

CORPORATE AND FINANCIAL SERVICES REGULATION REVIEW PROPOSALS PAPER 2006

DRAFT REGULATION IMPACT STATEMENT

CHAPTER 5 – FUNDRAISING

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1. BACKGROUND

The issues contained in this Regulatory Impact Statement (RIS) relate to the fundraising provisions in the *Corporations Act 2001* (the Corporations Act). These provisions are contained in Chapter 6D 'Fundraising' of the Act.

Chapter 6D was inserted in the Corporations Act through the *Corporate Law Economic Reform Program Act 1999*. It builds on the previous general prospectus disclosure rules, but includes a number of additional provisions relating to the use of new instruments such as short form prospectuses and offer information statements, clarification of the persons liable for contraventions of the provisions, a new definition of sophisticated investors and others.

The Chapter 6D provisions have on the whole worked well and have supported a strong market in fundraisings since they were introduced. According to a recent survey conducted by KPMG, total equity fundraisings in Australia in 2005/06 amounted to A\$42.5 billion, which represents an increase of 42 per cent since 2000/01. Over time, however, it has become apparent that there are some shortcomings in the practical application of the provisions. Some of these affect the smooth operation of market processes, while others are more substantial in their effects, resulting in the skewing of market outcomes in ways that may not accord with Government policy.

The proposals examined in this RIS relate to those shortcomings which have a more substantial distorting effect on the market.

2. PROBLEM IDENTIFICATION

2.1 RIGHTS ISSUES

Rights issues are a method of fundraising in which existing shareholders in a listed entity are given the opportunity to purchase new shares in proportion to their holdings at specified terms. The current legislation requires that rights issues must be accompanied by a prospectus (or a Product Disclosure Statement (PDS) in the case of a listed managed investment scheme). As a result, the use of rights issues as a fundraising instrument has, to some extent, been superseded by other forms of fundraising with less onerous disclosure requirements. An example is a placement of shares to large institutional investors, which can be accomplished without a prospectus. One of the consequences of such placements is that existing shareholders and fund members may be disadvantaged. Small shareholders, for example, are generally not able to participate in these placements and therefore cannot acquire shares at the discount typically offered in such placements.

Further, rights issues often occur in circumstances where speed of execution is an important factor. The requirement to produce a prospectus or PDS may give rise to delays which may cause issuers difficulties in the circumstances and may lead to some other, faster form of fundraising being favoured, with consequences for existing shareholders similar to those set out above.

The impact of easing disclosure requirements may be illustrated using the placements market as an example in comparison to the rights issue market. The ability to raise funds through a placement of shares without full prospectus disclosure was made possible through the *Corporate Law Economic Reform Program (Audit Reform and Corporate Disclosure) Act 2004* which inserted section 708A in Chapter 6D of the Corporations Act. The relevant provisions formally commenced on 1 July 2004, so that any impact they had on the fundraising market would have become apparent in the statistics for the 2004/05 financial year. The statistics shown in the table below demonstrate a marked increase in funds raised through placements in that and the following year. Amounts raised through rights issues have, in contrast, stayed at a similar level in those two years and have lagged behind funds raised through placements.

| A\$bn | Equity raised in Australia 2001-2006 | | | | | |
|---------------|--------------------------------------|---------|---------|---------|---------|---------|
| | 2000/01 | 2001/02 | 2002/03 | 2003/04 | 2004/05 | 2005/06 |
| Placements | 7.48 | 13.74 | 7.33 | 7.74 | 8.75 | 11.61 |
| Rights issues | 1.95 | 2.58 | 6.86 | 10.10 | 5.7 | 5.66 |

Source: KPMG, survey of Australian capital markets 2005-06

2.1 EMPLOYEE SHAREHOLDER SCHEMES

Employee Shareholder Schemes (ESSs) are held to improve the productivity of the economy by aligning the interests of employees with those of their employer. The Australian Government's established policy therefore supports the introduction of ESSs in companies, with a variety of measures being put in place to give effect to the Government's policy.

The offer and issue of shares to employees constitute actions that fall within the scope of the investor protection provisions of the Corporations Act. The consequences are that under the law, companies establishing ESSs must comply with the fundraising requirements in Chapter 6D as well as the licensing and disclosure requirements in Chapter 7 of that Act. In addition, the current law relating to the self-acquisition of shares by companies creates difficulties for the practical implementation of ESSs. The cumulative effect is to discourage the wider establishment of ESSs, especially among unlisted companies.

Relief from the full provisions of the law is provided by the Australian Securities and Investments Commission (ASIC) for listed companies, based on the consideration that ongoing disclosure of all price-sensitive information is required as a condition of maintaining a listing. Unlisted companies, however, do not benefit from this relief. The ultimate consequence is that employees of unlisted companies generally have fewer opportunities to participate in the ownership of their employers than in the case of listed companies.

3. OBJECTIVES

3.1 RIGHTS ISSUES

The objective is to create an environment in which companies make decisions on fundraising methods based on comparative merits and characteristics rather than on regulatory

requirements. This would be achieved by creating a level playing field for all comparable fundraising methods.

The solutions identified should impose the lowest possible costs on companies wishing to raise funds, in order to encourage an active market in fundraisings of all descriptions. It is, however, important at the same time to ensure that investors are provided with all the information they require to make an informed decision about whether to participate in the fundraising or not.

3.2 EMPLOYEE SHAREHOLDER SCHEMES

The discouragement of ESSs in unlisted companies through the impact of the investor protection provisions of the Corporations Act does not accord with the general policy of supporting the introduction of ESSs. The objective is to minimise the impact of these investor protection provisions on the formation of ESSs in unlisted companies, while ensuring that employees who are offered a chance to participate in an unlisted company ESSs are provided with sufficient information to make an informed decision on whether to participate or not.

4. OPTIONS

4.1 RIGHTS ISSUES

Option A: Do nothing

Under this option listed entities raising funds through a rights issue would have to produce a prospectus or PDS. Certain other forms of fundraising such as institutional placements would not require a prospectus, as provided for in the current law.

Option B: Require a prospectus for all fundraisings

Under this option all forms of fundraising would require a prospectus or PDS, in order to ensure that all investors, including retail investors, were able to participate in these fundraisings. This would address the disadvantage suffered by small members of listed entities in institutional placements where they are not able to participate because of the lack of adequate disclosure.

Option C: Remove the prospectus requirement for rights issues subject to the obligation to provide certain defined information to the market

Under this option the requirement to issue a prospectus or PDS for rights issues would be removed in the case of listed entities. The scope of the exemption would be limited to listed entities on the grounds that the combination of an original prospectus on listing and the continuous disclosure rules would ensure the provision of an appropriate flow of information to members necessary for informed decision-making.

However, under certain circumstances as defined in the ASX's market rules price-sensitive information may be withheld from the market. It would be necessary to provide that such information must be disclosed before a rights issue can proceed. This could be achieved by requiring that a 'cleansing' notice, modelled on the provisions of section 708A of the Corporations Act, be provided.

Further, in certain circumstances rights issues may potentially lead to a shareholder or underwriter acquiring control or obtaining or significantly increasing voting power above the 20 per cent takeover threshold. It is vital to ensure that members are provided with full information on the potential effects of the rights issue before they decide whether or not to take up their rights. The requirement for a 'cleansing' notice to be provided should therefore be augmented with appropriate additional requirements to ensure that disclosure of this information occurs.

4.2 EMPLOYEE SHARE SCHEMES

Option A: Do nothing

Under this option unlisted company ESSs would continue to have to comply with the disclosure and licensing provisions of the Corporations Act. The main requirement in this respect is the provision of a prospectus including audited financial statements. Certain licensing requirements would also apply to the sponsoring company or related entities established for the operation of the ESS. An example would be the requirement for trustees managing the scheme on behalf of employees to hold a license for the provision of custodial and depository services. Listed companies, as mentioned above, would continue to receive relief from most of these requirements.

Option B: Provide extensive relief for unlisted company ESSs from the relevant provisions of the Corporations Act

The main relief would be to remove the requirement to provide a prospectus including audited financial statements, and substitute a specific ESS document tailored to the needs of employees in these situations. However, the document would not include audited financial statements.

Extensive licensing relief would also be provided, which would free companies from the need to submit relevant applications to ASIC and comply with the initial and ongoing licensing requirements.

Option C: Provide limited relief for unlisted company ESSs from the relevant provisions of the Corporations Act

Under this option the licensing and disclosure requirements would be reduced to a level that would remain consistent with providing an adequate level of investor protection for employees considering participating in unlisted company ESSs. Specific proposals under this option include:

- Facilitate the use of Offer Information Statements (OISs) as defined in the Corporations Act for unlisted company ESSs. The content requirements for prospectuses are defined on a very high level in the Corporations Act as encompassing all the information that an investor would reasonably require to assess the offer made. As a consequence, substantial due diligence by legal advisers is required to ensure compliance with the law. The content requirements for an OIS on the other hand are expressed in narrower terms that do not require extensive due diligence exercises.
- Audited financial statements would continue to be required. The reason is that reliable financial statements are held to be essential for assessing the condition and prospects of a company.

- Partial licensing relief would be granted where it would not impact on the interests of employees. Certain critical functions, such as offering advice to employees considering participation in the scheme, would continue to require an appropriate licence.
- Relief from the provisions of the law relating to the prohibition of the self-acquisition of shares by a company or related entity would be granted to facilitate the daily operation of ESSs.

5. IMPACT ANALYSIS

5.1 IMPACT ASSESSMENT METHODOLOGY

Impacts are divided between three impact groups (consumers, business and government). Typical impacts of an option on consumers might be changes in access to a market, the level of information and disclosure provided, or prices of goods or services. Typical impacts of an option on business would be the changes in the costs of compliance with a regulatory requirement. Typical impacts on government might be the costs of administering a regulatory requirement. Some impacts, such as changes in overall confidence in a market, may impact on more than one impact group.

The assessment of impacts in this draft regulation statement is based on a seven-point scale (-3 to +3). The impacts of each option are compared with the equivalent impact of the 'do nothing' option. If an impact on the impact group would, relative to doing nothing, be beneficial, the impact is allocated a positive rating of +1 to +3, depending on the magnitude of the relative benefit. On the other hand, if the impact imposes an additional cost on the impact group relative to the status quo, the impact is allocated a negative rating of -1 to -3, depending on the magnitude of the relative cost. If the impact is the same as that imposed under the current situation, a zero score would be given (although usually the impact would not be listed in such a case).

The magnitude of the rating of a particular impact associated with an option has been assigned taking into account the overall potential impact on the impact group. The reference point is always the status quo (or 'do nothing' option). Whether the cost or benefit is one-off or recurring, and whether it would fall on a small or large proportion of the impact group (in the case of business and consumers), is factored into the rating. For example, a cost or benefit, even though large for the persons concerned, may not result in the maximum rating (+/-3) if it is a one-off event that only falls on a few individuals. Conversely, a small increase in costs or benefits might be given a moderate or high rating if it would be likely to recur or if it falls on a large proportion of the impact group. The rating scale for individual impacts is explained in the table below.

Rating an individual impact

| +3 | +2 | +1 | 0 | -1 | -2 | -3 |
|---|--|---|---------------------------------------|---|--|---|
| Large benefit/ advantage compared to 'do nothing' | Moderate benefit/ advantage compared to 'do nothing' | Small benefit/ advantage compared to 'do nothing' | No substantial change from do nothing | Small cost/ disadvantage compared to 'do nothing' | Moderate cost/ disadvantage compared to 'do nothing' | Large cost/ disadvantage compared to 'do nothing' |

The ratings for the individual impacts compared to the status quo are then tallied to produce an overall outcome for the option. If it is positive, it indicates that the option is likely to produce a more favourable cost/benefit ratio than the status quo. If it is zero there would be no overall benefit from adopting the option, and if negative the option would provide overall a less favourable cost/benefit ratio than the 'do nothing' option. Ordinarily, options that have the highest positive score would be the favoured courses of action.

What is classed as a 'large', 'moderate' or 'small' cost or benefit depends on the nature of the problem and options being considered. Of course, the costs and benefits associated with options to address a problem costing billions of dollars per year are likely to be of a much greater absolute magnitude than the costs and benefits of options for dealing with a rather modest issue that effects only a handful of persons. However, as all the ratings are made relative to the status quo/ do nothing option for a particular problem, the absolute value of 'large' or 'moderate' or 'small' is not really important. All that matters is that within a problem assessment, the impacts of each option are given appropriate ratings relative to the status quo and each other. If that occurs, it will be sufficient for the methodology to yield an overall rating that assists in assessing the relative merits of options, from a cost/benefit perspective, to address the particular problem.

An example of the rating calculation for an option, using the seven-point scale ratings of impacts, is in the table below. The example is based on a purely hypothetical scenario that a new type of long-wearing vehicle tyre is being sold and marketed, but it has become apparent that the new tyres have a higher risk of exploding while in motion than conventional tyres. The example is designed merely to illustrate how the rating scale might be used to compare a proposal's costs and benefits option to the 'do nothing' option – it is not intended to be a comprehensive or realistic assessment of options to address such a problem.

Illustrative rating for the problem of a long-wearing tyre that may fail

Option A: Do nothing

| | Benefits | Costs |
|------------|--|---|
| Consumers | Access to a cheaper solution for vehicle tyres | Risk of tyre failure that can result in personal and property damage as a result of collision. Damage can be severe but cases are rare. |
| Industry | | Some compensation payments to persons as a result of collisions caused by the tyre |
| Government | Advantages from a waste management perspective | |

Option B: Ban on sale of the new tyre

| | Benefits | Costs |
|------------|---|---|
| Consumers | No persons will not be affected by tyre failure and resultant damage (+3) | Lack of access by all consumers to long-wearing vehicle tyres, increasing the cost of vehicle maintenance (-2) |
| Industry | No compensation payments for accident victims (+1) | Transitional costs involved with switching back all manufacturing/marketing operations to conventional tyres (-3) |
| Government | | Conventional tyres produce more waste which is costly to deal with (-1) |

| | | |
|----------------|----|----|
| Sub-rating | +4 | -6 |
| Overall rating | -2 | |

Option C: Industry-developed quality control standards

| | Benefits | Costs |
|----------------|---|--|
| Consumers | Much lower risk of tyre failure and resultant damage than status quo (+2) | |
| Industry | Significantly less compensation payments for accident victims (+1) | Developing and monitoring industry-wide quality control standards (-2) |
| Government | | |
| Sub-rating | +3 | -2 |
| Overall rating | +1 | |

In the above hypothetical example, Option C appears to have a better impact for consumers and a better overall cost/benefit rating than Option B. Although Option B appears to offer a slightly better impact for consumers, it appears to be less effective from an overall cost/benefit perspective than Option C.

The suggested ratings in this draft regulation impact statement are preliminary and are intended to promote consideration and comment by stakeholders to assist with final quantification of the expected costs and benefits. Comments are sought on the suggested ratings, and submission of further information to assist in quantifying costs/benefits is encouraged. Where possible, a quantified assessment of costs and benefits will be included in the final version of the regulation impact statement.

5.2 ASSESSMENT OF COSTS AND BENEFITS – RIGHTS ISSUES

Option A: Do nothing

| | Benefits | Costs |
|------------|---|---|
| Consumers | | Retail investors would continue to be disadvantaged as other forms of fundraising were used by companies to avoid the cost of preparing a prospectus. |
| Industry | Would avoid imposing any additional compliance costs on industry as they could continue to raise funds through methods not requiring prospectus disclosure. | The regulatory system would preserve a bias in favour of fundraising methods that do not require prospectus disclosure, without a fundamental policy reason for doing so. |
| Government | | |

Option B: Require a prospectus for all fundraisings

| | Benefits | Costs |
|-----------|---|--|
| Consumers | All forms of fundraisings would be treated on an equal footing, by having to provide a prospectus. (+2) Retail investors would be able to participate in share placements (+2) | Additional compliance costs would be imposed on listed entities through having to provide a prospectus in cases where none is currently required. Such costs may be significant depending on the amount of funds raised. Minimum costs for a small fundraising may be estimated at |

| | | |
|----------------|----|---|
| | | approximately \$30,000, largely in legal, accounting and other professional services fees, but would be much higher where larger amounts were raised. (-2) |
| Industry | | The imposition of additional compliance costs on fundraisings that currently do not require a prospectus could reduce the amount of funds raised in the Australian market. Larger entities may, for instance, be able to access the international capital markets at a lower cost. This could ultimately have a detrimental effect on the development of the capital markets and the financial services industry in Australia as a whole, with negative effects across all sectors of the economy. (-3) |
| Government | | This proposal would require increased oversight by ASIC, due to the larger number of prospectus lodged by the market. ASIC vets prospectuses for infringements of the contents requirements, and has the power to issue stop orders where such infringements are found. The increased costs would take the form of additional personnel and time spent on vetting prospectuses and taking regulatory action where necessary. (-3) |
| Sub-rating | +4 | -8 |
| Overall rating | -4 | |

Option C: Remove the prospectus requirement for rights issues subject to the obligation to provide certain defined information to the market

| | Benefits | Costs |
|----------------|---|---|
| Consumers | This proposal would remove the bias in favour of placements done without a prospectus, leading to an increased use of rights issues. This would benefit retail investors who are unable to participate in placements to institutional investors, but would also benefit the fundraising market as a whole, as issuers would choose the most efficient means of raising the funds they require. (+3) | There will not be a reduction in the amount of information provided to investors as all relevant information will have to be disclosed either under the continuous disclosure requirements or through the provision of the cleansing notice. There may however be some loss of convenience to investors in accessing the information in comparison to the current situation, where all relevant information is summarised in the prospectus. (-1) |
| Industry | The requirement to provide an appropriate 'cleansing' notice would ensure that investors were fully informed about key information relating to the rights issue, in particular where there was a potential effect on the control of the company. (+2) Listed entities would no longer need to produce a prospectus for a rights issue. As mentioned above, the minimum cost of a prospectus may be estimated at about \$30,000, but could be much more where larger amounts are raised. (+2) | Listed entities would have to provide a 'cleansing' notice to the market prior to launching the rights offer. This would be done through the ASX's company announcements platform, which is a computerised system through which announcements by listed entities are transmitted to the ASX and published. The marginal cost of providing announcements using this system is small. (-1) |
| Government | | |
| Sub-rating | +7 | -2 |
| Overall rating | +5 | |

5.3 ASSESSMENT OF COSTS AND BENEFITS – EMPLOYEE SHARE SCHEMES

Option A: Do nothing

| | Benefits | Costs |
|------------|--|---|
| Consumers | No additional compliance costs would be imposed. | Employees of unlisted companies would continue to have fewer opportunities to participate in the ownership of their employers. |
| Industry | | ESSs for unlisted companies would continue to incur high compliance costs due to the need to comply with the relevant provisions of the Corporations Act. |
| Government | | The law would continue to prevent the wider spread of ESSs. This would also limit the benefits to the economy attributable to ESSs. |

Option B: Provide extensive relief for unlisted company ESS from the provisions of the Corporations Act

| | Benefits | Costs |
|----------------|--|---|
| Consumers | | Investor protection levels would be drastically reduced under this option. There would be a strong possibility that some employees would participate in ESSs without being provided with an appropriate level of information about the company and its prospects. (-3) |
| Industry | There would be a considerable reduction in compliance costs for unlisted companies establishing an ESS. Relief from the prospectus requirement alone may reduce costs by a minimum of \$30,000 or more. (+3) | |
| Government | The proposal would strongly support the Government's policy with regard to the wider use of ESSs. (+2) | Subsequent problems relating to unlisted company ESSs with consequent losses of benefits to employees would give rise to criticism of the law and the lack of protection for employees it provided. Confidence in the investor protection regime would be likely to suffer as a consequence. Calls for reform of the relevant provisions in the law would be likely. (-3) |
| Sub-rating | +5 | -6 |
| Overall rating | | -1 |

Option C: Exempt unlisted company ESSs from certain provisions of the Corporations Act, while maintaining an adequate level of investor protection for employees considering participation in such schemes

| | Benefits | Costs |
|-----------|--|-------|
| Consumers | Employees of unlisted companies who were offered participation in an ESS would be given an adequate level of information and advice in considering | |

| | whether to participate or not. (+3) | |
|----------------|--|---|
| Industry | There would be a reduction in compliance costs for unlisted companies establishing an ESS, particularly through the licensing relief. (+2) | Unlisted companies would incur a certain level of compliance costs for establishing an ESS. There would also be ongoing costs where a company maintained access to the ESS for employees on a continuing basis. An example would be the need to update the offer document including the preparation of audited accounts. Establishment and ongoing costs would be lower than those under Option A, but higher than under Option B. (-2) |
| Government | The proposal would give appropriate effect to the Government's policy of supporting the widespread use of ESSs with consequent benefits to unlisted company productivity and the wider economy. (+2) | |
| Sub-ratings | +7 | -2 |
| Overall rating | +5 | |

Request for comment

Are there additional costs and benefits for the above options, which are not listed?

Are the suggested relative ratings appropriate?

Information to assist with quantification of costs and benefits is sought for inclusion in the final regulation impact statement.

6. CONSULTATION

Preliminary consultation on the problems set out in Section 2 was undertaken as part of the April 2006 *Corporate and Financial Services Regulation Review Consultation Paper*. Comments received in response to the consultation paper have been taken into consideration in identifying and examining the options outlined in this RIS.

The majority of the submissions received addressing rights issues supported the removal of the obligation to produce a prospectus or PDS for rights issues of listed entities. The argument generally put forward was that listed companies are obliged to keep the market informed about significant developments on an ongoing basis, so that there is little need to require additional disclosure for a rights issue. Some submissions proposed that only certain types of rights issues should be allowed relief from the obligation to provide a prospectus or PDS. A small number of submissions opposed the proposal.

In addition to the Corporate and Financial Services Regulation Review, the problems in relation to unlisted company ESSs were considered by a consultation group originally established by Treasury's Revenue Group to discuss taxation aspects of ESSs. Two sessions were held with this group to discuss the impact of the Corporations Act provisions on unlisted company ESSs. In addition, the group provided a submission specifying in detail the relief

requested in relation to Corporations Act provisions. Feedback received following the consultation paper, as well as the views expressed by the consultation group, were taken into account in identifying and examining the options outlined in this RIS.

The consultation group, which consists mainly of law firms, accounting firms and specialised consultants that offer advice to companies interested in establishing an ESS, proposed wide-ranging relief for unlisted companies from the relevant provisions of the Corporations Act. The submissions responding to the consultation paper generally expressed some caution with respect to this proposal. While acknowledging the merits of ESSs they also mentioned factors such as the level of risk involved in unlisted companies, the difficulty of obtaining relevant information and the comparatively low level of financial sophistication on the part of most employees. While there was some support for providing relief for unlisted company ESSs, there was also considerable concern that an appropriate level of investor protection should be maintained.

7. CONCLUSION AND RECOMMENDATION

The conclusions and recommendations made here are provisional in nature and may change as a result of comments and submissions received in the forthcoming consultation.

Rights issues

With respect to the problem relating to rights issues in comparison to other fundraising methods with reduced disclosure requirements, the provisional conclusion is to recommend Option C.

Compared to Option A (the 'do nothing' option), Option B imposes heavy additional costs without contributing sufficient benefits to justify them. The costs arise from requiring a prospectus for placements, for which there is no commensurate benefit. While the measure would achieve the stated objective in removing the bias inherent in the regulations against rights issues, it would only do so at an excessive cost which could have serious implications for the development of the equity market.

Option C achieves the desired objective of removing the bias against rights issues without imposing excessive costs on industry and other stakeholders. This is done by requiring an appropriate level of information to be given to investors, allowing them to make an informed decision on the merits of the offer, while providing for an efficient way for companies to make the information available. Option C is superior to Option B, but also provides a net benefit compared to Option A, and is therefore the preferred option.

ESSs for unlisted companies

In relation to employee shareholder schemes (ESS) for unlisted companies, the preliminary conclusion is to recommend Option C.

Option B achieves a high level of benefits, because it would allow for a significant reduction in compliance costs by unlisted companies establishing and running an ESS, but would do so by lowering investor protection safeguards to unacceptable levels, especially in view of the inherently higher level of risk associated with unlisted companies. This Option is awarded an overall negative score, implying that the status quo is preferable in comparison.

Option C provides significant benefits without compromising investor protection safeguards and without imposing excessive compliance costs on industry. The expected outcome would be an increase in the number of ESSs among unlisted companies compared to present levels, as targeted by Australian Government policy. Option C is superior to both Option B and the 'do nothing' option, and is the preferred option.

8. IMPLEMENTATION AND REVIEW

Both options would require significant amendments to current law, and would therefore need to be implemented through legislative changes. Assistance from the ASIC may also be required, depending on the detail of the provisions.

Ongoing review of the amended rights issues arrangements is likely to occur naturally through stakeholders in the stock market such as investors, brokers, market operators such as the Australian Stock Exchange, and general commentators. The Takeovers Panel will also be concerned to track the impact of the new arrangements in takeover situations. ASIC would be instrumental in supervising the new arrangements and reporting to Government on the practical implementation of any new provisions.