

Corporations.joint@aph.gov.au

The Secretary
Parliamentary Joint Committee
on Corporations and Financial Services
Suite SG.64
Parliament House
Canberra ACT 2600

14 June 2007

Dear Mr Sullivan

Inquiry into Simpler Regulatory System

I refer to your letter dated 24 May 2007.

Whilst I am aware that the closing date for submissions has now passed, I have been requested by the Corporations Committee of the Business Law Section of the Law Council of Australia ("**the Committee**") to extend its congratulations to the Government regarding the proposed legislative reforms by way of the *Corporations Legislation Amendment (Simpler Regulatory System) Bill 2007* and supporting Bills.

The Corporations Committee particularly supports the proposed reforms to the fundraising sections of the Act. The amendment that will abolish the requirement to issue a prospectus or Product Disclosure Statement for rights issues of quoted securities is particularly welcome for those policy reasons set out in the Explanatory Memorandum to the Bill.

The Committee concurs with a number of the amendments proposed that will bring about an alignment of the Chapter 7 and Chapter 6D requirements.

The Committee supports the change that has been proposed in relation to the required period for quotation of securities. The three month period is preferable to the existing 12-month period and we agree that three months will still provide an adequate "track record" for those securities.

The Committee also sees value in the amendments that will allow public companies to give small financial benefits to related parties in certain circumstances without seeking member approval.

Outlined below are some of the specific observations the Committee has that might be considered for any future drafts or amendments to the Bill.

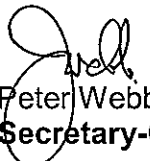
Some specific observations

- Item 10 of the Bill provides a proposed definition of a rights issue in new section 9A that is consistent with that used in sections 611 and 615. However although section 611 also requires that offerees have a reasonable time to accept, the Committee is unclear as to why there are two definitions of the same sort of issue, when a company will often need to bring an issue within both definitions;
- The relationship between sections 708AA and 713 may give rise to concerns. Those sections serve very similar functions, and on many occasions an issuer will be able to choose which provision to use, yet one requires a prospectus and the other requires only an announcement to the ASX. Furthermore, proposed subsection 708AA(3) differs in minor drafting respects from existing subsection 713(6), but also substantively, in that subsection 713(6) does not refer to breaches of the debenture provisions (sections 283AA, 283AB and 283AC) or to giving a defective subsection 708AA(7) notice. Unlike proposed subsection 708AA(3), however, subsection 713(6) does refer to giving a defective notice under subsection 708A(5) and the two provisions will be treated alike by paragraph 727(5)(a), as amended. Liability on a section 713 prospectus will depend on the provisions of Part 6D.3, but liability on an announcement under new section 708AA (which is functionally indistinguishable) will depend on the provisions of Part 7.10. A notice under section 708AA will not be a disclosure document for the purposes of section 739, so ASIC's stop order power will not apply to it, although a prospectus under section 713 is a disclosure document. In most of these respects, a notice under subsection 708AA(7) is dealt with in the same way as a notice under section 708A.

In order to prevent anomalies such as these from existing and accumulating, the same eligibility requirements should apply to the two provisions, which should also operate in a similar way (probably by way of an announcement with the offer and details, to be copied to each offeree, but treated as a disclosure document).

Again I reiterate that the proposed legislative reforms are welcomed by the Committee.

Yours sincerely,


Peter Webb
Secretary-General

15 June 2007