

THOROUGHBRED BREEDERS

Australia

18 December 2015

Thomas Hough
Lawyer
Investment Managers and Superannuation
Australian Securities and Investments Commission
email: thomas.hough@asic.gov.au

RE: ASIC Consultation Paper 242 - Remaking ASIC class orders on horse racing syndicates and horse breeding schemes

Dear Mr Hough,

Thoroughbred Breeders Australia welcomes the opportunity to respond to Consultation Paper 242, concerning Class Orders on horse racing syndicates and horse breeding schemes.

Thoroughbred Breeders Australia (TBA) is the national peak industry body established for the benefit of the Australian Thoroughbred breeding industry. TBA is the parent company of the 6 state breeders' associations and has an associate membership base of 3,800 individual breeders and other industry participants. This level of industry participation represents 90 per cent by production, including the membership and active involvement of the largest Thoroughbred breeders in Australia.

We make the following comments in relation to the discussion paper:

Increase in the investment limit:

While in our submission we suggested the upper limit be raised to \$750,000, we are satisfied by the rationale provided by ASIC in reaching the \$500,000; which balances the need for increased purchasing power, while also protecting the shareholder from unreasonable financial risk.

Increased number of syndicate members:

Since ASIC published its consultation paper we have had discussions with numerous syndicators, as well as race clubs and media organisations. All are against the maximum number of members being increased from 20.

An important part of being an owner is enjoying the thrill and excitement of being at the track when your horse – or the horse you have a share in – reaches the track. For many syndicators organising and hosting 20 members, and their family and friends, is already a difficult task. Doing this for more than double that number would become virtually impossible.

Similarly race clubs are already stretched on many days providing tickets and access to owners' areas for large syndicates. It would be almost impossible for them to provide the experience that owners would expect and demand if syndicate members were increased by the proposed level.

Another important enticement into ownership for many is the possibility of seeing their name in the race card booklet or in newspaper form guides. At present, newspapers currently allow up to 20 names, but they would certainly balk at printing any more due to space reasons.

With the proposed increase there would also be a significant administrative burden for many service providers in the racing industry. At present, many syndicators have these providers invoice shareholders individually for things such as transport and veterinary care. If these invoices had to be sent to 50 individuals providers would almost certainly begin charging administration charges to each member which may almost be as much as some of the bills themselves.

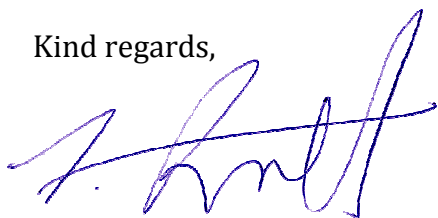
As for the reasoning that more members are needed to fill horses purchased for near the new limit of \$500,000, TBA believes that the vast majority of syndicators will be confident of their support before spending near that upper financial limit, even if the number of members remained at 20.

Standard PDS requirements - Proposed additional requirements.

We believe the following two points you propose to be included do not provide any relevant information to an investor on further protection.

- c) The name of the owners of the stallion has no bearing on the syndication to members with many stallions owned by Stallion Syndicates with up to 70 members and this information is not known to the syndicator, sales companies or vendors and we feel it is onerous and has no relevance.
- d) We are confused by the wording in this point and would like to clarify if the free service is to the promoter should the resulting racehorse become a stallion or is it referring to the promoter receiving a free service to the sire of the racehorse.

Kind regards,



Tom Reilly
CEO
Thoroughbred Breeders Australia