180 YEARS
Australian Unity
Real Wellbeing

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Standing Committee on Tax and Revenue
PO Box 6021
Parliament House
Canberra ACT 2600

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Dear Committee

Re: Inquiry into the Development of the Australian Corporate Bond Market

Thank you for this opportunity to provide a submission to the Standing Committee on Tax and Revenue inquiry into the development of the Australian Corporate Bond Market. Australian Unity acknowledges ongoing efforts.

About Australian Unity

Established in 1840, Australian Unity is Australia's first member-owned wellbeing company, delivering health, wealth and living services to more than one million customers.

These services include health and general insurance, independent and assisted living, dental and healthcare and a diverse wealth and capital markets operation spanning advice, trustee services, asset management, investment bonds, property and development, and banking.

As a mutual, we operate on commercial principles, but invest our profits directly back into our business to help us continuously improve the services and support we provide to our members, customers and the community.

Our experiences

Australian Unity is Australia's largest issuer of simple corporate bonds under the *Corporations Amendment (Simple Corporate Bonds and Other Measures) Act 2014*. Our most recent issue was on 15 October 2019 with $332.0 million worth of Australian Unity Bonds issued. The proceeds of this issue were used to refinance a previous exercise on 15 December 2015 worth $250.0 million.

While the use of simple corporate bonds has enabled the raising of funds, we wish to note several characteristics of the regime that are restrictive or inefficient in nature, which remain despite the intent of the 2014 legislation to expand the corporate bond market to retail investors.

Restrictions

From Australian Unity's perspective, the inability to include terms that permit early redemption/call back funds at an issuer's discretion is restrictive in relation to providing an efficient mechanism for the refinancing of simple corporate bonds. Such flexibility is readily accepted by investors and would have enabled Australian Unity to avoid (during its recent refinancing) the significant cost of pre-funding a maturity. For the most recent bond offer this represented an extra 15 months of borrowing costs due to the pre-funding of the original bonds' redemption.

Inefficiencies

Despite the name and intent, the legal requirements for the simple corporate bonds were inherently lengthy and complex. Specifically, simple corporate bonds require a two-part prospectus process:

1. a base prospectus with a life of three years, including general information about the issuer that is unlikely to change over the three year life of the document
2. an offer-specific prospectus for each offer that may update information in the base prospectus

A simple review of these documents demonstrates there is considerable overlap between the two parts. The offer-specific part bears no resemblance to the equivalent term sheet an issuer would provide in a wholesale offer. Arguably, the issuer receives no effective benefit from the extensive disclosure in the base part of the prospectus. We believe the regulations in this regard ultimately frustrated the objective of simplicity.

Notwithstanding, Australian Unity supports the simple corporate bond regime. We believe greater consideration, reform and deregulation of this sector, attending to the considerations noted in this letter, would help support greater market and investor interest in securities issued under this regime.

Once again, we thank you for this opportunity to make a submission to the Standing Committee on Tax and Revenue. We would welcome any opportunity to further discuss any aspect of our submission. [redacted]

Yours faithfully

[redacted]

Rohan Mead
Group Managing Director & CEO
Australian Unity