



MEDIA RELEASE

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ANZ cartel allegations a wake-up call to reform capital raising

The allegations against ANZ that the bank and joint lead managers were knowingly involved in cartel arrangements relating to allocations of ANZ shares in a \$2.5 billion institutional share placement in August 2015 is a wake-up call to reform capital raising by ASX listed companies, the Australian Shareholders' Association (ASA) said today.

ASA CEO Judith Fox said the allegations of cartel arrangements highlight the need for directors to manage the governance of underwriting arrangements, share allocations and advice to boards from global investment banks.

"Without specifically commenting on the ANZ situation, boards do not necessarily undertake capital raisings on a regular basis," Ms Fox said. "They rely on the advice of investment banks, which have a history of favouring institutional shareholders over retail shareholders and also benefiting from the opaque way in which allocations of new shares are often conducted."

"Shareholders expect directors to challenge that advice, so they can be confident that all shareholders are being treated equally and that some parties are not benefiting at the expense of other shareholders."

ASA has been a strong advocate for capital raising reform for some years, pointing out that structures that unfairly favour institutional shareholders — such as placements and non-renounceable pro-rata offers — have been diluting retail shareholders, while the investment banks involved are paid large fees, plus often profit directly from the share sales. To ensure fair treatment of retail investors, ASA's preferred method of capital raising is a so-called PAITREO: a renounceable entitlement offer with retail rights trading.

ASA welcomes the investigation by regulators of the placement of about 80.8 million shares in the bank, including the lack of disclosure that 25.5 million of these went to two of the three joint lead managers.

ASA director Stephen Mayne said the charges should be a red flag for everyone involved in Australia's highly flexible "anything goes" capital raising system.

"We now know two of the joint lead managers of the \$2.5 billion placement bought over 30% of the new shares that were issued in the placement." Mr Mayne said. "There was [no disclosure](#) of this at the time and both the ACCC and the Commonwealth DPP believe there is enough evidence to lay charges alleging cartel conduct in the way these shares were allocated."

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The Australian Shareholders' Association (ASA) is the only independent, member-funded, not-for-profit organisation that educates shareholders to become better investors and focuses on driving improvements in transparency and accountability of corporate behaviour in Australia.