SMSFs and retail investors are also typically restricted from accessing.

The Committee should explore how a digital retail platform could be developed to facilitate a more efficient process which links the investment banking industry with retail and SMSF trustee shareholders.

This would include a system where:

- Participants can register the interests of their retail and SMSF investors on a single depository.
- The facilitator of the capital raising can verify the shareholding.
- The facilitator can allocate proportionate capital to retail and SMSF investors.

If you have any questions, please do not hesitate in contacting us.

Yours sincerely,

A handwritten signature in black ink that reads 'John L. Maroney'.

John Maroney  
CEO  
SMSF Association

A handwritten signature in black ink that reads 'Judith Fox'.

Judith Fox  
CEO  
Stockbrokers and Financial Advisers Association