



Australian
Shareholders'
Association

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The Hon Kenneth Hayne AC QC
Commissioner
Royal Commission into misconduct
in the banking, superannuation and
financial services industry

Online: <https://royalcommissionwebform.lawinorder.com.au/>

Dear Commissioner

ROYAL COMMISSION INTO MISCONDUCT IN THE BANKING, SUPERANNUATION AND FINANCIAL SERVICES INDUSTRY

The Australian Shareholders' Association (ASA) represents its members to promote and safeguard their interests in the Australian equity capital markets. The ASA is an independent not-for-profit organisation funded by and operating in the interests of its members, primarily individual and retail investors and self-managed superannuation fund (SMSF) trustees. ASA also represents those investors and shareholders who are not members, but follow the ASA through various means, as our relevance extends to the broader investor community.

We refer to and thank you for your request for public engagement on financial service entity practices which fall below community standards and expectations. We would like to raise an issue relating to investment banks and the ASX, where initial public offers (IPOs) of large profitable companies are offered preferentially to institutional shareholders and other preferred stockbroking clients. This tends to leave the general retail investor (including SMSF trustees) restricted in participating in smaller, riskier IPOs.

As we noted in our submission to the ASX regarding the updating of ASX's admission requirements for listed entities, dated 24 June 2016, we believe that if ASX was to mandate that companies reserve a portion of securities in IPOs for retail investors, as is the case in Hong Kong, or proposed in Singapore (which has subsequently come into effect on 2 May 2017), this would be beneficial in ensuring equal access to IPOs and a more liquid and genuine secondary market.

We are particularly concerned to ensure that the interests of smaller investors are advanced and safeguarded, and believe an alternative exists which would offer a fairer and more transparent IPO process. We believe if the Royal Commission were to recommend a guaranteed minimum allocation to the public such as is available on the Hong Kong (10%) and Singapore (5%) securities exchanges, a systemic failing of the Australian IPO market would be addressed.

While we recognise that this issue does not necessarily intuitively form part of the terms of reference of the Royal Commission, nonetheless we are of the view that it goes to the heart of equitable treatment of investors in Australia and the operation of a fair market. Investors are, of

course, consumers of financial products, and it is on this basis that we have raised this issue for consideration.

If you have any questions about this submission, please do not hesitate to contact me on (02) 92524244.

Yours sincerely

A handwritten signature in black ink, appearing to read 'J Fox', with a long horizontal stroke extending from the top of the 'F'.

Judith Fox
Chief Executive Officer