

House of Representatives Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Review of the APRA Annual Report (Second Report) 2019

Division/Agency: Australian Prudential Regulation Authority
Question No: APRA16QW
Topic: Issuing of capital as shares by Australian listed companies
Member: Tim Wilson MP

Question:

A constituent has contacted me in regards to the issuing of capital as shares by Australian listed companies and noted the below. What is APRA's view on this statement?

“I have read recently that the ASX & APRA last week lifted the percentage of shares an Australian listed company can issue out as capital in a placement from 15% to 25%. These shares are bought at a discount by institutions who are favoured clients of the underwriting investment bank appointed by the issuing company. Retail shareholders and SMSF's are excluded from this process. They may be able to participate in a share purchase placement at a later date, however even if they do their shareholding becomes diluted and low limits usually apply to these share purchase placements. If they are unable to participate in the placement because they don't have the funds their position obviously becomes even worse. I understand in the UK the limit on these placements for companies is 5% of their share capital. I suggest the government closely scrutinize this and adopt the UK position. This certainly doesn't pass the pub test particularly at a time when many small shareholders are struggling to stay afloat”.

Answer:

APRA is not responsible for these matters.

APRA is aware that a decision was made by the ASX and the Australian Securities and Investment Commission regarding this matter earlier in the year.