



Stay. Trusted.



ASIC

Australian Securities &
Investments Commission

Australia's evolving capital markets

A Response from Fiduciaae to ASIC's discussion paper - Australia's evolving capital markets: A discussion paper on the dynamics between public and private markets.

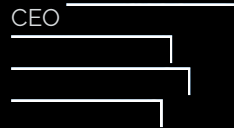
Fiduciaae

www.fiduciaae.com

265 Exhibition Street
Melbourne Vic 3000, Australia

6 Liberty Square
Boston MA 02109, USA

CEO



Discussion Paper



“ —

Ultimately, ASIC is asking how we can balance dual goals: ensuring Australia's private and public capital markets are open, accessible, attractive and support economic growth, while protecting against risks.

Joseph Longo, Chairman, ASIC

INTRODUCTION

Fiduciaae is an Australian based, independent valuation company that was formed in 2023. Using an innovative cutting-edge valuation method, Fiduciaae's unique proposition is that it provides highly accurate asset pricing for unlisted assets, it does so in a manner that provides a verifiable correspondence between listed prices and unlisted asset prices.

This paper outlines the key challenges associated with existing private asset market pricing, including opaque, expensive and outdated valuation methodologies. The superannuation funds and their colleagues will argue that APRA has already '*done all the work on valuations*', we advise you that APRA has not. APRA has not focused on 'how 'unlisted assets are valued. The superannuation funds that support the current method of unlisted asset valuations (CAPM/DCF) will argue it has merit; we hope to convince you that it does not.

Moreover, this paper argues that the current governance of unlisted assets is marked by conflicts of interest and low accountability, and current asset valuation practices underpin this situation.

The submission then responds to the specific discussion questions posed in the ASIC paper.

BACKGROUND

The methods and techniques used for valuing private market assets such as unlisted infrastructure, commercial property and private equity have not improved in more than 40 years.

Rudimentary valuation methods such as earnings multiples (EV/EBITDA, PE), together with the use of discounted cash flows (DCF), embedded with historical average equity risk premiums and betas are currently used. **These methods are expensive, infrequent and generate material and well-known inaccuracies.**

The private market asset valuation inaccuracies have been compounded by the growth of unlisted assets, especially in Australia. Professor Comerton-Forde estimated that the value of private capital funds has increased by 161% over the past decade from \$57.1 billion in AUM to \$148.6 billion AUM (*ASIC discussion paper, p11*). Fiduciaae estimates that there are approximately \$700 million in private assets within the Australian superannuation system.

This paper will propose that unchecked growth of inaccurate, costly, infrequent and conflicted private market asset valuations creates a material systemic risk. The risk is not just for the superannuation system generally, but also for the millions of superannuants in Australia.

Concerns regarding the current valuation methodologies motivated former Hastings Funds Management (Hastings) Director of Research, Dr. Kurt Lemke, to explore the flaws in private market asset valuations in his 2022 PhD thesis, *'Lighting up the Dark – New Tools to Value Unlisted Equity'*.

Dr. Lemke worked on the thesis with Dr. Mike Rafferty and Dr. Allan Wain, along with support from our colleagues at Harvard University. Together, they developed an innovative, ground breaking solution to the current valuation problems.

The new valuation method (**the Lemke, Rafferty, Wain (LRW Model™)**) provides significant improvements in valuation accuracy in unlisted asset markets. In simple terms, the LRW Model™ values private market assets as if those assets were listed on the ASX to a high degree of accuracy.

Creating commensurability between markets, the LRW Model™ achieves one of the key objectives that ASIC is seeking to achieve - to create valuation parity between private market assets and public market assets.

BACKGROUND ON FIDUCIAAE

Fiduciaae is an Australian company founded by Dr Kurt Lemke, Dr Mike Rafferty, Dr Allan Wain and its CEO, Simon Ondaatje. The combined experience of Fiduciaae in both private markets and public markets is approximately 100 years.

Dr Mike Rafferty was formerly Deputy Dean of Research in the School of Management at RMIT University.

Dr Kurt Lemke was the Head of Research at Hastings Funds Management (Hastings).

Dr Allan Wain was on the Executive Committee and Head of Strategy of Hastings, is a staff member of Harvard Law School where he researches Pension Fund stewardship, financial management and valuation practice, and fiduciary duty and stewardship requirements, and is a Director of Research and Strategy at Lighthouse Infrastructure.

Simon Ondaatje was the Head of Investor Relations at Hastings for 15 years spanning both Listed and Unlisted assets.

THE CURRENT VALUATION METHODS FOR PRIVATE MARKET ASSETS ARE MATERIALLY INACCURATE

Concerns about the accuracy of unlisted assets have been prominent for many years. In particular, the highly publicised valuation crash of Canva in 2022, from a peak valuation of USD\$ 40 billion to circa \$25 billion in a relatively short period of time generated much debate regarding the accuracy of private market valuations.

In 2023 alone, more than 40 articles appeared in the AFR questioning the dubious valuation approach to unlisted assets. (Please refer to Appendix 16.)

“ —

The discount between unlisted asset valuations and listed prices...is a joke.

**Anthony Macdonald,
Chanticleer - AFR Aug 31, 2023**

Last year in July 2024, The AFR published an article entitled, ‘QIC coy on Thames Water Stake.’ The article highlighted that Australian investor QIC elected NOT to write down the value of its stake in the private market asset Thames Water.

QIC retained its current valuation despite the asset’s major shareholder, OMERS, writing down the value of its Thames Water asset to zero. While Thames Water was clearly an asset in distress, QIC elected not to devalue its own stake, as one source suggested, ‘so they can smooth their returns effectively as they choose.’ (Please refer to Appendix 17.)

Paper Discussion



Another recent example of inaccurate private market asset valuations occurred in November 2023, when Q Super/ART completely wrote off an AUD \$850 million office tower building in New York, USA. Rather than contribute an additional USD \$399 million to replace a loan that was due in November 2023, Q Super/ART wrote the asset down to zero.

Although the write-off of the office tower may have been justified from a business perspective, what cannot be justified were the valuations that the 'independent valuer' provided leading up to the write off. What is clear is that the same debt risk existed when the office tower was acquired in 2018.

To make matters worse, the 'independent valuer' of the office tower even increased the asset's value during the Covid period when the tower was empty of tenants, only to write the office tower's value down by 15% for the quarter ending June 30, 2023. Four months later, the asset was valued at zero. If the office tower was a listed market asset, the market would have factored in the debt overhang and the listed price would have reflected the business risk more accurately from the asset's acquisition, and during the office market deterioration. (Please refer to Appendix 18.)

In a similar manner, Fiduciaae was requested to value a private market infrastructure asset for a Fund Manager following an external valuation of AU\$ 403million for the asset at 30 June, 2023. The value of AU\$403 million matched the acquisition price of the asset.

However, using the LRW Model™, Fiduciaae was able to settle on a mid-point valuation of only AU\$100 million. Despite the external valuer maintaining its original \$403 million valuation for the next three quarters, on March 31, 2024, the external valuer then devalued the asset by 17% despite business circumstances not changing during the previous nine months, and with no change to the asset's expected future cash flows.



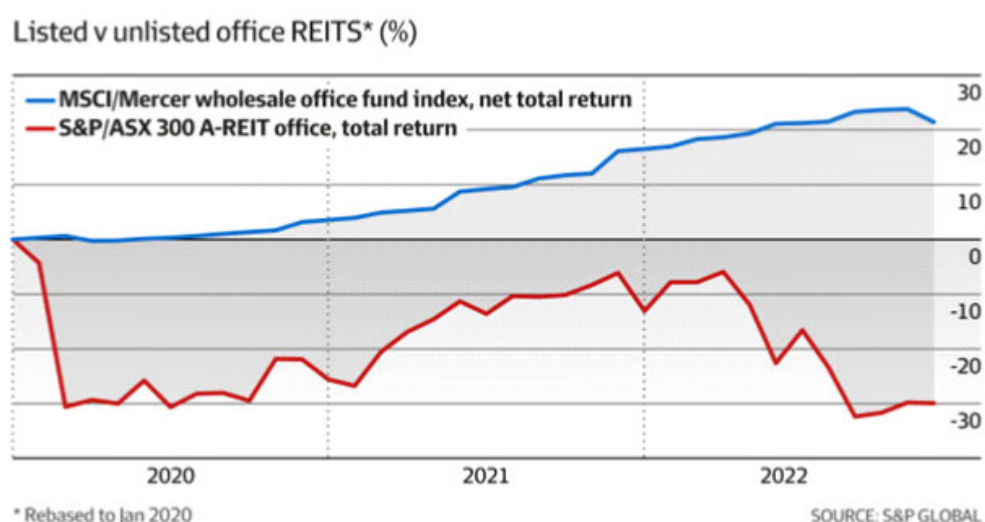
Discussion Paper

In 2023, Australian property giant Charter Hall limited redemptions in a \$2.5 billion unlisted asset office property fund to just 25% of total investor demand. Charter Hall argued that they were unwilling to sell properties at 'unfair prices' to satisfy investor demand (Please refer to Appendix 19).

While Charter Hall refused to sell assets at prices they considered 'unfair', they still collected all the management fees from valuations at which the market would not transact.

There are a myriad of examples of inconsistent, unrealistic and inaccurate private market asset valuations. A review of the entire A-REIT market provides a clear understanding of the vast difference between listed prices and unlisted prices.

The A-REIT market has consistently traded between 20-40% below the Net Tangible Asset valuation for the past five years. This variance between listed prices and Net Tangible Asset valuation reflects a number of issues. Most importantly, it means that managers are paid more for unlisted commercial properties than their ASX listed counterparts, we will explore this theme in greater detail in this paper.



(image shows AREIT price discount to wholesale office funds (NTA's) . This discount pictured is from 2020 – 2023. The discount between AREIT's and NTA's continues to this day. (Please refer to Appendix 20.)

“

“Opacity, conflicts, valuation uncertainty, illiquidity and leverage in private markets are the key risks I am concerned for ASIC to focus on,”

Joseph Longo - Chairman, ASIC

HOW DID PRIVATE ASSET VALUATIONS BECOME DISTORTED?

The LRW Model™ seeks to address a number of significant and well-known problems with the traditional approach to valuing private market assets.

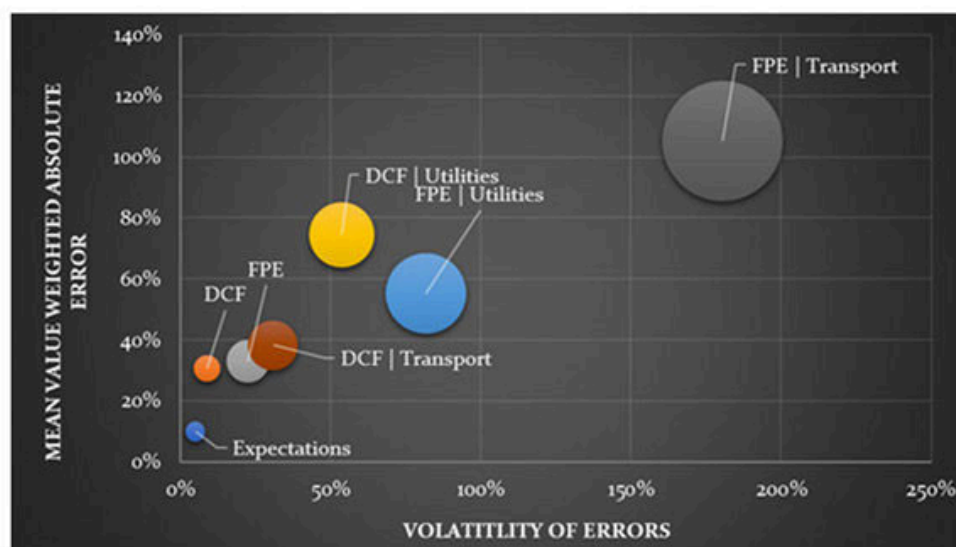
Firstly, the use of historical equity risk premiums and betas (that is, backward looking variables) to estimate the expected value of an asset. This approach, combined with a Discounted Cash Flow (DCF) model, (the model that is primarily used for private market asset valuations), **produces on average a terminal value of cash flows post year five that contribute up to 80% of an asset's estimated value on the private market.**

The RBA, which is the country's pre-eminent financial forecaster warns that any predictions outside 12-18 months are perilous. In this RBA context, there is reasonableness in anticipating that the DCF approach is highly likely to be manipulated to create the desired valuation outcome. In addition, the 'variable rate', an interest rate (expressed as a percentage) used to predict the risk of a private market asset, can also be subject to manipulation, resulting in material overvaluation of an asset.

The LRW Model™ found that the DCF approach generated valuation inaccuracies ranging from 40.0% to 90.0% for thousands of samples of private market assets compared to comparable listed prices. (Please refer to Appendix 21.)

TM

Chart 1 - Valuation Errors of Australian Unlisted Assets



Source: Fiduciaae 2022

*DCF represents the mean value weighted absolute errors of the Discounted Cash Flow (DCF) approach utilising historical mean equity risk premiums and historical beta in the Australian market using IBES earnings and book value forecasts to derive price estimates measured against observed listed market prices monthly from October 1, 2000, through Oct 1, 2015. Similarly, PE represents the mean value-weighted absolute errors of the industry-derived or firm comparable Price to Earnings Multiples.

Discussion Paper



In addition, private market assets are typically only valued on a half-yearly basis, this practice only exacerbates the already flawed process applied to the valuation of these assets.

PRIVATE MARKETS APPEAR TO BE CAPTURED BY VESTED INTERESTS

Private market valuation practices appear to be captured by vested interests, as suggested by the examples provided in this paper.

Superannuation Funds and Asset Managers are naturally reluctant to crystallise asset price declines unless they absolutely must. The so-called independent asset valuation consultants are likely fully aware of this reluctance.

Fortunately for all parties involved in this process, the current valuation techniques for private markets provide enough ambiguity underpinned by a lack of transparency to make the job of pricing to the fund's preferences relatively uncomplicated. It is the best kept open secret in the finance industry.

“

“Let me put it plainly: the governance challenges facing this sector relate to the foundational duties and expectations of directors. We're not talking about anything new here – we are talking about well-established principles of governance and responsibility. Which is why, when I say that some super trustees are failing Australians in a critical service, it should be a warning to all directors not to let their fundamental duties slip.”

Joseph Longo - Chairman, ASIC
in a speech to the Australian Institute of Company Directors annual conference in early March 2025

Superannuation Funds

Fiduciaae first launched the LRW ModelTM to the superannuation industry in February 2023. The team at Fiduciaae worked closely with the various Superannuation funds for the previous decade and had access to the 'right people' which allowed for valuable insights.

In a letter to APRA dated 5 July 2023, Fiduciaae outlined the responses from the industry. (Please refer to Appendix 22.) Fiduciaae detailed the extensive meetings/calls with numerous superannuation funds. The response of the superannuation funds was both disturbing and disappointing:

One CIO for a smaller superannuation fund said, ***'If I write down the value of my (the fund's) assets and no-one else does, my fund is punished and no one else is. Everyone knows that these (unlisted) asset valuations are manufactured – there is no reward for good behaviour (accurate valuations).'***

A valuation's manager from a large industry fund asked Fiduciaae to value a large infrastructure asset (unlisted) because the same manager had received two very different valuations from two external 'independent' valuation companies. Fiduciaae requested a series of data points and was told some weeks later that the 'independent' valuations' companies would not provide the information, citing, *'the industry superannuation fund does not have the access rights for the data requested and they won't allow us to access that data.'*

Some superannuation fund managers were even more dismissive arguing, *"Valuations are not important to us because our investors take a long-term approach"*. A number of superannuation funds expressed the belief that valuation practices are merely an administrative function rather than a primary responsibility for them and to the Fund's members.

Fiduciaae wrote to every Trustee of every Australian superannuation fund in January 2024, expressing serious concerns regarding inaccurate private market valuations but did not receive a single response. Furthermore, in January 2025, following APRA's latest update regarding Trustee obligations regarding private market valuations, contact was made with more than 40 Trustees, through LinkedIn, representing 33 individual Superannuation Funds.

This contact enabled Fiduciaae to provide detailed information about private market valuations being comprehensively flawed and stated that Fiduciaae has a proven model to value assets transparently, independently, and fairly. Once again, not one Trustee from any of the 33 superannuation funds took up the opportunity to obtain more information about a Model capable of improving their approach to the valuation of unlisted assets. (Please refer to Appendix 23.)



APRA

Over a period of fifteen months from May 2023, Fiduciaae held multiple meetings with APRA's Head of Investment Risk, Geoff Stewart. During that time, Fiduciaae sent Mr. Stewart more than 55 emails detailing multiple examples of how the current method of private market valuations used by Australian superannuation funds is fundamentally flawed.

In addition, following a request from Mr Stewart, Fiduciaae provided a series of suggestions to help improve the accuracy of private market valuations. (Please refer to Appendix 24)

On 13 August 2024, Fiduciaae wrote to Mr. John Lonsdale and Ms. Margaret Cole at APRA to lodge an official complaint about the conclusions of APRA's findings, regarding unlisted asset valuations as reported on 19 June 2024.

The complaint from Fiduciaae was based on the fact that APRA did not adequately identify and evaluate 'how' private market assets were being valued in its June 2024 update, despite earlier assurances for APRA that it would. APRA responded to our complaint advising that the onus of private market asset valuation accuracy rested solely with Superannuation fund Trustees.

Fiduciaae replied that Superannuation fund Trustees do not necessarily have the skills, qualifications and experience adequately to understand and appreciate the subtle nuances of the highly technical models and methods

required for unlisted asset valuations. We offered the application of the LRW Model™ to sense check private market valuations.

Then, on 17 December 2024, APRA updated the market stating, 'APRA review highlights the need for improved valuation and liquidity risk governance in superannuation'. APRA's note commented that **the valuation industry was trapped by vested interests** and reaffirmed the position that the entire responsibility for accurate unlisted asset valuations laid solely with superannuation fund Trustees.

Fiduciaae wrote to APRA offering the opportunity to use the LRW Model™ to sense check valuations and, once again, APRA responded reaffirming its position that the sole responsibility for accurate private market asset valuations resided with superannuation fund trustees.

A key concern identified by Fiduciaae is that superannuation fund Trustees will continually defer valuation matters back to their asset managers and valuers ('the vested interests'). A convenient and an embedded practice that, Fiduciaae believes, has incapacitated accurate valuation and good governance, and will continue to do have this negative impact in the absence of regulatory intervention.

WHY ACCURATE VALUATIONS MATTER

Accurate valuations are essential for the continuity of and confidence in the financial services industry. If private market valuations are not as accurate as possible, the integrity of a financial system is compromised.

As Fiduciaae stated to APRA on multiple occasions (Please refer to Appendix 25.) if many private market asset prices are overvalued, which we strongly believe they are, then superannuants are significantly disadvantaged.

Private market assets are significant in scale, ART holds 33% of its balanced fund in unlisted assets while Aus Super reported close to 30% in private market assets. Hostplus Balanced my Super holds nearly 50% in unlisted assets.

Most superannuation funds have between 20-30% in private market assets, which equates to a total of approximately \$700 billion in Australia. As a consequence, **superannuants are overpaying superannuation funds an excessive amount in management fees each year, every year.**

It should also be noted that the buy/sell spread for superannuants is also distorted when the vast difference between the inaccurate Net Tangible Asset backing and accurate asset valuations are considered. **New superannuants to a scheme are paying significantly more than they should for units while superannuants divesting from a scheme are being paid more than the unit price is actually worth.**

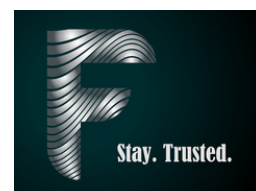
According to ASIC, over the next four years close to four million superannuants in Australia will be drawing down from superannuation savings of over \$1 trillion (Please refer to Appendix 26.)

If private market assets are overvalued and if there is a 'run' on any superannuation fund, it's highly likely some superannuation funds could be forced into lock up.

Under these extreme circumstances, not only would the superannuation system be in jeopardy but also, there would be a genuine possibility that superannuants would not be able to access their superannuation cash or retirement benefits. Such an outcome would be catastrophic for superannuants, for the funds, and for the finance sector.

In addition, if private market asset valuations continue to operate without appropriate checks and balances, and asset managers/owners can value assets as they please, the likelihood that any asset managers/owners would want to use the public markets is low.

The private markets would have an insurmountable advantage regarding valuations and the continued growth of private markets would come at the expense of public markets. Fiduciaae believes that the trend to use private markets over public markets will continue, and the number of companies utilising the unfair advantages of private market valuations will continue to grow.



WHY PUBLIC-LIKE MARKET PRICING IS ESSENTIAL

The best and simplest way to ensure private market asset valuations are as accurate as possible is to compare them to listed market prices. Public market prices have always been regarded as the 'gold standard' of valuation accuracy by stakeholders in the financial services industry.

As Professor Comerton-Forde highlighted in the ASIC discussion paper, the growth of private market assets is a more recent phenomenon which has only gained pace over the last 35 years. Prior to that, the vast majority of assets were listed on the public markets to provide the most accurate assessment of daily value.

The further away a valuer moves from listed daily prices, the more inaccurate the valuation becomes because it allows the valuers to stray into and apply subjective assumptions.

It is generally accepted that the best definition of valuation accuracy is an arm's length transaction between a willing seller and a willing buyer. However, private market transactions occur rarely, often it's years between sales, yet economic circumstances change frequently, making the comparison of like for like transactions more problematic.

Fiduciaae's LRW Model™ provides an objective and accurate valuation of what an unlisted asset would be if that asset were listed on the public market. **This Model is the best practice solution for unlisted asset valuations and helps to create parity between public markets and private markets.**

If opponents were to disagree that listed prices are the best measure of daily value, then by extension, listed prices should not be used to value listed companies. On the contrary, companies could reset their unit value of listed assets based on CAPM/DCF at the end of each trading day and the market could decide if it wishes to acquire shares at that private market price-point. This approach would be entirely consistent with the current acceptance and application of unlisted asset valuations. In practice, no stakeholder would even consider substituting CAPM/DCF valuations for listed market prices. However, given the significant unfair advantages owners and managers of unlisted assets enjoy, it is completely fair and reasonable that there should be an equivalent accurate listed asset price, provided by the LRW Model™ for their unlisted assets.

Fiduciaae would be pleased to describe and to demonstrate the LRW Model™ to ASIC. We have provided a number of additional attachments that we hope will assist in providing ASIC with additional and helpful context.

“ —
All of these are examples of not knowing your business. Not taking the time to be 'plugged in' and connected. At the heart of this issue is leadership that doesn't have a grip on the fund's data, systems and processes – and the customers who suffer for it,”

Joseph Longo - Chairman, ASIC
in a speech to the Australian Institute of Company
Directors annual conference in early March 2025



PREFACE TO DISCUSSION QUESTIONS AND THEIR RESPONSES

- a. Private markets are definitionally subject to lower regulation and transparency. Typically, this lower regulation means that the players in private markets are large, sophisticated institutions that do not need the sort of investor and consumer protection that public markets provide. They can undertake their own risk assessment (often outsourced to other private institutions like ratings agencies) and risk management (portfolio diversification etc).
- b. Many private markets have developed pricing mechanisms (derivatives, securitisation) which are specifically involved with the valuation of financial capital. These private markets are therefore often about large institutions trading and pricing risk.
- c. While nominally private many of these markets are closely monitored and often participated in by state agencies – such as central banks in OTC markets to provide liquidity and pricing stability.
- d. Participants in private markets are willing volunteers who have sufficient wealth to allocate some to their funds typically to less liquid and often higher risk activities (private equity, hedge funds etc)
- e. These markets, when large, are often regulated or governed through private institutions like the International Swaps and Derivatives Association (ISDA) for over-the-counter financial derivatives markets.
- f. There are many issues about private markets and scandals (Enron) and crises (LTCM, GFC) have shown that private markets are often neither stable nor entirely ethical.
- g. Scandals and crises in these private markets have also exposed their close connections to the created contagion effects across the financial system.
- h. Not all private markets are the same. Emerging private markets such as private equity and privately owned infrastructure currently lack asset pricing and governance that other private markets do. They are also highly diverse in their riskiness and liquidity, making their classification as an asset class somewhat questionable. Moreover, there are currently few coherent governance mechanisms in these private assets.
- i. Crucially also, the pricing techniques and practices of these private assets is inaccurate, infrequent, and open to manipulation.
- j. Superannuation funds are nominally large, sophisticated institutions, and currently participate in several large private markets, including private equity as well as private infrastructure and unlisted real estate.

PREFACE TO DISCUSSION QUESTIONS AND THEIR RESPONSES

k. However, there are several reasons why superannuation funds are different to many other large financial institutions:

i. They are managing the compulsory savings of workers, who, in Defined Contribution systems like Australia's, are exposed to the risks of fund performance for their retirement. It is for this reason that many countries have tight restrictions on what pension funds are allowed to have as their investments.

ii. Superannuation funds investing in private markets may exacerbate agency/fiduciary problems associated with conflicting incentives, especially in relation to the acquisition and management of these assets (and the associated asset valuation consulting industry). Incentives such as those motivations that exist for asset acquisition and management within funds.

iii. Simply buying assets that are not listed (like bonds, equities etc) does not necessarily provide diversification benefits. It may simply be acquiring risky and opaque assets of unknown value and riskiness. There is, in other words, no necessary diversification benefit to superannuation funds in a private asset per se.

l. It is, in other words, one thing to permit investment in private markets amongst consenting adults and to ring fence it from small unsophisticated retail investors. It is another altogether for unwitting and conscripted savers to be drawn into asset markets where risks and prices are opaque. In the recent crisis in commercial real estate, for instance, repricing of listed real estate trusts was occurring quickly, but in unlisted assets re-pricing was contingent on the asset holders. There are several examples where so-called independent asset consultants (paid for by the asset holders) maintained their pricing estimates, only for the asset to be dramatically written down months later.

m. If, and history suggests that this experience could easily be less if than when, a significant crisis or scandal occurs in one or more of these asset types, the potential is significant not just for significant losses to the retirement savings of millions of people, but for a crisis of confidence in the retirement system itself.

n. Better asset valuation and more accountable and transparent governance mechanisms are desperately needed for superannuation fund investment in private asset markets like private equity and infrastructure. In the absence of better asset pricing that provides more accountability to asset acquisition and governance that restrains conflicts of interest in asset management there is a strong case for restricting access of superannuation funds to asset markets that lack adequate pricing and governance.

DISCUSSION QUESTIONS

QUESTION 1

(Please refer to Appendix 1 for details.)

What key impacts have global market developments had on Australian capital markets? (What key impacts do you anticipate in the future? Please provide examples from your experience)

I. Introduction

In recent years, Australian capital markets have experienced profound changes due to global market developments influenced by economic fluctuations, technological advancements, and societal shifts. Major global events, particularly the COVID-19 pandemic, have underscored the interconnectedness of capital markets and their susceptibility to international trends. The rise of socially responsible investing (SRI) has, in many instances, shifted investor priorities towards environmental, social, and governance (ESG) factors, reshaping capital allocation decisions. Understanding these dynamics is crucial for anticipating the future trajectory of Australian capital markets.

A. Definition of Australian Capital Markets

Australian capital markets encompass platforms for buying and selling financial assets, including equities, debt, and derivatives. These markets are characterised by a regulatory framework that allows both domestic investors and international investors to participate, facilitating efficient resource allocation and driving economic growth. As globalisation intensifies, external factors significantly influence these markets, necessitating regulatory adaptations to protect national interests while reinforcing or establishing fair competition.

B. Overview of Global Market Developments

The interconnectedness of global markets impacts Australian capital markets significantly, compelling firms to adapt to remain competitive. Trends such as cross-border investments and international trade agreements have a crucial role in enhancing capital flow and market access. Additionally, the evolving role of philanthropic organisations has complicated the capital framework while promoting innovative funding mechanisms.

C. Importance of Analysing Impacts

Analysing global market developments is essential for understanding their implications for Australian capital markets, as they serve as indicators of economic conditions and investor behaviour. Effective integration and diversification of investment channels can enhance economic resilience, particularly in navigating geopolitical complexities.

II. Influence of Global Economic Trends

Global economic trends profoundly shape Australian capital markets, influencing investment patterns and regulatory responses. Australia must reassess its economic strategies to remain competitive amid shifting geopolitical landscapes. The challenges posed by globalisation necessitate enhancing regulatory frameworks to protect national interests while integrating into global value chains.

A. Impact of Global Economic Growth on Investment Flows

Global economic growth significantly influences investment flows, particularly as emerging markets integrate into the global economy. This integration fosters a competitive environment, attracting foreign investments and impacting the Australian economy.

B. Role of International Trade Agreements

International trade agreements are pivotal in shaping Australian capital markets, facilitating integration into global supply chains and enhancing investor confidence. By reducing trade barriers, these agreements promote economic growth essential for small open economies.

C. Effects of Currency Fluctuations on Capital Markets

Currency fluctuations have significant implications for capital markets, particularly in a trade-reliant country like Australia. The strength of the Australian dollar can affect export demand and stock prices, influencing foreign investment flows.

D. Influence of Global Interest Rates on Australian Bonds

Fluctuations in global interest rates impact Australian bonds as interconnected capital markets influence investor behaviour. Rising interest rates in major economies can lead to capital outflows from Australia, affecting domestic borrowing costs and economic conditions.

III. Technological Advancements and Market Integration

Technological advancements have reshaped the operational landscape of Australian capital markets, enhancing transaction efficiency and price discovery. The rise of fintech has disrupted traditional trading mechanisms, presenting both opportunities and challenges for market participants.

A. Rise of Fintech and Its Impact on Trading

The rise of fintech has transformed trading dynamics, complicating regulatory frameworks. Australian regulators confront the challenge of balancing clear rules, market integrity, and innovation amid the rapid evolution of fintech.

B. Globalisation of Financial Services

The globalisation of financial services has integrated Australian capital markets with global trends, enhancing liquidity and investment opportunities while exposing local markets to external shocks.

C. Impact of Digital Currencies on Traditional Markets

Digital currencies are significantly disrupting traditional market dynamics, enhancing liquidity but raising regulatory concerns regarding stability and oversight.

D. Role of Data Analytics in Investment Decisions

Data analytics has a crucial role in shaping investment decisions within Australian capital markets, allowing investors to navigate complexities and align strategies with emerging trends, particularly in SRI.

IV. Regulatory Changes and Compliance

The evolving global market landscape has necessitated regulatory changes in Australian capital markets, impacting compliance frameworks. The influence of technology and global financial crises has prompted a re-evaluation of local regulations to ensure market integrity.

A. Influence of International Regulatory Standards

International regulatory standards significantly drive compliance and competitive positioning for Australian financial institutions, enhancing integration into global markets while imposing stricter compliance obligations.

B. Impact of Global Financial Crises on Local Regulations

Global financial crises have transformed local regulations, with the 2007-09 financial crisis prompting increased scrutiny of funding mechanisms to ensure liquidity and stability.

C. Changes in Tax Policies Affecting Foreign Investment

The evolution of tax policies in Australia has transformed the landscape of foreign investment, aiming to attract multinational corporations while balancing fiscal integrity and equity concerns.

D. Compliance Challenges for Australian Firms in Global Markets

Australian firms encounter significant compliance challenges in global markets, particularly SMEs, which may hinder their international growth potential. Navigating varying regulatory frameworks necessitates targeted government interventions to facilitate exports.

Infrastructure and other real asset networks are being disaggregated in Australia, changing the 'financialisation' setting in Australia.

With the increase in international capital for infrastructure in Australia, non-Australian owners by compliance with contractual obligations have secured an increased governance role of Australian infrastructure projects.



These disaggregated networks are being interconnected internationally through global infrastructure funds.

V. Conclusion

The interplay between global market developments and Australian capital markets highlights the importance of adapting to dynamic financial landscapes. Policymakers and market participants must develop strategies that mitigate risks and harness growth opportunities. The evolution of Australian capital markets reflects a complex interplay between domestic policies and international trends, underscoring the need for a balanced approach that safeguards national interests while embracing the opportunities of a globalised economy.

A. Summary of Key Findings

- Global market developments influence Australian capital markets, heightening volatility and uncertainty.
- Regulatory frameworks must adapt to integrate with international best practices.
- The rise of fintech and digital currencies presents both opportunities and challenges for traditional market structures.

B. Recommendations for Stakeholders

Stakeholders should adopt transparent communications, refine governance frameworks, and engage in collaborative dialogues more adequately to respond to market fluctuations and ensure regulatory compliance.

C. The Evolution of Australian Capital Markets

The ongoing evolution of Australian capital markets underscores the necessity for an adaptive regulatory framework that accommodates globalisation while monitoring the economic, environmental, social, and cultural impacts of global interactions.

QUESTION 2

Do you have any additional insights into the attraction of private markets as an Issuers or an Investor?

(Please refer to Appendix 2 for details)

Summary of Insights on Private Markets

I. Introduction

Private markets have witnessed a significant increase in attraction among issuers and investors, driven by favourable economic conditions and regulatory changes. Key trends include the rise of creative financing options and technological innovations such as blockchain, which reshape traditional financial practices. Understanding the motivations behind this shift is crucial for navigating the evolving landscape of private markets.

A. Definition of Private Markets

Private markets encompass financial transactions that occur outside public exchanges, allowing companies to raise capital through private placements instead of initial public offerings (IPOs). This sector is increasingly significant in Australia, particularly as the number of publicly listed companies declines, leading to heightened regulatory focus on balancing investor protection with capital formation.

B. Significance of Private Markets

Private markets present unique advantages, including flexibility in deal structures and customisation, which cater to specific issuer and investor needs. They have a critical role in promoting innovation and financial product development.

C. Attractions for Issuers and Investors

Private markets offer multifaceted attractions for both issuers and investors:

- Issuers benefit from reduced regulatory burdens and enhanced control over corporate strategies.
- Investors gain access to exclusive opportunities and potentially higher returns.

II. Advantages of Private Markets for Issuers

Private markets provide issuers with several advantages extending beyond just capital access:

A. Greater Flexibility in Capital Structure

Issuers can customize financing arrangements to meet operational and growth objectives, particularly through mechanisms like dual-class shares that allow founders to retain control while attracting capital.

B. Reduced Regulatory Burdens

Private markets often entail fewer regulatory requirements than public markets, making them an appealing alternative for firms looking to avoid the complexities and costs associated with IPOs.

C. Enhanced Control and Ownership

Firms can employ structures that maintain founder control, promoting a conducive environment for innovation without the pressures of public scrutiny.

III. Benefits of Private Markets for Investors

Private markets are attractive to investors due to:

A. Unique Investment Opportunities

Investors can access niche sectors and emerging industries that are often unavailable in public markets, allowing for diversified portfolios.

B. Potential for Higher Returns

Investments in private equity or privately-held companies can yield significant profits, particularly when firms can mature without the pressures of public scrutiny.

C. Direct Engagement and Influence

Investors can engage directly with portfolio companies, advocating for governance changes that align with broader market interests.

IV. Challenges and Risks

Although private markets offer notable advantages, they also present several risks:

A. Illiquidity and Longer Investment Horizons

The illiquid nature of private investments can deter participation but may encourage strategic growth over longer periods.

B. Limited Transparency and Information Asymmetry

Private markets often lack standardised disclosure practices, complicating due diligence and potentially leading to misinformed investment decisions and to inaccurate asset valuations.

C. Higher Risk of Investment Loss

Investing in these markets carries significant risk due to less regulation and transparency, which can amplify market volatility.

V. Conclusion

The attraction of private markets for issuers and investors is embedded in a complex interplay of factors that enhance financial strategy and opportunity. As these markets continue to evolve amid technological advancements and regulatory changes, stakeholders must navigate both the challenges and the opportunities presented by this dynamic landscape.

A. Summary of Key Insights

Private markets provide a flexible environment for capital raising, allowing issuers and investors to explore innovative financial strategies. However, the lack of oversight raises important questions about investor protection and about market stability.

B. Future Trends

The expansion of private markets indicates a shift towards institutional participation and innovative financing structures, suggesting that understanding these dynamics will be essential for anticipating future investment strategies and for developing regulatory practices consistent with these strategies.

C. Evolving Landscape

The rise of alternative listing methods such as Special Purpose Acquisition Companies (SPACs) and the growth of equity crowdfunding, among other financing developments, exemplify the transformative changes occurring in private markets, reflecting the ongoing, somewhat unregulated, democratisation of finance.

QUESTION 3

(Please refer to Appendix 3 for details.)

In what ways are public and private markets likely to converge?

I. Introduction

The financial markets are undergoing a significant transformation as public markets and private markets converge. This change is largely driven by advancements in technology and evolving investor expectations. The increasing digitalisation of economies promotes innovation and necessitates rapid adaptation by businesses, leading to a re-evaluation of financial resource allocation.

Key Points:

- **Public Markets:** Defined as platforms for trading commodities, securities, and services openly, characterised by regulated exchanges that provide transparency and access to a broader demographic.
- **Private Markets:** Platforms where securities are traded directly between parties, operating outside the public sphere, allowing for flexibility and tailored investment opportunities.

II. Technological Advancements

Technological innovations are crucial in facilitating the integration of public and private markets. Key advancements include:

- **Fintech:** Democratises financial services, enhancing market accessibility, particularly in countries in which supportive regulations foster digital finance adoption.
- **Blockchain:** Enhances market transparency through tamper-proof transaction records, fostering trust among investors and promoting seamless capital flow between finance systems.
- **Algorithmic Trading:** Increases market liquidity but can deteriorate informational efficiency, affecting how public markets and private markets interact.

III. Regulatory Changes

Regulatory frameworks are evolving better to accommodate the convergence of public markets and private markets.

- **Securities Regulations Evolution:** Historical shifts have emerged in response to the sophistication of financial markets, especially in Maritime countries where liberal securities approaches encourage innovation.
- **Globalisation Impact:** As markets interconnect, regulatory frameworks must adapt to address complexities, particularly within digital sectors.

- **Government Policies:** Act as catalysts for market convergence, particularly in shaping how public sectors and private sectors interact.

IV. Investment Trends

The convergence of public and private markets has influenced investment behaviours:

- **Alternative Investments:** The rise of alternative assets in public markets reflects a trend towards riskier financial instruments.
- **Private Equity:** Increasing interest among institutional investors in private equity highlights a shift in capital allocation strategies.
- **SPACs:** Special Purpose Acquisition Companies streamline the public listing process for private firms, illustrating the merging of market dynamics.

V. Market Behaviour and Investor Sentiment

Understanding market behaviour and investor sentiment is pivotal as public markets and private markets converge.

- **Risk Appetite Similarities:** Both public investors and private investors are increasingly willing to engage in high-risk ventures, particularly in addressing global economic and financial challenges.
- **Economic Cycles:** Economic downturns can lead to increased volatility, prompting private investors to seek refuge in public markets.
- **Behavioural Finance:** Psychological factors significantly influence investment decisions, with asymmetric information affecting trust in public markets.

VI. Conclusion

The convergence of public markets and private markets signals a transformative shift in financial paradigms. Key implications include:

- **Investor Concerns:** The decline in initial public offerings raises sustainability questions for public markets as private firms thrive without stringent disclosures, with asset valuations' practices of private firms being a somewhat misappropriate incentive for investors to invest with private firms and not a public company.
- **Outlook:** The integration of these markets suggests a redefinition of their roles, driven by evolving regulatory landscapes, by investor behaviours, and by a relative absence of surveillance of the governance practices of private firms.

Overall Significance

The convergence not only enhances liquidity and diversified opportunities for investors but also reflects broader shifts in financial structures and a flight to investment practices subject to less regulatory oversight, necessitating change in regulatory requirements and adaptability in investment strategies to navigate this evolving landscape.

- **Government Policies:** Act as catalysts for market convergence, particularly in shaping how public sectors and private sectors interact.

IV. Investment Trends

The convergence of public and private markets has influenced investment behaviours:

- **Alternative Investments:** The rise of alternative assets in public markets reflects a trend towards riskier financial instruments.
- **Private Equity:** Increasing interest among institutional investors in private equity highlights a shift in capital allocation strategies.
- **SPACs:** Special Purpose Acquisition Companies streamline the public listing process for private firms, illustrating the merging of market dynamics.

V. Market Behaviour and Investor Sentiment

Understanding market behaviour and investor sentiment is pivotal as public markets and private markets converge.

- **Risk Appetite Similarities:** Both public investors and private investors are increasingly willing to engage in high-risk ventures, particularly in addressing global economic and financial challenges.
- **Economic Cycles:** Economic downturns can lead to increased volatility, prompting private investors to seek refuge in public markets.
- **Behavioural Finance:** Psychological factors significantly influence investment decisions, with asymmetric information affecting trust in public markets.

VI. Conclusion

The convergence of public markets and private markets signals a transformative shift in financial paradigms. Key implications include:

- **Investor Concerns:** The decline in initial public offerings raises sustainability questions for public markets as private firms thrive without stringent disclosures, with asset valuations' practices of private firms being a somewhat misappropriate incentive for investors to invest with private firms and not a public company.
- **Outlook:** The integration of these markets suggests a redefinition of their roles, driven by evolving regulatory landscapes, by investor behaviours, and by a relative absence of surveillance of the governance practices of private firms.

Overall Significance

The convergence not only enhances liquidity and diversified opportunities for investors but also reflects broader shifts in financial structures and a flight to investment practices subject to less regulatory oversight, necessitating change in regulatory requirements and adaptability in investment strategies to navigate this evolving landscape.



QUESTION 4

(Please refer to Appendix 4 for details.)

What developments in public or private markets require regulatory focus in Australia or in the future?

I. Introduction

Recent transformations in Australia's public and private markets, particularly regarding unlisted asset valuations in infrastructure and property sectors, necessitate a strong regulatory focus. Issues of transparency and consistency in unlisted asset valuations raise concerns among investors and regulators. The financialisation of infrastructure complicates these dynamics, as private capital intersects with state interests, creating a need for enhanced regulatory oversight to mitigate systemic risks and safeguard investor interests.

II. Current Landscape of Public and Private Markets in Australia

A. Overview of Public Market Trends and Developments

Recent public market trends exhibit resilience during the periods of international financial volatility, demonstrating a propensity for equilibrium and stability. However, low interest rates have inflated asset prices, complicating access to financing for new and established firms and suppressing innovation.

B. Overview of Private Market Trends and Developments

Private equity firms are increasingly involved in infrastructure, driven, in part, by technological advancements. Unlisted property funds (UPFs) are gaining importance in both domestic markets and global markets, highlighting the need for robust regulatory oversight.

C. Role of Institutional Investors in Market Dynamics

Institutional investors have a pivotal role in market dynamics, particularly in unlisted assets. Their increasing engagement reflects the financialisation of infrastructure, raising concerns about transparency and about the potential for inflated valuations.

D. Impact of Global Economic Factors on Australian Markets

Global economic factors significantly influence Australian markets, necessitating scrutiny of unlisted asset valuations. The integration of clear and stated strategies is increasingly recognised as vital for stable and verifiable development.

E. Comparison of Public and Private Market Regulatory Frameworks

Public market regulations are generally stricter than those regulations governing private markets, leading to potentially very harmful misalignments in asset valuations. The financialisation of infrastructure further complicates this landscape, emphasising the need for harmonised regulatory frameworks.

III. Inappropriate Valuation Practices in Unlisted Assets

A. Definition and Examples of Inappropriate Valuation Practices

Inappropriate valuation practices often involve inflated asset valuations that do not accurately reflect true market conditions. For example, overstating income potential can mislead investors, particularly in unlisted fund, private equity firms, and venture capital firms.

B. Common Methods Used in Asset Valuation

Asset valuation methodologies, such as the income and market approaches, can lead to, and, indeed, have resulted in, inaccuracies when applied inconsistently and opaquely. The absence of transparent pricing mechanisms in Australia exacerbates these issues.

C. Consequences of Inaccurate Asset Valuations

Inaccurate valuations can distort market perceptions, leading to significant misallocations of resources and systemic risks. The absence of stringent regulatory frameworks further exacerbates these issues.

D. Case Studies Highlighting Valuation Failures

Valuation failures in infrastructure projects, such as those failures, for example, observed in the United Kingdom, highlight the financial repercussions of inadequate asset evaluation and the necessity for regulatory scrutiny.

E. Stakeholder Implications of Valuation Discrepancies

Valuation discrepancies can affect investors, regulatory bodies, and the broader economy, leading to misallocated investments and diminished trust in market fundamentals.

IV. Regulatory Challenges and Gaps

A. Overview of Existing Regulatory Frameworks in Australia

Current regulatory frameworks aim to ensure compliance and accountability in resource management, but gaps exist that hinder effective oversight and governance of unlisted asset valuations.

B. Identification of Gaps in Current Regulations

Regulatory frameworks frequently lag market developments, creating vulnerabilities that can, and often do, lead to inaccurate asset valuations and to financial misconduct.

C. Challenges Confronted by Regulators in Enforcement

The complexity of public market and private market interactions complicates enforcement efforts, as various institutional actors can obscure the true valuation of assets.

D. Comparison with International Regulatory Practices

Comparing Australia's regulatory landscape with international practices reveals a need for a unified regulatory response to address discrepancies in asset valuations.

E. Recommendations for Improving Regulatory Oversight

Recommendations include establishing frameworks for greater transparency in valuation methodologies and methods and the creation of a continuous dialogue between regulatory bodies and institutional actors.

V. Impact of Infrastructure and Property Valuation on Markets

A. Importance of Infrastructure and Property in the Economy

Stable investment in infrastructure and property is essential for stable economic development, and their financialisation necessitates effective regulatory frameworks to mitigate valuation risks.

B. Specific Valuation Challenges in Infrastructure Assets

Valuation of infrastructure assets is complicated by the evolving landscape of finance, including digital platforms, and the need for a general understanding of financial and social impacts.

C. Specific Valuation Challenges in Property Assets

Property valuations are susceptible to inaccuracies due to varying methodologies and methods, emphasising the necessity for rigorous regulatory frameworks.

D. Effects of Inaccurate Valuations on Investment Decisions

Inaccurate valuations distort investment decisions and threaten market stability, necessitating enhanced regulatory scrutiny.

E. Long-Term Implications for Market Stability and Growth

The long-term stability of markets is tied to the regulatory landscape and the need for a clear understanding of financialisation to mitigate risks.

VI. Conclusion

The developments in public markets and private markets in Australia underscore the critical need for enhanced regulatory focus on unlisted asset valuation practices and their accuracy. Strengthening regulatory frameworks will be vital for safeguarding investor interests, ensuring market integrity, and promoting sustainable economic growth.

A. Summary of Key Findings and Arguments

Key findings emphasise the importance of addressing unlisted asset valuation practices and the financialisation of infrastructure to enhance market stability and investor confidence.

B. Importance of Addressing Valuation Practices

Accurate valuation practices are crucial for maintaining investor confidence and preventing systemic risks.

C. Call for Enhanced Regulatory Focus and Reforms

A compelling call exists for enhanced regulatory frameworks that ensure transparency and accountability in unlisted asset valuations.

D. Outlook for Public Markets and Private Markets in Australia

The outlook for Australian markets hinges on robust regulatory frameworks that promote transparency and accountability in unlisted asset valuation practices.

E. The Role of Regulation in Market Integrity

Effective regulation is essential for curtailing malpractices and for fostering an environment conducive to stable economic growth and to confidence in Australia's finance system.

Question 5

(Please refer to Appendix 5 for details.)

What would make public markets in Australia more attractive to entities seeking to raise capital or access liquidity for investors while maintaining appropriate protections for investors?

I. Introduction

The public markets in Australia are increasingly important for entities wishing to raise capital and to provide liquidity to investors while ensuring adequate protections. A decline in the participation of companies in public markets in Australia parallels trends in Canada and the United States, posing risks to economic stability and investor confidence. Understanding the multifaceted factors behind companies' decisions to engage with public markets is essential for revitalising these platforms, particularly considering evolving regulatory complexities and compliance burdens.

A. Overview of Public Markets

Australia's public markets, primarily represented by the Australian Securities Exchange (ASX), are critical for capital raising and liquidity access. Recent reports indicate a potential for enhancing market attractiveness through greater transparency and improved investor protections, with an emphasis on sustainable practices aligned with integrated reporting standards.

B. Importance of Capital Raising and Liquidity

Effective capital raising and liquidity are crucial for market stability and investor confidence. Access to capital supports business growth while contributing to overall market stability, especially in a context influenced by global economic uncertainties. Emerging financial instruments provide pathways for directing investments toward commercially viable and sustainable projects.

C. Current Challenges

The Australian public markets confront significant challenges, including illiquidity in certain segments and complex regulatory hurdles that disproportionately affect smaller firms. Regulatory simplification and investor education are necessary to create a more favourable environment.

D. The Need for Investor Protection

Robust investor protection is paramount for attracting entities seeking capital and liquidity. Effective regulatory measures can mitigate risks associated with market volatility and financial instability, thereby creating and reinforcing trust.

E. Key Areas for Improvement

To enhance market attractiveness, several areas for improvement are identified:

1. Streamlining Regulatory Processes: Alleviating administrative burdens for issuers.
2. Developing Financial Instruments: Introducing securitisation and other innovative financing options to manage risks.
3. Increasing Market Depth: Educational initiatives to help investors understand valuation complexities.
4. Fostering Foreign Investment: Enhancing capital inflows by learning from successful frameworks in other markets.

II. Regulatory Framework

The regulatory framework must balance investor protections with the encouragement of capital-raising opportunities. Clear guidelines and targeted investment incentives are necessary to stimulate participation, particularly from small and medium-sized enterprises (SMEs).

A. Overview of Existing Regulations

Australia's public markets are governed by a complex regulatory framework intended to ensure transparency and protect investors. However, adaptations are necessary to encourage more dynamic participation.

B. Comparison with International Standards

Aligning with international regulatory standards is crucial for enhancing market attractiveness. Australia may need to adjust its regulatory environment better to compete with jurisdictions promoting digital financial innovations.

C. Impact of Regulations

The effectiveness of capital-raising efforts is closely tied to the regulatory framework. Simplified regulations can boost participation, while outdated structures may stifle emerging industries.

D. Potential Reforms

Strategic regulatory reforms are essential for enhancing market attractiveness, including streamlining IPO processes and adopting standards from international agreements.

E. Balancing Regulation with Investor Protection

Finding a balance between regulation and investor protection is essential. Innovations in regulatory frameworks can enhance market stability without restricting growth.

III. Market Accessibility

Market accessibility is vital for attracting entities and providing liquidity to investors. Implementing technological advancements can streamline capital-raising processes.

A. Barriers to Entry

New entities often encounter significant barriers, including high compliance costs and the need to demonstrate financial viability.

B. Role of Technology

Advanced technologies can enhance market access and improve transaction efficiency, therefore broadening participation.

C. Importance of Investor Education

Educating investors about market dynamics is crucial for enhancing participation and for fostering stability.

D. Strategies to Simplify Listing Processes

Streamlining the listing process through clearer regulations and innovative funding models can facilitate access for SMEs.

E. Enhancing Liquidity

Diversifying investment options available in public markets is critical for enhancing liquidity and catering to various investor appetites.

IV. Investor Confidence

Investor confidence is pivotal for the attractiveness of public markets. A regulatory environment that emphasises protection while facilitating capital allocation is essential.

A. Factors Influencing Confidence

Investor confidence is influenced by regulatory frameworks, technological advancements, and overall market conditions.

B. Importance of Transparency

Transparency and robust disclosure practices are essential for maintaining investor trust and market integrity.

C. Role of Corporate Governance

Strong corporate governance practices enhance investor confidence, ensuring compliance and ethical management.

D. Mechanisms for Protecting Minority Investors

Protecting minority investors is crucial for building trust in public markets.

E. Building Trust through Regulation

Robust regulatory oversight is necessary for building investor trust and ensuring market stability.

V. Innovation and Market Development

Innovation plays a crucial role in enhancing the attractiveness of public markets through the introduction of new financial products and services.

A. Role of Fintech

Fintech innovations can transform public markets by improving capital accessibility and liquidity.

B. Opportunities for New Products

The evolution of financial markets presents opportunities for the introduction of innovative products tailored to investor needs.

C. Encouraging Sustainable Investment

Public markets must integrate strategic investment incentives that promote sustainable development.

D. Collaboration between Sectors

Collaborative efforts between public sectors and private sectors are essential for enhancing market attractiveness.

E. Future Trends

Future trends in market development and innovation will have a crucial role in attracting capital and ensuring investor protection.

VI. Conclusion

Enhancing the attractiveness of public markets in Australia requires a multifaceted approach that balances capital accessibility with robust investor protections. Regulatory reforms, innovative financial products, and the exploration of digital currencies can stimulate investor confidence and contribute to sustained economic growth.

A. Summary of Key Points

Critical factors for enhancing public markets include integrating fintech solutions, adapting regulatory frameworks, and establishing systems for data collection and investor protection.

B. Reiteration of Balanced Approach

A balanced approach harmonising regulatory reforms with the needs of businesses and investors is imperative for revitalising public market participation.

C. Final Thoughts

Addressing challenges and embracing innovative financing solutions will create a more resilient and attractive public market in Australia.

D. Action for Stakeholders

Stakeholders are encouraged to embrace technological innovations, develop trust frameworks, and explore dynamic financing solutions to enhance public market engagement.

E. Vision for Future Markets

A vision for public markets involves integrating technological advancements and innovative frameworks to meet contemporary investor expectations, ensuring a compelling environment for capital seekers.

QUESTION 6

(Please refer to Appendix 6 for details.)

Do you agree that a sustained decline in the number, size or sectoral spread of listed entities would negatively impact the Australian economy? If so, can you suggest ways to mitigate any adverse effects that may arise from such changes?

I. Introduction

This summarised response examines the significant economic ramifications of a sustained decline in the number, size, or sectoral diversity of listed entities in Australia. The response emphasises the intricate interdependencies within Australia's financial system and the potential adverse effects on market liquidity, investment opportunities, and competitive dynamics among firms. The analysis draws on international examples to identify strategies for mitigating these challenges.

A. Definition of Listed Entities

Listed entities are companies whose shares are traded on public stock exchanges. They have a crucial role in facilitating capital accumulation, providing liquidity for investments, and contributing to economic stability and growth. Their operational activities generate employment and stimulate ancillary sectors, making them integral to the economic framework.

B. Importance of Analyzing the Impact of Decline on the Economy

Understanding the implications of a sustained decline in listed entities is crucial as it reveals systemic risks and growth trajectories. The decrease in the number and diversity of these entities can lead to reduced capital availability and innovation, ultimately impacting economic dynamism and stability and exacerbating socio-economic inequalities.

II. Economic Implications of Decline in Listed Entities

The decline in listed entities presents significant economic implications, including potential erosion of market confidence, limited investment opportunities, and heightened vulnerability to market volatility. A concentrated market can adversely affect job creation and innovation, leading to long-term economic stagnation.

A. Effects on Capital Markets and Investment Opportunities

The contraction of listed entities in Australia limits investment options both for domestic investors and for international investors, resulting in reduced market liquidity and increased volatility. This scenario may stifle venture capital initiatives and hinder the growth of innovative sectors.

B. Impact on Employment and Job Creation

A decline in the number of listed entities leads to diminished employment opportunities, particularly in sectors reliant on competitive dynamics. This erosion can increase unemployment rates and contribute to economic instability, highlighting the necessity of concurrent advancements in productivity and competitiveness.

C. Consequences for Innovation and Entrepreneurship

A diminished corporate landscape restricts resources for startups, constraining innovative activity. The absence of a competitive marketplace may hinder investment in research and development, essential for encouraging groundbreaking ideas and entrepreneurial responses.

III. Sectoral Spread and Its Importance

The diversity of listed entities is vital for economic stability. A reduced sectoral spread can concentrate risks within a limited number of industries, making the economy more vulnerable to downturns. Engaging various sectors enhances innovation and competitiveness, which are crucial for addressing contemporary challenges.

A. Analysis of Sectoral Diversity

The analysis reveals that a concentrated market increases vulnerability to economic risks. A broader array of sectors can facilitate innovation and responsiveness to global trends, reinforcing economic resilience.

B. Risks Associated with Lack of Sectoral Spread

A decline in sectoral diversity generates significant economic risks, reducing resilience and increasing vulnerability to systemic shocks. This lack of diversity can hinder integration into global value chains, limiting domestic industries' adaptability and competitiveness.

C. The Role of Sectoral Spread in Economic Resilience

A diverse sectoral presence can buffer the economy against fluctuations in specific industries, fostering stability. Conversely, reliance on limited sectors can lead to diminished innovation and growth prospects.

IV. Mitigation Strategies

Effective mitigation strategies require a comprehensive approach that includes regulatory frameworks and market incentives. Strengthening monitoring mechanisms and promoting corporate responsibility are essential for enhancing economic stability.

A. Policy Recommendations for Encouraging New Listings

Encouraging new listings is essential for reversing the decline in listed entities. Targeted support for SMEs, tailored export incentives, and informational guidance can empower new market entrants and stimulate economic growth.

B. Support for SMEs to Access Capital

Ensuring adequate capital access for SMEs is vital for mitigating the adverse effects of declining listed entities. Targeted tax incentives and policies promoting internationalization can enhance market reach and financial stability [[6]].

V. Conclusion

The sustained decline in listed entities poses significant risks to economic stability and growth in Australia. Mitigation strategies should focus on enhancing the attractiveness of the market through regulatory reforms and robust incentives.

A. Summary of Key Findings

The decline in listed entities could impact national economic stability by diminishing capital availability and curtailing innovation across sectors.

B. Reflection on the Importance of a Diverse Market

A diverse market is essential for economic resilience, providing a buffer against downturns and fostering innovation and competition. Policies that enhance sectoral diversity can drive commercially viable and sustainable market evolution.

C. Stakeholders to Implement Suggested Strategies

Active partnership among government officials, industry leaders, and financial institutions is imperative to reinforce the resilience of the Australian economy. Collaborative platforms for public engagement can facilitate community-driven strategies that resonate with local needs.

QUESTION 7

(Please refer to Appendix 7 for details.)

To what extent is any greater expectations of public companies, compared to private companies, the result of Australian regulatory settings or the product of public scrutiny and community expectations of these companies?

I. Introduction

The expectations for public companies in Australia vastly differ from those expectations of private companies, primarily due to stringent regulatory frameworks and the influence of public scrutiny. Public companies are subject to rigorous standards directed toward ensuring transparency and accountability, reflecting broader societal values and norms. Recent analyses emphasise the role of corporate governance and technological advancements in shaping these expectations, revealing a complex interplay between regulation and community expectations.

II. Regulatory Settings in Australia

A. Overview of the Regulatory Framework

The regulatory framework for public companies is primarily governed by the Corporations Act 2001, which enforces strict disclosure requirements and governance standards. This framework mandates transparency to protect stakeholders and to foster trust within the market.

B. Comparison of Regulatory Requirements

Public companies face significantly higher regulatory scrutiny compared to private companies. They are mandated to adhere to rigorous reporting standards, which impacts their operational flexibility and public accountability.

C. Impact of Regulatory Compliance

Compliance with regulatory standards compels public companies to adopt transparent practices, as deviations can result in public backlash and increased scrutiny. This regulatory compliance shapes not only operational practices but also influences ethical considerations within the company.

III. Public Scrutiny and Community Expectations

A. Role of Media

Media has a critical role in shaping public perceptions of companies, particularly public firms which are often under heightened scrutiny. The media influences accountability narratives and can amplify community concerns regarding corporate practices.



I. Introduction

B. Influence of Consumer Behaviour

Public companies must navigate complex consumer expectations shaped by social media, which can significantly impact their reputation and operational standards. Concepts such as greenwashing illustrate the consequences of misalignment between consumer perception and corporate practices.

C. Community Engagement

Community engagement is crucial in shaping public company accountability. The alignment of business practices with community values is increasingly necessary for maintaining public trust.

IV. Interaction Between Regulation and Public Perception

A. Regulatory Response to Public Scrutiny

Regulatory frameworks often evolve in response to public scrutiny, emphasising the need for transparency and stakeholder engagement. Legislative reforms reflect societal expectations and the growing demands for corporate accountability.

B. Case Studies

Case studies reveal how regulatory frameworks and community sentiment converge to influence corporate behaviour. For example, the rise of greenwashing highlights the pressure on companies to provide credible sustainability reports.

C. Feedback Loop Between Companies and Regulators

The interaction between public companies and regulatory bodies is characterised by a feedback loop where public sentiment influences regulatory measures, while corporate responses can shape future regulations.

V. Conclusion

Public companies in Australia are held to heightened standards of transparency and accountability compared to private firms due to the confluence of regulatory frameworks and societal scrutiny. As community expectations continue to evolve, public companies must adapt their practices to align with both regulatory demands and public sentiments. This dynamic interaction fosters an environment of greater corporate responsibility and ethical governance.

QUESTION 8

(Please refer to Appendix 8 for details.)

Are Australian regulatory settings and oversight fit for purpose to support efficient capital raising and confidence in private markets? If not, what could be improved?

Introduction

The regulatory framework of capital markets in Australia is fundamental for fostering investor confidence and facilitating efficient capital raising. As regulations evolve, questions remain regarding their effectiveness in promoting transparency and accountability. Recent reforms, such as those reforms from ASIC, aim to improve corporate governance, yet their impact is debated. Comparisons with the UK reveal that superficial reforms may yield limited benefits.

Importance of Capital Raising in Private Markets

Capital raising in private markets is essential for enabling businesses to access funding for growth and innovation. These markets offer alternatives to public offerings, creating opportunities both for entrepreneurs and for investors. However, existing regulatory frameworks may not fully support efficient capital raising. Enhancements, such as agile, risk-based approaches, could better address the challenges encountered by investors and businesses.

Current Australian Regulatory Settings

The Australian Securities and Investments Commission (ASIC) and the Corporations Act 2001 are central to the regulatory landscape. Although these frameworks aim to ensure transparency and investor protection, they are often criticised for being overly complex, particularly for small to medium-sized enterprises (SMEs). There is a pressing need for regulatory adaptation more adequately to align with market dynamics and to facilitate capital formation.

Key Legislation and Regulatory Bodies

- **Key Legislation:** The Corporations Act 2001 provides guidelines for fundraising, ensuring disclosure and investor protection. Despite its robustness, Corporations Act 2001 often struggles to adapt to evolving market conditions.
- **Regulatory Bodies:** ASIC and the Australian Prudential Regulation Authority (APRA) play pivotal roles in maintaining market integrity. However, ASIC's reliance on negotiated settlements over stricter measures raises concerns about accountability.

Effectiveness of Regulatory Oversight

Effective regulatory oversight is vital for investor confidence. Current Australian regulations confront scrutiny for their rigidity and slow responsiveness to market changes. The implementation of agile, risk-based approaches is necessary to enhance capital raising efficiency and to create an inclusive environment for innovation.

Analysis of Regulations' Impact

Regulations can significantly impact capital raising efficiency. Overly stringent regulations deter investors, while agile frameworks can enhance confidence and reduce bureaucratic hurdles. A cooperative regulatory environment may foster innovation and attract investment, crucial for economic growth.

Challenges and Limitations of Existing Regulations

Several challenges hinder effective capital raising in Australia:

- **Regulatory Rigidity:** Existing regulations often impose similar requirements on SMEs and larger corporations, stifling innovation.
- **Fragmentation and Ambiguity:** Inconsistent application of rules leads to diminished trust among investors, creating a cautious investment climate.

Gaps and Compliance Burdens

The current regulatory framework exhibits gaps, particularly in its responsiveness to market innovations. SMEs confront significant compliance burdens, diverting resources away from growth. Streamlined regulations tailored to the unique needs of SMEs are essential for enhancing investor confidence.

Recommendations for Improvement

To improve Australian regulatory settings:

1. **Adopt Agile Practices:** Prioritise flexibility in regulations to support innovative financing solutions.
2. **Enhance International Cooperation:** Learning from successful global practices can improve market efficiency.
3. **Streamline Processes:** Simplifying compliance requirements can alleviate burdens on SMEs and enhance capital raising efforts.

Increasing Transparency and Accountability

Implementing robust disclosure requirements and independent audits can enhance transparency in private markets. Additionally, leveraging technological solutions, such as blockchain, may improve accountability and traceability.

Conclusion

The evaluation of Australian regulatory settings reveals significant shortcomings impacting efficient capital raising and investor confidence. Current frameworks often prioritise private communications, limiting accountability. Enhancements focusing on transparency, stakeholder engagement, and support for SMEs are crucial for fostering a resilient investment climate. A proactive approach to regulatory reform is essential for adapting to evolving market dynamics and promoting sustainable economic growth

QUESTION 9

(Please refer to Appendix 9 for details.)

Have we identified the key risks for investors from private markets? Which issues and risks should ASIC focus on as a priority? Please explain your views.

I. Introduction

The Australian Securities and Investments Commission (ASIC) has a crucial role in safeguarding investor interests in private markets. With an increasing demand for less regulated investment opportunities, it is vital for ASIC to identify and to address the risks that could affect investors' financial well-being, including market illiquidity and fraud.

II. Overview of ASIC's Role in Regulating Financial Markets

ASIC is tasked with promoting investor confidence and ensuring market integrity through a comprehensive regulatory framework. This balance between consumer protection and fostering innovation is essential, particularly as financial technology evolves and introduces new regulatory challenges. Aspects such as enhanced disclosures and advisor training are critical for protecting retail investors.

III. Importance of Private Markets for Investors

Private markets provide significant investment opportunities, offering assets such as real estate, infrastructure, and private equity that can yield higher returns and diversification benefits. However, these markets also present unique risks, including information asymmetry and potential conflicts of interest.

A. Definition and Characteristics

Private markets are characterised by limited access and liquidity compared to public markets, encompassing various investment vehicles. The increasing popularity of these markets among retail investors highlights the necessity of addressing associated risks, including inaccurate asset valuations.

B. Growth Trends and Investor Interest

As competition intensifies and investor interest in private markets grows, the risks associated with complex financial products also escalate. ASIC must prioritise the implementation of effective regulatory frameworks to enhance transparency and mitigate systemic financial risks.

IV. Key Risks Identified by ASIC for Investors in Private Markets

ASIC has identified several critical risks that investors confront in private markets:

A. Lack of Transparency and Information Asymmetry

A significant lack of transparency complicates investors' ability to assess investment viability and undermines trust. Insufficiently standardised disclosures and the limited application of blockchain technology exacerbate these challenges.

B. Valuation Challenges and Illiquidity Risks

Valuation mispricing and illiquidity remain pressing concerns, particularly when inflated valuations obscure the true worth of investments. Enhanced transparency in financial and non-financial performance data is essential for accurate assessments.

C. Regulatory Compliance and Legal Risks

The absence of specific legislation for FinTech exacerbates compliance challenges, necessitating clearer guidance from ASIC to foster a cohesive regulatory environment that prioritizes investor protection.

D. Market Volatility and Economic Downturn Impacts

Market fluctuations significantly affect private market investors, particularly those investors with less financial literacy. Inadequate risk disclosures can further exacerbate vulnerabilities in turbulent economic times.

V. Issues and Risks ASIC Should Prioritise

Several pressing issues warrant ASIC's attention:

A. Enhancing Investor Education and Awareness

Improving financial literacy among retail investors is crucial for informed decision-making, thereby mitigating risks associated with high-risk investments.

B. Improving Transparency and Disclosure Requirements

Robust and uniform transparency standards are necessary to mitigate risks and enhance investor confidence in private markets.

C. Addressing Valuation Methodologies

ASIC should focus on developing comprehensive frameworks for valuation methodologies.

D. Strengthening Enforcement Mechanisms

ASIC must reinforce compliance and accountability measures among market participants to ensure rigorous adherence to regulatory standards.

VI. Conclusion

ASIC is tasked with the critical role of identifying and mitigating key risks affecting investors in private markets. As financial complexities increase, ASIC must adopt innovative regulatory frameworks that address these challenges while promoting transparency, sustainability, and investor confidence.

A. Summary of Key Findings

ASIC has made significant and important progress in recognising the expansive nature of risks in private markets, particularly concerning evolving financial technologies and competitive pressures. However, challenges such as greenwashing and valuation inflation remain significant threats.

B. Implications for Investors

The findings highlight the vulnerability of investors in private markets due to insufficient oversight and regulatory frameworks. Enhanced investor education and regulatory adaptations are necessary to protect investor interests.

C. Recommendations for ASIC's Future Focus

ASIC should prioritise integrating technology into its oversight functions, establish clearer regulatory expectations, and adopt a proactive approach towards emerging risks to safeguard investors in private markets.

QUESTION 10

(Please refer to Appendix 10 for details.)

What role do incentives play in risks, how are these managed in practice by private market participants and are regulatory settings and current practices appropriate?

Introduction

The interplay between financial incentives and risks within Australian financial markets is complex, especially given the role of private market participants. Although financial incentives are intended to drive growth and competitiveness, they can often lead to heightened risk-taking behaviours that destabilise both individual financial situations and the broader economy. High-profile cases, such as the collapse of Storm Financial, underscore these vulnerabilities, prompting discussions on the effectiveness of regulatory frameworks.

Financial Incentives Defined

Financial incentives are strategic tools used by organisations to motivate specific behaviours among stakeholders, influencing decision-making processes. While they can align interests with organizational goals, they may also create compromised outcomes, encouraging risk-taking that threatens long-term stability.

Overview of Financial Risks

Financial risks in markets arise from various interconnected factors, including market dynamics and participant behaviours. Innovations like regulatory sandboxes aim to balance risk and innovation by allowing new technologies to be tested under regulatory oversight, although they may also lead to increased risks if participants are ill-prepared.

The Role of Private Market Participants

Private market participants, such as banks and lenders, significantly shape financial market dynamics and risks. Their practices, like offering interest-only mortgages, can inadvertently amplify systemic risks, resulting in unsustainable market behaviours. This form of behaviour highlights the necessity for a regulatory framework that guides innovation while mitigating risks.

ASIC's Regulatory Role

ASIC has a crucial role in ensuring market integrity and consumer protection. By enforcing compliance and adapting regulatory frameworks to technological advancements, ASIC aims to enhance market stability. However, ASIC's effectiveness is continually evaluated against emerging financial risks and participant behaviours.

Interplay Between Incentives and Risks

The relationship between financial incentives and financial risks is evident, particularly in mortgage products. Such incentives can lead to speculative behaviour, especially in volatile markets such as housing. The regulatory landscape must adapt to these behaviours to ensure consumer protection.

Types of Financial Incentives

Different types of financial incentives, including tax breaks and specific mortgage products, influence market behaviours and risk exposure. For example, interest-only mortgages can encourage over-leveraging among borrowers, raising concerns about systemic financial risks.

Psychological Factors

Psychological dimensions have a crucial role in financial decision-making. Emotional responses can lead to irresponsible financial behaviours, particularly among inexperienced consumers, exacerbating risks in private market systems.

Historical Context and Case Studies

The historical context reveals a pattern of conflicted remuneration and unethical practices that have led to significant financial risks. Regulatory reforms have aimed to enhance transparency and protect consumers, as observed in the aftermath of the Storm Financial collapse.

Recommendations for Regulatory Improvements

To improve ASIC's effectiveness, a multi-faceted approach is essential. This approach includes enhancing transparency in financial advice, implementing stricter oversight mechanisms, and aligning regulatory frameworks with best interest practices that prioritise consumer needs.

Conclusion

The dynamics between financial incentives and risks highlight the need for effective regulatory frameworks that adapt to market changes.

A balanced approach is crucial for fostering both innovation and stability within the financial sector, ensuring consumer protection remains paramount in the provision of financial services.

Key Findings

- Conflicted remuneration structures undermine consumer trust and lead to detrimental financial outcomes.
- The relationship between financial incentives and associated risks presents challenges for regulatory bodies.
- Effective regulation is vital for safeguarding financial markets amidst complex financial instruments and behaviours driven by private market participants.

The ongoing interplay between financial incentives and regulation will shape the future of the Australian financial landscape.

There is importance both private for market participants and for regulatory bodies to prioritise ethical practices, stable investment practices, and sustainability to build a resilient financial system.

QUESTION 11

(Please refer to Appendix 11 for details.)

What is the size of current and likely future exposures of retail investors to private markets?

I. Private Markets and Retail Investor Exposures

The landscape of private markets in Australia is becoming increasingly complex, necessitating a deeper understanding of retail investor exposures. Retail investors, who are typically more risk-averse, confront heightened financial risks when engaging in private market investments such as unlisted equities, venture capital, and real estate.

The Reserve Bank of Australia (RBA) notes that the demand for alternative investments is largely driven by a prolonged low-interest rate environment, compelling investors to seek potentially higher returns. However, this quest for returns is accompanied by challenges including limited liquidity and transparency. Moreover, the regulatory frameworks governing financial products, particularly interest-only mortgages, play a significant role in shaping this risk landscape.

II. Current Investment Amounts in Private Markets by Retail Investors

Recent data from the RBA indicates a notable increase in retail participation in private equity and alternative assets, reflecting a growing appetite for diversification beyond traditional investments.

This trend can be attributed to increasing financial literacy among consumers, who are recognising the potential returns that private markets offer. However, a study has highlighted a crucial gap in consumer understanding of complex investment products, which may impede informed decision-making.

Furthermore, the regulatory framework surrounding compulsory superannuation emphasises the need for effective communication strategies to ensure retail investors are well-informed about their investment opportunities and the associated risks.

III. Future Projections of Retail Investor Exposures to Private Markets

As retail investors seek diversification, their exposure to private markets is anticipated to expand significantly. This growth is driven by innovative investment vehicles and platforms that facilitate access to private equity and real estate, traditionally dominated by institutional investors.

The RBA and ASIC have pointed out that these trends are amplified by the low-interest-rate environment, prompting exploration of alternatives with higher returns. The integration of advanced technologies in investment platforms enhances risk assessment and user engagement, helping demystify complex private market investments for retail participants.

IV. Regulatory Implications and Market Dynamics Affecting Retail Investors

The regulatory framework in Australia has a pivotal role in shaping retail investors' experiences as they navigate the complexities of private markets. Recent examinations of housing market dynamics reveal the prevalence of risk-laden mortgage products, such as interest-only mortgages, underscoring the necessity for a more comprehensive regulatory approach that addresses financial instability.

This necessity extends beyond traditional investment domains, as non-traditional investments reshape the landscape. Enhanced transparency and risk assessment protocols are essential to safeguard retail investors, highlighting the critical role of regulation in shaping future engagements in Australia's evolving private markets.

V. Conclusion

The future exposures of retail investors to private markets in Australia present significant financial implications and inherent risks that require careful consideration.

The movement towards private market investments reflects a broader trend of diversification among retail investors seeking higher returns amid low-interest rates. However, this shift entails substantial risks, particularly related to the accessibility and complexity of private investment products.

The increasing popularity of interest-only mortgage products further exacerbates these risks, facilitating speculation within the housing market.

QUESTION 12

(Please refer to Appendix 12 for details.)

What additional benefits and risks arise from retail investor participation in private markets?

I. Introduction

The rise of retail investor participation in private markets has ignited discussions about its benefits and risks. Events such as the GameStop trading frenzy have highlighted how retail investors challenge traditional institutional dominance. Although critics express concern about the risks involved, such as the need for better protections, the benefits include increased market inclusivity and corporate accountability. As retail investors engage with new financial products, understanding the balance between benefits and risks is crucial for a stable investment and financial system.

II. Benefits of Retail Investor Participation

A. Increased Access to Diverse Investment Opportunities

Retail investors now have broader access to private markets, previously dominated by institutional investors. Innovations like app-based trading platforms have made it easier for individuals to engage with capital markets, potentially enhancing economic growth by connecting everyday investors with emerging businesses. However, there are concerns that increased access may expose retail investors to risks without adequate regulatory safeguards.

B. Potential for Higher Returns Compared to Traditional Markets

Retail investors are drawn to private markets due to the potential for higher returns, particularly in venture capital and private equity. Instruments like green bonds mobilise capital for sustainable projects, promising higher yields despite associated risks. Events like the GameStop trading frenzy illustrate how retail investors can drive significant market movements, highlighting both the attraction of greater returns and the complexities of engaging in dynamic markets.

C. Enhanced Market Liquidity Through Broader Participation

The involvement of retail investors contributes to improved market liquidity. By enabling more diverse market participation, trading volumes and price efficiency increase. The collective action of retail investors can disrupt traditional market patterns, leading both to volatility and to greater liquidity.

III. Risks Associated with Retail Investor Participation

A. Lack of Transparency in Private Market Investments

Private market investments often suffer from a lack of transparency, making it difficult for retail investors to assess risks accurately. High verification costs and insufficient data disclosure complicate decision-making, raising the need for improved regulatory frameworks to ensure informed participation.

B. Higher Susceptibility to Fraud and Scams

Retail investors are more vulnerable to fraud and scams, particularly in markets with limited regulatory oversight and information asymmetry. The rise of digital currencies has intensified this issue, with many inexperienced investors falling prey to deceptive schemes.

C. Limited Regulatory Protections for Retail Investors

The decline in the United States in regulatory protections for retail investors exposes them to heightened risks without adequate safeguards. Recent regulatory changes in the United States have encouraged less oversight, raising concerns about the stability of capital markets and the necessity for informed decision-making.

IV. Impact on Market Dynamics

A. Influence of Retail Investors on Pricing and Valuation

Retail investor participation affects pricing and valuation dynamics, often leading to inflated valuations driven by sentiment rather than asset fundamentals. This behaviour can destabilise market equilibrium and undermine trust in valuation processes.

B. Changes in Investment Strategies Among Institutional Investors

The rising participation of retail investors has prompted institutional investors to re-evaluate traditional strategies, embracing increased transparency and adaptability to meet the demands of retail participants.

C. Potential for Increased Volatility in Private Markets

Retail investors can introduce significant volatility into private markets due to their emotional decision-making and the illiquid nature of these markets. This volatility underscores the need to balance participation with investor education and protection.

V. Conclusion

Retail investor participation in private markets embodies both significant benefits and inherent risks. While technology has democratised access to capital markets and fostered accountability, concerns about informed decision-making and market volatility persist. A regulatory environment that promotes education and oversight is essential to mitigate risks and maximize the advantages of retail investor involvement.

VI. Summary of Key Benefits and Risks

- Benefits: Democratisation of investment opportunities, access to diverse markets, potential for higher returns, and enhanced market liquidity.
- Risks: Lack of transparency, susceptibility to fraud, limited regulatory protections, emotional decision-making leading to volatility, and potential mispricing of assets.

VII. Implications for Future Retail Investor Participation

The increasing engagement of retail investors presents opportunities for a more equitable economy but necessitates robust financial literacy and regulatory initiatives to ensure informed investment practices. Balancing these opportunities and challenges through effective frameworks will be vital for stable and sustainable retail investor participation in private markets.

QUESTION 13

(Please refer to Appendix 13 for details.)

Do current financial services laws provide sufficient protections for retail investors investing in private assets? (for example, general licensee obligations, design and distribution obligations, disclosure obligations, prohibitions against misleading or deceptive conduct, and superannuation trustee obligations).

I. Introduction

The financial services landscape in Australia is governed by a complex regulatory framework directed toward protecting retail investors, especially in the context of private assets. This summary evaluates the adequacy of current laws, focusing on key components such as general licensee obligations, design and distribution obligations, disclosure obligations, prohibitions against misleading conduct, and superannuation trustee obligations.

The effectiveness of these laws in reinforcing investor confidence and safeguarding interests is crucial as the investment options for retail investors expand.

II. Overview of Financial Services Laws in Australia

- **General Licensee Obligations:** These obligations are foundational requirements that compel financial service providers to act in the best interests of their clients, ensuring integrity and competency in financial advice.
- **Design and Distribution Obligations (DDOs):** These obligations mandate that financial products are suitable for their intended audiences, enhancing investor protection.
- **Disclosure Obligations:** These obligations require financial service providers to offer transparent and adequate information, empowering investors to make informed decisions.
- **Prohibitions Against Misleading or Deceptive Conduct:** These obligations serve to protect consumers from fraudulent practices, maintaining market integrity.
- **Superannuation Trustee Obligations:** Intended to safeguard retirement savings, these obligations reinforce fiduciary duties toward members' interests.

Despite these frameworks, challenges persist regarding the effectiveness of these laws, particularly in ensuring that investors fully comprehend their rights and protections.

III. Importance of Protecting Retail Investors

Protecting retail investors is imperative to creating a fair and equitable financial market. Retail investors, often less knowledgeable than institutional investors, depend on the integrity of financial service regulations. However, the effectiveness of current regulations is hampered by insufficient disclosure and misleading practices that can lead to significant financial losses.

IV. Evaluation of Current Laws

A. General Licensee Obligations

These obligations require licensees to act honestly and transparently, ensuring that financial advice aligns with clients' objectives and risk profiles. However, challenges such as inconsistent enforcement and potential conflicts of interest remain prevalent, necessitating ongoing scrutiny and reform.

B. Design and Distribution Obligations (DDOs)

DDOs aim to ensure financial products are suited to the target market, but their effectiveness is contingent upon strict compliance and enforcement. The complexity of private asset investments can dilute the intended protective effects of these obligations.

C. Disclosure Obligations and Prohibitions Against Misleading Conduct

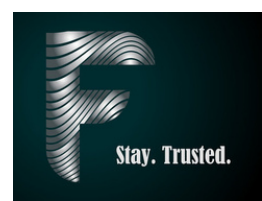
Disclosure obligations are pivotal to safeguarding retail investors, requiring clear and concise information on financial products. Systemic issues revealed by the Hayne Royal Commission highlighted the need for improved compliance and enforcement to mitigate misleading practices.

V. Conclusion

While current financial services laws in Australia establish a foundational framework for protecting retail investors, significant gaps remain, particularly concerning private assets. The lack of engagement with key documents such as Product Disclosure Statements has resulted in inadequate investor information. Moreover, existing prohibitions against misleading conduct do not sufficiently deter malpractice, emphasising the need for robust reform and a dedicated consumer protection agency.

A. Key Findings

The analysis reveals both strengths and weaknesses in the current investor protection framework. Although various obligations exist to mitigate risks, their efficacy is often undermined by insufficient enforcement and complex regulatory requirements, highlighting a critical need for evolution in these laws more adequately to safeguard retail investors.



B. Recommendations for Improvement

- **Integrate a Human Rights-Based Approach:** This approach within superannuation regulations aligns fiduciary duties with broader human rights standards.
- **Enhance Comprehensibility of Financial Products:** Clearer disclosure obligations can improve consumer understanding and empowerment, improving investor confidence.

C. Future Directions

As the financial landscape evolves, the effectiveness of existing laws will be scrutinised. Future regulatory reforms should not only focus on compliance but also promote a culture of transparency and accountability among financial service providers.

QUESTION 14

(Please refer to Appendix 14 for details.)

What additional transparency measures relating to any aspect of public or private markets would be desirable to support market integrity and better inform investors and regulators?

I. Introduction

In a globalised economy, the integrity of markets is crucial for fostering investor confidence. Transparency measures must evolve to address challenges in information dissemination, ensuring fairness and equity among market participants.

A. Definition of Market Integrity

Market integrity relies on fairness, transparency, and ethical behaviour within trading and investment activities. These market attributes are essential for cultivating investor confidence, ensuring equal opportunities, and preventing malpractices that could undermine financial stability.

B. Overview of Current Transparency Measures in Australia

Australia employs several transparency measures, including the Corporations Act 2001, which mandates timely and accurate financial disclosures by listed companies. However, the quality of information disclosed remains a concern, necessitating more stringent regulations to enhance clarity and accountability.

II. Regulatory Framework for Market Transparency

A robust regulatory framework is essential to guarantee transparency and foster trust.

A. Overview of Existing Regulations

Australia's existing regulations, enforced by ASIC and ASX, aim to enhance market transparency through mandatory disclosures. However, challenges such as inconsistent reporting can hinder transparency.

B. Role of ASIC

ASIC has a critical role in upholding market integrity by enforcing continuous disclosure obligations. Challenges, particularly for Chinese listed companies, highlight the importance of rigorous oversight.

C. Comparison with International Transparency Standards

Aligning Australian practices with international standards enhances investor confidence and streamlines cross-border investments. Differences in financial reporting standards underscore the need for Australian regulations to reflect rigorous international benchmarks.

III. Information Disclosure Practices

Effective disclosures are foundational for informed decision-making among investors.

A. Importance of Timely and Accurate Disclosure

Timely disclosures mitigate risks associated with information asymmetry, promoting equitable access to information and strengthening market dynamics.

B. Current Disclosure Requirements

Australia's disclosure requirements aim to protect investors but confront challenges, especially with foreign entities. The concentration of share ownership complicates accountability and oversight.

C. Impact on Investor Confidence

Effective disclosure practices are crucial for reducing information asymmetry and enhancing investor trust. The COVID-19 pandemic highlighted the need for transparent disclosures to maintain investor confidence.

IV. Technology and Transparency

Technological advancements are transforming transparency in financial markets.

A. Role of Technology

Advanced data analytics and blockchain technologies enhance transparency by reducing information asymmetry and promoting responsible corporate behaviour.

B. Examination of Digital Platforms

Digital platforms facilitate real-time information sharing, democratising access to market data and enhancing transparency.

C. Challenges and Opportunities

Technological advancements present challenges such as regulatory implications and information overload, necessitating stringent frameworks to ensure stability.

V. Conclusion

Establishing rigorous transparency measures is essential for investor confidence and market integrity in Australia. Drawing parallels to international frameworks can help recalibrate regulatory approaches to address insider trading and market abuses.

A. Summary of Key Findings

The rise of compliance technology has fostered a culture of transparency. Effective investment screening processes are crucial for maintaining market integrity.

B. Recommendations for Improving Transparency

Enhancing market transparency requires investor education, reinforcing auditor independence, and addressing gaps in current practices, including and most importantly asset valuation practices.

C. The Future of Market Integrity

Future measures should prioritise comprehensive non-financial reporting and high-quality disclosures, fostering a stable investment landscape in Australia.

QUESTION 15

(Please refer to Appendix 15 for details.)

In the absence of greater transparency, what other tools are available to support market integrity and fair treatment of investors in private markets?

Introduction

In the complex landscape of financial markets, ensuring stability and integrity is crucial for both economic vitality and investor trust. Recent historical events have highlighted the risks of financial mismanagement, prompting the need for robust measures that ensure fair treatment of investors in Australian private markets. While transparency is often emphasised, alternative tools are necessary to enhance market integrity and investor confidence.

Overview of Market Integrity

The effectiveness of market integrity and investor treatment in Australian private markets is increasingly vital. Ethical considerations and regulatory frameworks aim to increase investor confidence without an over-reliance just on transparency.

Importance of Alternative Tools

Relying solely on transparency may not suffice in ensuring market integrity. Therefore, exploring alternative tools such as robust regulatory frameworks and enhanced investor education is essential. These measures promote a deeper understanding of market dynamics, cultivate trust, and establish accountability between market participants and regulatory bodies.

Regulatory Frameworks

A robust regulatory framework is crucial for enhancing market integrity and ensuring fair treatment of investors. The complexity of private equity necessitates structures that mitigate risks associated with opaque practices. Evidence suggests that strong institutional frameworks yield better performance outcomes by reducing adverse selection and information asymmetry.

Role of Existing Regulations

Existing regulations play a pivotal role in maintaining investor confidence and ensuring market integrity. They provide safeguards against malpractices, establish transparency and accountability standards, and serve as deterrents against fraud. Such frameworks continuously evolve to address emerging challenges, thereby proactively protecting investor interests.

Enhancing Regulatory Frameworks

Enhancing regulatory frameworks can develop robust mechanisms that ensure fairness and reinforce investor confidence. Initiatives derived from studies on social procurement can create positive social dividends, while corporate governance metrics can clarify expectations and reduce information asymmetries.

Investor Education and Awareness

Enhancing investor education and awareness is imperative for maintaining market integrity in the presence of information asymmetries. Equipping investors with knowledge about market dynamics and risk assessment can mitigate exploitation risks. Effective educational initiatives empower investors to make informed decisions and understand their rights, addressing disparities in market participation.

Importance of Financial Literacy

Financial literacy is essential in navigating private markets, empowering investors to assess opportunities and understand risks. Enhanced financial literacy can challenge exploitative practices, ensuring equity and integrity in Australian private markets.

Strategies for Improving Awareness

To enhance market integrity, targeted educational initiatives can demystify complex financial instruments. Leveraging case studies can elucidate potential risks, while improved transparency in risk disclosures can bolster investor confidence.

Technology and Innovation

Technological innovations, particularly in financial technology, have revolutionised private market investments. Platforms such as peer-to-peer lending facilitate direct connections between investors and borrowers, promoting inclusivity and reinforcing market integrity.

Impact of Technology

Technology significantly transforms operational dynamics and investor protection mechanisms. Advances such as algorithmic trading and blockchain improve transaction efficiency but also introduce challenges regarding market integrity. Adequate regulatory frameworks are essential to mitigate risks associated with these innovations.

Use of Blockchain

Leveraging blockchain technology can enhance trust and security in investment transactions. Blockchain's decentralised nature reduces fraud risks, while smart contracts provide clarity and enforceability, streamlining processes and reducing enforcement costs.

Conclusion

The integrity of Australian private markets demands innovative strategies beyond traditional transparency measures. Stakeholders should recognise the potential of alternative tools, such as blockchain technology, to mitigate information asymmetries. A comprehensive approach that embraces technological solutions and systemic reforms is essential for maintaining an equitable investment landscape that serves all market participants effectively.

Summary of Key Points

- Investors in Australian private markets face various challenges requiring innovative tools to enhance market integrity.
- Strong screening processes are crucial for safeguarding against unreliable investments.
- Regulatory consistency and investor education are paramount for maintaining fair treatment of all market participants.

Future Implications

The trajectory of technological advancement is set to reshape market integrity and investor treatment in Australia. As investors seek transparency and security, regulatory frameworks must evolve to accommodate emerging technologies, ensuring adequate protections without stifling innovation.

Appendix 1

Question 1

What Key Impacts have Global Market Developments had on Australian Capital Markets?

I. Introduction

In recent years, Australian capital markets have undergone significant transformations influenced by global market developments, driven primarily by economic fluctuations, technological advancements, and societal shifts. The impact of major global events, such as the COVID-19 pandemic, has highlighted the interconnected nature of capital markets and the vulnerability of Australian investments to international trends. For example, the reaction of emerging markets to the pandemic demonstrated that financial conditions in Australia are often influenced by decisions made in leading financial centers, as noted in (Beirne et al.). Furthermore, the growing trend of socially responsible investing (SRI) reflects a shift in investor priorities, where environmental, social, and governance (ESG) factors are increasingly influencing capital allocation decisions. The proliferation of SRI products has raised significant implications for Australian stakeholders in navigating both opportunities and challenges within this evolving landscape, as detailed in (Camilleri et al.). An understanding of these dynamics assists in understanding the future trajectory of Australian capital markets.

A. Definition of Australian Capital Markets

Understanding the definition of Australian capital markets is important for analysing their responsiveness to global market developments. These markets encompass a range of platforms where financial assets are bought and sold, including equity, debt, and derivatives markets. Distinctively characterised by their regulatory framework and active participation from both domestic investors and international investors, Australian capital markets facilitate the efficient allocation of resources and drive economic growth. As globalisation intensifies, these markets increasingly reflect the influences of external factors, such as foreign investment trends and shifts in global economic policies. The impact of trends such as the optimisation of taxation for entrepreneurial activities in a liberalised international environment underscores the need for regulatory adaptations that protect national interests while promoting fair competition. This interplay between local definitions and global influences highlights the intricate dynamics shaping the future of Australian capital markets (Bakalinska et al.) (Ira M. Millstein Center for Global Markets and Corporate Ownership, (2017). et al.).

B. Overview of Global Market Developments

The interconnectedness of global markets has had profound implications for Australian capital markets, shaping both investment strategies and regulatory environments. As economic dynamics shift internationally, Australian firms are compelled to adapt to remain competitive. Recent trends reveal an increasing influence of cross-border investments and the growing importance of international trade agreements, which facilitate market access and enhance capital flow. Furthermore, the evolving role of philanthropic organisations underscores a shift in investment paradigms, as they increasingly engage with diverse financial instruments to adapt to global challenges. This evolution complicates Australia's capital framework but also enriches the framework by promoting innovation in funding mechanisms and resource allocation (Horvath et al.). Similarly, the interplay between financial development and government spending reveals long-run relationships that highlight the necessity for effective economic policies consistent with these global developments, ensuring sustainable growth in the Australian context (Koczyrkewycz et al.).

C. Importance of Analysing Impacts

Understanding the importance of analysing impacts on Australian capital markets necessitates a review of global market developments, which serve as crucial indicators of economic condition and investor behaviour. As witnessed in discussions involving the Capital Market Union, effective integration and diversification of investment channels can significantly enhance economic resilience, a factor critical for Australia as Australia navigates a complex geopolitical landscape (Radu B). Furthermore, with increasing reliance on innovative financial instruments, such as longevity-linked securities, the study of market dynamics highlights the ongoing shift from traditional insurance solutions to capital market alternatives. This shift exemplifies the need for rigorous analysis to identify the strengths and weaknesses inherent in these developments, ensuring that Australian capital markets maintain their competitiveness on a global scale (Biffis et al.). That is, thorough impact analysis not only informs strategic decision-making but also enables a more robust financial environment amid evolving global challenges.

D. Influence of Global Markets on Australian Capital Markets

The influence of global market developments on Australian capital markets is intricately linked to the mechanisms of marketisation and financial integration. Specifically, Australia's adaptation to global economic trends has led not only to the growth of Australia's capital markets but also to a pronounced segmentation within Australia's financial systems, paralleling adjustments seen in other developed nations. This trend is evidenced by the emergence of marketisation policies that shape the allocation of resources and employment within these markets, creating a disturbance between secure primary and precarious

secondary sectors, as noted in (Bredehoeft et al.). Furthermore, the integration of financial development indicators and government spending within a macroeconomic framework highlights the relationship with key economic variables, suggesting that global practices are significantly impacting local investor behaviour and policy formulation, as outlined in (Koczyrkewycz et al.). Ultimately, these developments underscore the complex interplay between global influences and local market dynamics in shaping Australian economic outcomes.

II. Influence of Global Economic Trends

The influence of global economic trends has been profound on Australian capital markets, shaping investment patterns and regulatory responses. As the global economy continues to undergo transformational shifts driven, in part, by geopolitical realignments, Australian markets are compelled to adapt. The findings from the Global Commission, which emphasise the geopolitical implications of economic structural transformation, suggest that Australia must reassess its economic strategies to remain competitive amidst a shifting landscape (Global Commission on the Geopolitics of Transformation et al.). Furthermore, in response to the challenges posed by globalisation, including capital mobility and the localisation of production, Australia encounters the necessity to enhance its regulatory frameworks to safeguard national interests while encouraging and enabling integration into global value chains. The interplay of these dynamics not only influences capital inflows but also affects the broader economic landscape, compelling Australian policymakers to prioritise sustainable growth and equitable development (Bakalinska et al.).

A. Impact of Global Economic Growth on Investment Flows

The dynamism of global economic growth significantly influences investment flows, particularly as emerging markets become increasingly integrated into the global economy. This integration fosters a competitive environment that encourages capital redistribution and attracts foreign investments. As countries experience robust economic expansion, their currencies often appreciate due to higher demand and increased transaction activities related to investment opportunities, as illustrated by the correlation between currency valuation and business activity levels (Indumathi et al.). In the context of Australia, the influx of capital is not solely influenced by domestic economic factors but influenced by international developments, including shifts in production factors and trends toward localised production in response to globalisation (Bakalinska et al.). Consequently, as global market developments reshape investment landscapes, Australian capital markets must adapt both to capitalise on these opportunities and to mitigate the potential risks associated with volatile investment flows.

B. Role of International Trade Agreements

The role of international trade agreements has become increasingly pivotal in shaping the dynamics of Australian capital markets amid global market developments. These agreements facilitate the integration of Australia into global supply chains, encouraging foreign direct investment and bolstering domestic industries. The transformation of international capital and labour movement underscores the necessity for Australia to adapt its regulatory policies in alignment with global trends, ensuring competitiveness while safeguarding national economic interests (Bakalinska et al.). Furthermore, by creating fair competition and reducing trade barriers, these agreements enhance investor confidence and drive economic growth, which is crucial for small open economies seeking to leverage globalisation (Pacific Trade and Development Conference. (2018).). Consequently, the interplay between international trade agreements and capital markets not only influences Australian economic stability but also shapes broader market interactions within the Asia-Pacific region.

C. Effects of Currency Fluctuations on Capital Markets

Fluctuations in currency rates have profound implications for capital markets, particularly in a globally interconnected economy. In Australia, a nation heavily reliant on international trade, the strength of the Australian dollar can significantly influence investor confidence and the valuation of equities. When the dollar appreciates, exports become more expensive, potentially reducing overseas demand for Australian goods, which can lead to decreased revenues for local companies and negatively impact their stock prices. Conversely, when the dollar depreciates, exports may become more competitive, boosting market sentiment and potentially enhancing stock performance. Moreover, currency fluctuations can affect foreign investment flows, as investors seek stable environments with predictable returns. For instance, the Reserve Bank of Australia's policies, which may be influenced by global market movements, directly relate to the capital markets stability and growth prospects, thereby underscoring the complex interplay between currency stability and market dynamics (Gatta PP) (Dikau S et al., p. 107022-107022).

D. Influence of Global Interest Rates on Australian Bonds

The fluctuations in global interest rates significantly impact Australian bonds, largely because of the interconnectedness of capital markets and investor behaviour. When interest rates rise in major economies, investors often seek higher yields available in those markets, causing capital outflows from Australia. This phenomenon can lead to increased borrowing costs for the Australian government and corporations, thereby affecting domestic economic conditions. Additionally, as evidenced during the COVID-19 pandemic, quantitative easing measures implemented by central banks in advanced economies created a ripple effect, influencing yields and overall market sentiment in markets, including

Australia. Fiscal stimulus in response to global crises can temporarily stabilise bond markets, as observed in the aftermath of COVID-19, although the long-term effects of such measures may persist, potentially altering the landscape for Australian bonds permanently (Global Commission on the Geopolitics of Transformation et al.) (Beirne et al.). Such dynamics underscore the critical importance of monitoring global interest rate developments to understand their implications for Australia's capital markets.

III. Technological Advancements and Market Integration

The interplay between technological advancements and market integration has markedly influenced Australian capital markets, reshaping their operational landscape. As digital platforms and sophisticated algorithms have emerged, they have not only facilitated rapid transactions but also enhanced price discovery processes, allowing investors to respond swiftly to global market developments. These technological innovations have democratised access to financial markets, enabling a broader range of participants to engage, which has increased market liquidity and volatility alike. Moreover, as evidenced in recent studies, the adaptive strategies arising from behavioural finance play a crucial role in understanding market reactions influenced by technological changes. The flawed assumptions of traditional theories are revealed through anomalies that behavioural finance encapsulates, demonstrating the necessity of integrating psychological insights into market analysis. This transformation underscores the larger trend of moving towards a more interconnected global economic framework, necessitating Australian capital markets to embrace these advancements fully (Guaman et al.) (Arya et al.).

A. Rise of Fintech and Its Impact on Trading

The rise of fintech has significantly transformed trading dynamics within Australian capital markets, triggering a shift that underscores the regulatory complexities encountered by traditional frameworks. As firms leverage technological advancements such as artificial intelligence and blockchain, the integration of these innovations poses both opportunities and challenges for market participants. Amidst this evolution, Australian regulators contend with the "policy Trilemma," where they must balance clear rules, market integrity, and the encouragement of innovation (Brummer et al.). This challenge is particularly pronounced as fintech startups disrupt established trading mechanisms, often outpacing existing regulatory paradigms. The absence of a specific legal framework for fintech means that traditional legislation frequently applies, complicating the regulatory landscape (Rupeika-Apoga et al.). Consequently, while fintech fosters increased market accessibility and efficiency, it also necessitates a re-evaluation of regulatory approaches effectively to encompass the disruptive nature of these technologies and their impact on market operations.

B. Globalisation of Financial Services

The globalisation of financial services has fundamentally reshaped Australian capital markets, integrating them more closely with worldwide trends and practices. This integration allows Australian firms to access a larger pool of international capital, thereby enhancing liquidity and investment opportunities. However, this increased interconnectivity also exposes local markets to global economic fluctuations and external shocks. For instance, the post-pandemic period has led to a decline in capital market performance for nearly half of the global stock exchanges, including Australia, emphasising the need for resilient financial structures. As indicated in recent research, factors such as political stability and access to bank credit significantly influence capital market development, underscoring the importance of a stable regulatory environment to attract foreign investments (Cojocaru et al.). Furthermore, globalisation necessitates that Australia reassess its fiscal and institutional frameworks to maintain competitiveness amid evolving trends in global production and labour movement (Bakalinska et al.).

C. Impact of Digital Currencies on Traditional Markets

The rise of digital currencies has prompted significant shifts in traditional market dynamics, presenting both opportunities and challenges that influence Australian capital markets. As these currencies gain traction, they disrupt established financial mechanisms by introducing decentralised models of transaction and of investment, which can enhance liquidity and accessibility for investors. However, this phenomenon also raises regulatory concerns, as the volatility and deprivation of oversight associated with digital currencies may threaten market stability. Further complicating this landscape, the emerging platform society, as articulated in studies examining digital infrastructures, highlights the intersection of technology and urban environments, suggesting a need for robust governance frameworks to manage the implications of these innovations on market structures (Allam Z et al., p. 771-801). Moreover, insights from infrastructure governance emphasise the necessity for policies that align investor expectations with market realities, ensuring a balanced approach to harnessing the potential benefits of digital currencies while mitigating risks to traditional financial systems.

D. Role of Data Analytics in Investment Decisions

In the context of the Australian capital markets, data analytics has emerged as a pivotal tool that shapes investment decisions significantly. As global market dynamics continue to evolve, Australian investors are increasingly utilising data-driven insights to navigate the complexities of international capital flows and market volatility. This reliance on analytics not only enhances the accuracy of forecasting but also aligns investment strategies with emerging trends, particularly in socially responsible investing (SRI). Recent studies indicate a

robust shift towards scrutinising businesses environmental, social, and governance (ESG) performances, reflecting a growing demand for transparent investment practices (Camilleri et al.). Furthermore, the ongoing globalisation of capital markets necessitates an integrated approach to investment that incorporates both economic dimensions and regulatory dimensions, allowing for better adaptability to global shocks (Bakalinska et al.). Consequently, the role of data analytics in refining investment decisions is becoming increasingly important for maintaining competitiveness within a rapidly changing financial landscape.

IV. Regulatory Changes and Compliance

The evolving landscape of global markets has necessitated significant regulatory changes in Australian capital markets, impacting compliance frameworks and operational practices. As local and international entities strive to navigate increased scrutiny and complex regulatory environments, adaptations have become essential for maintaining market integrity. Notably, the influence of technology companies on market structures, as examined in recent literature, reveals that while FinTech innovations have enhanced market efficiency and reduced transaction costs, they simultaneously challenge traditional regulatory paradigms. This impact is evidenced by findings that indicate high-frequency trading has led to market centralisation without effectively addressing inherent asymmetries, creating a pressing need for updated compliance measures that safeguard investors while promoting innovation. Consequently, as articulated during discussions at the General Counsel Corporate Governance Summit, regulatory frameworks must evolve to provide clarity and support in a landscape increasingly shaped by technological advancements and globalisation (Ira M. Millstein Center for Global Markets and Corporate Ownership, (2017)) (Harasim et al.).

A. Influence of International Regulatory Standards

In the context of Australian capital markets, the influence of international regulatory standards is profoundly significant, driving both compliance and competitive positioning. Globalisation has necessitated that Australian financial institutions adapt to evolving international norms, thereby enhancing their integration into global markets. This convergence towards common regulatory frameworks facilitates a more stable investment environment, attracting foreign capital while concurrently imposing stricter compliance obligations on local firms. According to recent analyses, the transformation of regulatory policies serves not only to align with international best practices but also to safeguard national economic interests amidst the challenges posed by global market fluctuations (Bakalinska et al.). Consequently, Australian regulators must navigate the delicate balance between fostering robust competition and adhering to global standards, a challenge underscored during recent corporate governance discussions, which highlighted the necessity for transparent regulatory

processes (Ira M. Millstein Center for Global Markets and Corporate Ownership, (2017).). Ultimately, these international influences shape the strategic operations of Australian capital markets.

B. Impact of Global Financial Crises on Local Regulations

In the aftermath of global financial crises, local regulations have undergone significant transformations, especially within the context of Australian capital markets. The 2007-09 crisis highlighted vulnerabilities in financial institutions that relied heavily on non-deposit, wholesale funding, leading to a re-evaluation of regulatory frameworks. As observed during this period, governments worldwide implemented guarantee programs that enabled institutions to issue debt backed by government guarantees, showcasing a structural shift directed toward ensuring liquidity and stability (Feldberg et al.). In Australia, these developments prompted regulators to scrutinise funding mechanisms more rigorously, thereby fostering an environment of increased compliance and oversight. Moreover, global market disruptions have pushed local regulators to adapt to emerging risks such as those arising from protectionist policies evident in agricultural sectors, thereby influencing economic resilience and growth strategies (Program CR on Policies et al.). Consequently, the interplay between global crises and local regulatory reforms is helpful in understanding the evolving landscape of Australian capital markets.

C. Changes in Tax Policies Affecting Foreign Investment

The evolution of tax policies has fundamentally transformed the landscape of foreign investment in Australia, particularly in response to global market developments. These changes often reflect a shift towards more favourable taxation frameworks designed to attract multinational corporations amid growing international competition. This strategic pivot is crucial, as multinational firms seek environments that offer not only reduced tax burdens but also a degree of regulatory stability. The impact of these alterations is observable in the influx of capital, which can stimulate economic growth and innovation within Australian capital markets. However, such tax incentives might inadvertently contribute to the challenges of maintaining fiscal integrity and equity, as highlighted by concerns regarding equity in the distribution of fiscal burdens. As Australia navigates these complexities, the balance between attracting foreign investment and ensuring sustainable economic practices remains a pertinent issue, underscoring the need for cohesive policy frameworks responsive to shifting global dynamics (Horvath et al.) (Kilembe et al.).

D. Compliance Challenges for Australian Firms in Global Markets

As Australian firms strive to penetrate global markets, they encounter significant compliance challenges that can inhibit their international growth potential. The complexities of varying regulatory frameworks across countries necessitate an

adaptive approach to compliance, which remains a somewhat formidable task, particularly for small and medium enterprises (SMEs). Research highlights that SMEs often underperform internationally due to limited resources and expertise in navigating foreign regulations, necessitating targeted government interventions to facilitate their exports and international expansion (Blackburn et al.). Additionally, the prevalence of regulatory expropriation through related party transactions (RPTs) poses a further compliance risk, as firms must ensure transparency and adhere to rigorous reporting standards to maintain investor confidence and avoid penalties (Maigoshi et al.). Hence, the ability of Australian firms effectively to address these compliance challenges is essential for enhancing their competitiveness and advancing sustainable growth in the global market landscape.

V. Conclusion

The interplay between global market developments and Australian capital markets has underscored the critical importance of adapting to dynamic financial landscapes. As evidenced by the ongoing discourse surrounding initiatives such as the Capital Market Union, Australia can obtain valuable insights that enhance its own market resilience and efficiency (Radu B). The incorporation of diverse financial development indicators, as suggested in Michael Koczyrkewycz's research, reveals underlying relationships that could guide policy adjustments vital for robust economic performance (Koczyrkewycz et al.). By recognising the complexities introduced by global uncertainties and the need for regulatory coherence, Australian policymakers and market participants can develop strategies that not only mitigate risks but also harness opportunities for growth and investment diversification. Ultimately, enabling interconnectedness with global markets will be essential in positioning Australia favourably within the competitive international financial arena.

A. Summary of Key Findings

The analysis of global market developments reveals significant implications for Australian capital markets, underscoring both opportunities and challenges in the evolving financial landscape. Notably, the interconnectedness of international markets has heightened the volatility experienced within Australia, as international economic shifts often ripple through to local investors and institutions. Key findings indicate that fluctuating commodity prices and changing investor sentiments on a global scale directly influence Australian equities and bond markets, leading to increased uncertainty. Furthermore, the role of regulatory frameworks and corporate governance demonstrates the necessity for adaptability among Australian firms in response to global practices, as noted in (Ira M. Millstein Center for Global Markets and Corporate Ownership, (2017).). Additionally, the evaluation of international visitor levies, as analysed in various contexts, suggests that external factors can also shape local economic

strategies, reinforcing the need for comprehensive monitoring of market responses to such levies in Australia as addressed in (Gwilym A et al.).

B. Recommendations for Stakeholders

In navigating the evolving landscape of global market developments, stakeholders in Australian capital markets must adopt proactive strategies to mitigate risks and to capitalise on opportunities. Stakeholders should adopt transparent communications to cultivate trust among investors, as highlighted in discussions at recent corporate governance summits (Ira M. Millstein Center for Global Markets and Corporate Ownership, (2017).). By engaging in collaborative dialogues and refining governance frameworks, stakeholders can better position themselves to respond to market fluctuations while ensuring regulatory compliance. These recommendations are not just tactical but essential for sustaining long-term growth in an interconnected economic environment, particularly in Australia's dynamic capital market context.

C. The Evolution of Australian Capital Markets

The evolution of Australian capital markets has been significantly shaped by global market developments, reflecting a complex interplay between domestic policies and international economic trends. As these markets have matured, Australia has increasingly integrated into global capital flows, necessitating an adaptive regulatory framework that accommodates the imperatives of globalisation. A crucial aspect of this transformation is the rise of competitive pressures that compel local enterprises to engage in global value chains, thereby enhancing their operational efficiencies and investment strategies, as noted in the exploration of international production factors in the 21st century (Bakalinska et al.). Furthermore, the environmental, social, and cultural consequences of these global interactions must be closely monitored, as evidenced by the implications of visitor levies in varying contexts (Gwilym A et al.). Ultimately, the ongoing evolution of Australian capital markets underscores the necessity for a balanced approach that safeguards national interests while embracing the opportunities presented by an interconnected global economy.

References

- Beirne, John, Renzhi, Nuobu, Sugandi, Eric, Volz, et al. (2020). "Financial Market and Capital Flow Dynamics During the COVID-19 Pandemic" Asian Development Bank Institute. doi: <https://core.ac.uk/download/334948055.pdf>
- Camilleri, Mark Anthony. (2020). "The market for socially responsible investing: a review of the developments" 'Emerald' doi: <https://core.ac.uk/download/288638575.pdf>
- Koczyrkewycz, Michael. (2023). "The impact of financial market developments on growth and the effectiveness of fiscal policy" doi: <https://core.ac.uk/download/599101278.pdf>
- Horvath, Kinga Zsofia, Kou, Xiaonan, Mohseni, Afsoon, Osili, et al. (2019). "An Annotated Bibliography of Recent Literature on Current Developments in Philanthropy" doi: <https://core.ac.uk/download/227054275.pdf>
- Beatrice Radu. "Developments and Challenges Regarding the European Capital Markets Integration Project" (2024). Institutul de Studii Financiare, doi: <https://core.ac.uk/download/619498972.pdf>
- Biffis, Blake, Brouhns, Brouhns, Cairns, Cairns, Chen, et al. (2019). "Still living with mortality: The longevity risk transfer market after one decade" 'Cambridge University Press (CUP)', doi: <https://core.ac.uk/download/163076646.pdf>
- (Cojocaru), Daniela Șerban, Banța, Viorel-Costin, Crețu, Raluca Florentina, Tănase, et al. (2025). "Key Factors in the Development of Capital Markets Globally" Academia Publishing Group, doi: <https://core.ac.uk/download/636457179.pdf>
- Bakalinska, O. (O.), Kalyuzhna, N. (N.), Kasianok, K. (K.), Konrad, et al. (2018). "Global Determinants of the International Movement of Production Factors: Economic-legal and Institutional Context" Scientific Route OÜ, doi: <https://core.ac.uk/download/326910223.pdf>
- Blackburn, Robert, Do, Hang, Tanewski, George. (2018). "Internationalisation: Global Issues" Institute of Public Accountants, doi: <https://core.ac.uk/download/323057709.pdf>
- Maigoshi, Zaharaddeen Salisu. (2017). "Related party transaction disclosure: compliance, determinants, value-relevance and real earnings management", doi: <https://core.ac.uk/download/288207856.pdf>
- OECD (2023). *Improving the Landscape for Sustainable Infrastructure Financing*, OECD Publishing, Paris, <https://doi.org/10.1787/bc2757cd-en>.
- Allam, Zaheer, Sharifi, Ayyoob, Elias Bibri, Simon, Jones, David S, Krogstie, John. (2022). "The Metaverse as a Virtual Form of Smart Cities: Opportunities and Challenges for Environmental, Economic, and Social Sustainability in Urban Futures" Smart Cities, 771-801. doi: <https://doi.org/10.3390/smartcities5030040>
- Guaman, Eric Julian. (2024). "Trading Pressures: Deeper Insight into Export Controls and Sanctions' Impact on the United States and Global Trade Markets" Bard Digital Commons, doi: <https://core.ac.uk/download/619719498.pdf>

- Arya, Dr. Sandeep, Singh, Dr. Shekhar. (2025). "The Role of Behavioral Finance in Understanding Market Anomalies" Uphills Publishers LLC, United States, doi: <https://core.ac.uk/download/640070987.pdf>
- Feldberg, Greg, McNamara, Christian M., Metrick, Andrew, Tam, et al. (2020). "Bank Debt Guarantee Programs" EliScholar – A Digital Platform for Scholarly Publishing at Yale, doi: <https://core.ac.uk/download/346447249.pdf>
- CGIAR Research Program on Policies, Institutions, and Markets. (2018). "Annual Report 2017: CGIAR Research Program on Policies, Institutions and Markets (PIM)" doi: <https://core.ac.uk/download/195713015.pdf>
- Ira M. Millstein Center for Global Markets and Corporate Ownership, (2017). "Report from the General Counsel Summit on Short-Termism and Public Trust" 'Center for Open Science', doi: <https://core.ac.uk/download/568032873.pdf>
- Harasim, Janina. (2022). "Chapter 5 FinTechs, BigTechs and structural changes in capital markets" 'Informa UK Limited', doi: <https://core.ac.uk/download/520256083.pdf>
- Radu, Beatrice. (2024). "Developments and Challenges Regarding the European Capital Markets Integration Project" Institutul de Studii Financiare, doi: <https://core.ac.uk/download/619498972.pdf>
- Indumathi, M. M. (Ms), Pagutharivu, N. (N). (2017). "A Study on Impact in Exchange Rate of Indian Rupee versus US Dollar with Special Reference to Indian Capital Market" 'Infogain Publication', doi: <https://media.neliti.com/media/publications/239855-a-study-on-impact-in-exchange-rate-of-in-f37cd422.pdf>
- Gwilym, Rhys ap, Osti, Linda. (2024). "Review of impacts of visitor levies in global destinations" Welsh Government, doi: <https://core.ac.uk/download/631303050.pdf>
- International Carbon Action Partnership, Partnership for Market Readiness. (2021). "Emissions Trading in Practice: A Handbook on Design and Implementation" 'World Bank', doi: <https://core.ac.uk/download/543472220.pdf>
- Rupeika-Apoga, Ramona, Thalassinou, Eleftherios I. (2020). "Ideas for a regulatory definition of FinTech" Eleftherios Thalassinou, doi: <https://core.ac.uk/download/322748662.pdf>
- Brummer, Chris, Yadav, Yesha. (2019). "Fintech and the Innovation Trilemma" Scholarship@Vanderbilt Law, doi: <https://core.ac.uk/download/230474806.pdf>
- Pier Paolo Gatta. "The State of World Fisheries and Aquaculture 2022" FAO eBooks, doi: <https://doi.org/10.4060/cc0461en>
- Dikau, Simon, Volz Ulrich. (2022). "Central bank mandates, sustainability objectives and the promotion of green finance" Ecological Economics, 2021, 107022-107022. doi: <https://doi.org/10.1016/j.ecolecon.2021.107022>
- Bredehoeft, Janin. (2018). "The political economy of academic labour markets: How marketisation policies enforce labour market segmentation in Australia and Germany" Faculty of Arts and Social Sciences, School of Social and Political Sciences, doi: <https://core.ac.uk/download/212696058.pdf>

Pacific Trade and Development Conference. (2018). "Proceedings of The Ninth Pacific Trade and Development Conference: Mineral Resources in the Pacific Area" 'Federal Reserve Bank of San Francisco', doi: <https://core.ac.uk/download/160609291.pdf>

Global Commission on the Geopolitics of Energy Transformation, The secretariat of the Van de Graaf, Thijs. (2019). "A new world: the geopolitics of the energy transformation" doi: <https://core.ac.uk/download/188620519.pdf>

Kilembe, Jessie Nabulambo. (2020). "Essays on financial integration" doi: <https://core.ac.uk/download/323052920.pdf>

Appendix 2

Question 2

Do you have any additional insights into the attraction of private markets as an Issuers or an Investor?

I. Introduction

In recent years, the attraction of private markets has surged, drawing a diverse array of issuers and investors seeking alternatives to traditional public financing. This transformation is underpinned by a combination of economic conditions and evolving regulatory landscapes, which have rekindled interest in private capital sources. A growing emphasis on sustainability, for example, has led sovereign borrowers to explore 'green' bonds and loans, aiming to align private financing with national sustainability goals (Lupo-Pasini et al., 2022). Concurrently, innovations in technology, such as blockchain and stablecoins, are disrupting traditional financial practices, offering new opportunities and challenges for market participants (Odinet et al., 2023) (Bruce et al., 2022). Furthermore, an analysis of initial public offerings (IPOs) reveals that the mechanisms of deliberate under-pricing and aftermarket behaviours are fundamentally different in private markets, challenging long-held assumptions about equity signalling in public finance (Reber et al., 2016). As these dynamics unfold, understanding the motivations and implications for both issuers and investors becomes increasingly critical.

A. Definition of private markets

Private markets refer to the segment of the financial market that accommodates transactions occurring outside public exchanges, enabling companies to raise capital through private placements rather than initial public offerings (IPOs). This alternative financing avenue appeals to both issuers and investors due to its potential for higher returns and greater flexibility in deal structures. As noted in contemporary analyses, the diminishing number of publicly listed companies and IPOs has heightened the significance of private markets, leading to increased regulatory focus on harmonising exemptions that protect investors while facilitating capital formation (Alon-Beck et al., 2020). Furthermore, the evolving landscape of product categories underscores how normative attributes play a crucial role in category definitions within private markets (Arjaliès et al., 2018). Additionally, variations in regulatory frameworks across jurisdictions impact the attractiveness of private listings, adding layers of complexity to market dynamics (Tsai et al., 2019). Overall, understanding private markets is essential for grasping their growing importance in capital allocation.

B. Overview of the significance of private markets in the financial landscape

The significance of private markets in the financial landscape cannot be overstated, as they provide unique advantages that cater to both issuers and investors. Unlike public markets, private markets frequently allow for greater flexibility and customisation in deal structures, which can lead to enhanced financial solutions tailored to specific needs. Furthermore, the increasing development of innovative financial products highlights the critical role of private markets in advancing sustainability-focused initiatives (Monk et al., 2020). Additionally, the regulatory frameworks surrounding Initial Public Offerings (IPOs) indicate that private markets can serve as vital precursors to public offerings, particularly in emerging economies like India, where such frameworks have evolved to adapt to market demands (Murthy et al., 2023). As financial markets continue to grow in complexity, understanding these dynamics is essential, particularly as they influence capital allocation and investment strategies (Abdulganiev et al., 2024) (ZAGO et al., 2024). The evolving landscape underscores the importance of private markets in promoting economic growth and innovation.

C. Private Markets – Issuers and Investors

There exists multifaceted attractions of private markets for both issuers and investors within a rapidly evolving financial landscape. By analysing the structural advantages and potential efficiencies offered by private markets, their significance in fostering innovation and capital allocation can be further elucidated. As evidenced in the research on regulatory frameworks in diverse economies, such as Nigerias IFRS implementation, the interplay of institutional dynamics shapes investment opportunities and corporate governance practices (Ethicalboardroom et al., 2020). Furthermore, the recent developments in distributed ledger technology exemplify mechanisms that may enhance transparency and efficiency in private market transactions, addressing issues prevalent in traditional securities markets (Donald et al., 2020). An exploration of comparative regulatory standards, particularly between Taiwan and the United States, underlines the significance of flexible frameworks in attracting foreign enterprises to domestic capital markets (Ho et al., 2017). Ultimately, understanding these dimensions enriches discourse on institutional investor engagement, particularly as this discourse grapples with legitimacy and representation challenges (Fisch et al., 2021).

II. Advantages of Private Markets for Issuers

The advantages of private markets for issuers extend beyond mere access to capital; they involve a significant shift in the dynamics of firm ownership and governance. Traditionally, public companies encountered stringent regulatory requirements that often hindered innovation and operational flexibility. In contrast, private markets

allow issuers to retain greater control over their corporate strategies without the pressures of public scrutiny or the burdensome obligations of regulatory compliance. This advantage is particularly salient in today's environment where advancements in distributed ledger technology (DLT) are reshaping how securities are issued and traded, potentially enhancing operational efficiencies in private transactions (Columbia-IBM Center for Blockchain and Data Transparency et al., 2020). Furthermore, the evolution of the public-private divide reveals a complex interplay where firms may choose to remain private indefinitely, exploring alternatives to capital-raising that align with their long-term strategic goals (de Fontenay et al., 2021) (de Fontenay et al., 2022). Ultimately, these factors contribute to a more favourable and adaptive landscape for issuers navigating the complexities of modern finance (Fong et al., 2018).

A. Greater flexibility in capital structure and terms

The attraction of private markets for both issuers and investors significantly hinges on the greater flexibility afforded in capital structure and terms. This adaptability allows companies to tailor their financing arrangements more precisely to their operational needs and growth objectives, which is particularly vital for emerging markets. For instance, the ability to issue dual-class shares can empower founders to retain control while still attracting capital, a model that has gained support in various international markets, as evidenced by the increasing acceptance of Dual Class Share Structures (DCSS) (Fitri et al., 2024). Furthermore, the introduction of mechanisms such as Qualified Opportunity Funds illustrates how regulatory innovations can enhance investment appeal through tax advantages, albeit with a need for more rigorous oversight to protect investor interests (Abate et al., 2021). Overall, this expanded flexibility not only facilitates more efficient capital allocation but also cultivates a conducive environment for innovation and growth in regions requiring substantial infrastructure investment (Regan et al., 2017).

B. Reduced regulatory burdens compared to public markets

The appeal of private markets for issuers and investors is significantly heightened by the reduced regulatory burdens compared to public markets. With the presence of extensive Securities and Exchange Commission (SEC) regulations that dictate the IPO process, many companies are turning towards private funding as a more flexible alternative. For example, the SEC's stringent requirements can be envisioned as a detriment, leading to a pursuit of regulatory arbitrage where issuers seek to avoid the complexities and costs associated with public listings (Choi et al., 2023). Additionally, legislative initiatives such as the Jumpstart Our Business Startups Act, while aimed at facilitating public access, have inadvertently encouraged firms to remain private longer and utilise alternative financing mechanisms (Gabor et al., 2021). The persistent decline in public companies suggests that regulatory overreach might be a contributing factor,

reinforcing the attraction of private markets, as businesses seek to evade the compliance costs that burden publicly listed entities (Wilson et al., 2020). Ultimately, this dichotomy necessitates a re-evaluation of regulatory frameworks by policymakers (Chan et al., 2023).

C. Enhanced ability to maintain control and ownership

The enhanced ability to maintain control and ownership is a driving factor behind the attraction of private markets for both issuers and investors. In private capital markets, firms often utilise structures such as the abovementioned dual-class shares, which allow founders to retain significant control despite owning a minority of shares, thereby mitigating the dilution of their governance power ((Yan et al., 2021)). This mechanism is particularly attractive in an era where entrepreneurial innovation is central to market competitiveness. Moreover, the emergence of private investment vehicles, including private equity and venture capital, has afforded companies greater discretion in operating without the stringent regulatory burdens typically imposed on public firms (Gallagher et al., 2019). As passive investment strategies gain prominence, the need for active governance from institutional investors becomes evident, indicating that large stakeholders still seek to exert influence, albeit within a more controlled environment (Solomon D et al., 2019). Consequently, the friction between growth aspirations and ownership concentration is crucial to understanding private market dynamics.

III. Benefits of Private Markets for Investors

The appeal of private markets for investors is multifaceted, highlighted by their capacity to provide unique investment opportunities, enhanced returns, and greater control over asset management. Unlike public markets, where access and information are often constrained, private markets allow investors to engage directly with firms, providing a deeper understanding of operational dynamics and potential risks. This interaction is particularly advantageous in a landscape increasingly shaped by innovations such as distributed ledger technology, which enhances transparency and efficiency within these markets (Columbia-IBM Center for Blockchain and Data Transparency et al., 2020). Additionally, the evolving public/private divide has led to a scenario where firms can remain private longer, mitigating the cost and complexity typically associated with public offerings (de Fontenay et al., 2021) (de Fontenay et al., 2022). Consequently, investors can capitalise on opportunities grounded in company-specific insights and market inefficiencies that are less available in public arenas, making private investments a compelling choice in today's financial system (Mizen et al., 2015).

A. Access to unique investment opportunities and diversification

The attraction of private markets significantly lies in their capacity to offer access to unique investment opportunities which are typically absent from traditional

public markets. These private placements not only cater to sophisticated investors but also allow for the diversification of portfolios through niche sectors and emerging industries that may hold high growth potential. Innovations in financial technologies enable retail investors to navigate these exclusive avenues more effectively, thus democratising access to investment options previously reserved for institutional players (Fisch et al., 2022). The rapid digitisation of financial services, accelerated by recent global events, has resulted in a transformative landscape that blurs conventional boundaries and enhances engagement opportunities for diverse investor profiles (Avgouleas, E & Marjosola, H (eds), 2021). Consequently, this shift lays the groundwork for increased financial literacy and informed investment decisions, allowing a broader segment of the population to participate meaningfully in wealth creation ((Avgouleas, E & Marjosola, H (eds), 2021).

B. Potential for higher returns compared to public market investments

Private markets present compelling opportunities for investors seeking higher returns relative to public market investments, primarily due to their structural advantages and reduced competition. Private equity and equity investments in privately-held companies can yield significant profits, particularly during periods of strategic growth or market inefficiency. The Jumpstart Our Business Startups Act has facilitated a landscape where companies remain private longer, allowing them to mature and attract investments without the pressures of public market scrutiny (Gabor et al., 2021). Furthermore, mechanisms like Private Investments in Public Equity (PIPEs) have gained support, reflecting an investor's preference for leveraging private deals that may surpass traditional offerings in terms of returns (Andriosopoulos et al., 2021). As evidenced by the performance discrepancies observed between premium investors in SPACs and non-premium investors in SPACs, the nuanced dynamics of private markets often enable access to lucrative opportunities while compensating for inherent risks (Aryal et al., 2023). That is, the continued evolution of these markets underscores their appeal to both issuers and investors seeking enhanced financial outcomes (Ira M. Millstein Center for Global Markets and Corporate Ownership Columbia Law School, 2017).

C. Opportunities for direct engagement and influence in portfolio companies

The landscape of private markets offers significant opportunities for direct engagement and influence within portfolio companies, a feature increasingly appealing to both issuers and investors. Institutional investors, particularly those entities managing passive funds, have begun to leverage their substantial holdings to advocate for changes in corporate governance and operational practices that align with broader market interests. This trend underscores the evolving role of these investors, who are now addressing diverse issues ranging

from sustainable practices to diversity initiatives, ultimately enhancing the value of their investments ((Fisch et al., 2021)). Additionally, the unique organisational context of passive funds enables them to employ economies of scale effectively to engage with portfolio companies, rather than focusing solely on firm-specific operations ((Solomon D et al., 2019)). As investors seek to balance their influence with shareholder interests, the integration of insights from various market actors illustrates the potential for a more collaborative approach to governance in private markets ((Diakonova et al., 2020) (Prokopenko et al., 2019)).

IV. Challenges and Risks Associated with Private Markets

Although private markets present unique opportunities, they are fraught with challenges and risks that potential issuers and investors must navigate. One significant issue is the opacity of information; unlike public markets, disclosures are limited, making it challenging for investors to perform thorough due diligence (Yogesh K Dwivedi et al., 2023). Additionally, the illiquidity inherent in private investments, and the inaccuracy of or presentation to investors of inflated asset values, can lead to difficulties in accessing capital when needed, potentially resulting in missed opportunities or increased financial strain (Koochang A et al., 2023). Furthermore, the volatility and unpredictability of these markets can be exacerbated by the rapidly evolving technological landscape, which combines innovative financial instruments and complexities that can obscure traditional valuation techniques, creating a risk of mispricing (Yogesh K Dwivedi et al., 2022). Ultimately, as market participants seek to overcome these complexities, the challenge remains to balance the attraction of high returns against the inherent risks of an increasingly interconnected financial environment (Allam Z et al., 2022, p. 771-801).

A. Illiquidity and longer investment horizons

In exploring the dynamics of private markets, the phenomenon of illiquidity presents a compelling argument for the appeal of longer investment horizons. Illiquidity often deters investors from engaging with private markets; however, illiquidity can engender a more profound commitment to strategic growth and stability over time. This commitment is particularly salient given that the transaction costs and regulatory burdens associated with public markets can diminish the vigour of short-term trading. For example, the incorporation of robust corporate governance mechanisms can enhance the financial reporting quality of firms, thereby directly impacting their long-term liquidity and attractiveness to investors (Al-Masawa et al., 2020). Furthermore, although equity crowdfunding may initially promise higher valuations, these valuations can be elusive and volatile, suggesting that investors in these markets must adopt a longer-term perspective to reconcile valuation realities with risk-adjusted returns (Aase et al., 2020). Thus, the correlation between illiquidity and heightened investment horizons can solidify an investor's focus on sustainable growth strategies (Biffis

et al., 2019), particularly as regional financial systems mature and become increasingly integrated (Balkir et al., 2017).

B. Limited transparency and information asymmetry

The attraction of private markets for issuers and investors often stems from the unique structure they embody, yet this attraction is complicated by limited transparency and pervasive information asymmetry. In private markets, the lack of standardised disclosure practices can obscure key operational and financial insights, potentially leading to misguided investment decisions. Investors may struggle to access critical data that informs risk assessments, which is a significant divergence from the regulatory environments typically present in public markets. This opacity not only hinders informed decision-making but also can also cultivate environments disposed to misinformation and bias, as suggested by recent discussions surrounding generative AI and its dual potential both to facilitate transparency and to complicate transparency (Yogesh K Dwivedi et al., 2023). As private markets evolve, stakeholders need to advocate for enhanced disclosure practices that address these asymmetries, thus fostering trust and safeguarding the interests of both issuers and investors ((Bauw MD et al., 2022, p. 2-8), (Lockey S et al., 2021)). Ultimately, achieving a balance between innovation and transparency is essential for the sustainable growth of private markets.

C. Higher risk of investment loss and market volatility

Investing in private markets inherently carries a higher risk of investment loss and increased market volatility, factors that can significantly deter participation from more risk-averse investors. These markets are often less regulated than traditional public markets, which can lead to a lack of transparency and heightened uncertainty regarding investment valuations. Furthermore, the illiquid nature of private investments amplifies market volatility, as investors may encounter challenges in selling their stakes, leading to potential losses if market conditions shift unfavourably. The limitations of investor education and awareness about these risks are exacerbated by the complexity of financial products in private markets, such as those products emerging from green finance initiatives, which still grapple with issues such as certification costs and market maturity (CANO et al., 2024). Therefore, understanding and addressing these inherent risks are crucial for creating investor confidence and stable growth within dynamic financial landscapes (Chiu et al., 2018).

V. Conclusion

The attraction of private markets for both issuers and investors stems from a complex interplay of factors that enhance financial strategy and opportunity. As these markets offer greater control, reduced regulatory burdens, and the potential for higher returns, they become increasingly attractive in an evolving economic landscape. The

integration of transformative technologies signals a shift in how businesses operate within these spheres, with companies leveraging innovations to maximise efficiency and outreach (Yogesh K Dwivedi et al., 2023). Furthermore, the emergence of disruptive platforms, akin to the metaverse, suggests that traditional boundaries in business may blur, fostering unprecedented collaborations and interactions (Yogesh K Dwivedi et al., 2022, p. 102542-102542). However, the potential for mandated reporting standards, as highlighted in current discussions on corporate social responsibility, emphasises the need for transparency in these opaque environments (Christensen HB et al., 2021). That is, as the OECD advocates for proactive guidelines, stakeholders must navigate these changes to harness the full promise of private markets, ensuring equitable benefits for all (OECD, 2019).

A. Summary of key insights regarding private markets

Examining the dynamics of private markets reveals several critical insights that illuminate their growing appeal to both issuers and investors. Unlike traditional public markets, private markets offer a degree of isolation from stringent regulatory oversight, therefore providing a more flexible environment for capital raising. The fragmentation of equity markets into multiple exchanges and dark pools complicates the effectiveness of regulatory frameworks, as noted in (Yadav et al., 2019), highlighting how limited oversight may encourage private market participation. Further, the need for innovative approaches to sustain competitive advantages among economic entities underscores the importance of adaptability and of strategic management in private market investments, as elaborated in (Bartosova et al., 2019). Moreover, the evolution of securities regulation, as discussed in (González-Páramo et al., 2015), emphasises the challenges faced in investor protection, which continues to attract those investors willing to navigate these complexities for potentially lucrative returns. Consequently, these factors contribute to the attraction of private markets, shaping investment behaviours in contemporary financial landscapes.

B. Implications for future trends in private market investments

As private markets continue to expand, their implications for future investment trends serve as a significant focal point both for issuers and for investors. The rise in institutional participation illustrates a shifting landscape within which investors seek to impact sustainability while navigating complex financing structures (United Nations Global Compact, 2015). This evolution is accompanied by technological advancements that facilitate informed decision-making, particularly for novice investors, thereby democratising access to private investments (Harimbawa et al., 2022). Furthermore, the concentration of foreign direct investment (FDI) by emerging market multinational enterprises (MNEs) into specific tax havens underscores the intricate relationship between regulatory environments and investment strategies, particularly as firms seek to optimise returns through innovative financial practices (Buckley et al., 2015). As regulatory

bodies reassess the balance between private market accessibility and public market accessibility, comprehensive reforms may be necessary to navigate the growing complexity while safeguarding investor interests ((Gabor et al., 2021)). Therefore, understanding these dynamics will prove essential in anticipating future trends within private markets.

C. The evolving landscape of private markets for issuers and investors

As the landscape of private markets continues to evolve, both issuers and investors are compelled to adapt to new norms and opportunities that these markets present. The rise of special purpose acquisition companies (SPACs) has significantly reshaped the public listing process, providing an alternative that aligns with the dynamic needs of global corporations seeking capital influx while navigating investor protection concerns (Lu et al., 2024). Additionally, platforms facilitating equity crowdfunding represent a transformative shift toward democratisation of finance, offering innovative pathways for capital allocation that juxtapose traditional financing methods (Koesrindartoto DP et al., 2024). The interplay between investor incentives and operational transparency has become a focal point as stakeholders seek balance amidst ongoing uncertainties in outcome predictions (Vismara et al., 2022). With countries like those in BRICS aiming to challenge established financial paradigms, emerging market conditions may further refine how private markets operate, presenting a complex yet promising terrain for future investment strategies (Farahat et al., 2024).

References

- Columbia-IBM Center for Blockchain and Data Transparency, Program in the Law and Economics of Capital Markets, (2020). Stakeholder Survey Preliminary White Paper. 'Center for Open Science', doi: <https://core.ac.uk/download/568032771.pdf>
- de Fontenay, Elisabeth, Rauterberg, Gabriel V. (2022). The New Public/Private Equilibrium and the Regulation of Public Companies. University of Michigan Law School Scholarship Repository, doi: <https://core.ac.uk/download/543555409.pdf>
- Fong, Tom, Mizen, Paul, Tsoukas, Serafeim. (2018). A Taste for Dim Sum: Analysing the Financial Diffusion in the New Offshore Renminbi Debt Securities. Hong Kong Institute for Monetary Research, doi: <https://core.ac.uk/download/158368173.pdf>
- Avgouleas, E & Marjosola, H (eds) (2021), Digital Finance in Europe: Law, Regulation, and Governance. European Company and Financial Law Review - Special Volume, vol. 5, De Gruyter. <https://doi.org/10.1515/9783110749472>
- Gallagher, Patrick J. (2019). Going Public Secretly: The SEC's Unavailing Effort to Increase Initial Public Offerings Through Confidential Registration. doi: <https://core.ac.uk/download/267804891.pdf>
- Solomon D, Steven, Fisch, Jill E, Hamdani, Asaf. (2019). The New Titans of Wall Street: A Theoretical Framework for Passive Investors. Penn Law: Legal Scholarship Repository, doi: <https://core.ac.uk/download/210556235.pdf>
- Yan M. (2021). Permitting Dual Class Shares in the UK Premium Listing Regime — A Path to Enhance rather than Compromise Investor Protection. 'Cambridge University Press (CUP)', doi: <https://core.ac.uk/download/477975977.pdf>
- Monk, Alexander, Perkins, Richard. (2020). What explains the emergence and diffusion of green bonds?. 'Elsevier BV', doi: <https://core.ac.uk/download/323055012.pdf>
- Murthy K,V R, Seepani, Jyothi. (2023). INITIAL PUBLIC OFFERINGS IN INDIA – A STRUCTURAL REVIEW. Open Access Publishing Group, doi: <https://core.ac.uk/download/588299758.pdf>
- Abdulganiev, Farid, Berman, Svetlana, Glebova, Irina, Khafizova, et al.. (2024). OPPORTUNITIES FOR REGULATING FINANCIAL MARKETS IN DEVELOPING COUNTRIES: RESULTS OF A MULTIPLE FACTOR ANALYSIS. International Journal of Professional Business Review, doi: <https://core.ac.uk/download/622347889.pdf>
- Zago Alberto, C. (2024). VALUE CREATION THROUGH PRIVATE EQUITY OPERATION AND INITIAL PUBLIC OFFERING (IPO): THE EUROGROUP LAMINATIONS CASE. doi: <https://core.ac.uk/download/604159670.pdf>
- Mizen, Paul, Tsoukas, Serafeim. (2015). Exploring Determinants of Firms' Participation in the New Offshore Renminbi Debt Securities Market. Hong Kong Institute for Monetary Research, doi: <https://core.ac.uk/download/42367076.pdf>
- Fisch, Jill E. (2021). Mutual Fund Stewardship and the Empty Voting Problem. Penn Law: Legal Scholarship Repository, doi: <https://core.ac.uk/download/482012744.pdf>

Diakonova, Ivanivna I, Taraniuk, Viktorivna K, Taraniuk, Mykolaiovych L, Д`яконова, et al. (2020). International investment activity. 'Sumy State University', doi: <https://core.ac.uk/download/339163084.pdf>

Prokopenko, Volodymyrivna O, Qoqiauri L, Qoqiauri N, Прокопенко, et al. (2019). Financial Markets. Drukarnia i Studio Graficzne Omnidium, doi: <https://core.ac.uk/download/231769772.pdf>

OECD (2019), Artificial Intelligence in Society, OECD Publishing, Paris, <https://doi.org/10.1787/eedfee77-en>.

Regan, Michael. (2017). Infrastructure financing modalities in Asia and the Pacific: Strengths and limitations. Tokyo: Asian Development Bank Institute (ADBI), doi: <https://core.ac.uk/download/93370218.pdf>

Abate, Audrey E. (2021). QUALIFIED OPPORTUNITY FUNDS: PRIVATE EQUITY EXEMPTIONS FROM PUBLIC RESPONSIBILITY. BrooklynWorks, doi: <https://core.ac.uk/download/523886390.pdf>

Fitri, Winda, Rusdiana, Shelvi, Seroja, Dewi T, Tan, et al. (2024). Dual-Class Share Structure in the Indonesian Equity Market. University of Jember, doi: <https://core.ac.uk/download/616485706.pdf>

United Nations Global Compact. (2015). Private Sector Investment and Sustainable Development: The Current and Potential Role of Institutional Investors, Companies, Banks and Foundations in Sustainable Development. United Nations Global Compact, doi: <https://core.ac.uk/download/75781326.pdf>

Harimbawa, Dipta, Hasanudin, Moh., Pradana, Putra B, Sadida, et al. (2022). Design and Development of Information Systems Supporting Stock Investors "Batch of Automatic Stock Analysis System". Yayasan Ilomata, doi: <https://core.ac.uk/download/580018439.pdf>

Buckley P,J, El-Gohari A, Sutherland D, Voss, et al. (2015). The economic geography of offshore incorporation in tax havens and offshore financial centres: the case of Chinese MNEs. 'Oxford University Press (OUP)', doi: <https://core.ac.uk/download/42124715.pdf>

Gabor, Evan S, Greene, Edward F, Kang, Mijin J, Katharani-Khan, et al. (2021). The Need for a Comprehensive Approach to Capital Markets Regulation. 'Columbia University Libraries/Information Services', doi: <https://core.ac.uk/download/532861799.pdf>

Ethical boardroom, Council FR, Council FR of Nigeria, Council FR of Nigeria, Nigeria K, Nigeria K, Laws of Republic F of No NA.6, et al. (2020). The three pillars of institutional theory and IFRS implementation in Nigeria. 'Emerald', doi: <https://core.ac.uk/download/333643148.pdf>

Arjaliès, Diane-Laure, Durand, Rodolphe. (2018). Product Categories as Judgment Devices: The Moral Awakening of the Investment Industry. Scholarship@Western, doi: <https://core.ac.uk/download/492563288.pdf>

Tsai, Yenshou T. (2019). Cross-listing, Corporate Governance and Private Securities Law Enforceinent in Taiwan. University of Michigan Law School Scholarship Repository, doi: <https://core.ac.uk/download/619721512.pdf>

- Alon-Beck, Anat. (2020). Alternative Venture Capital: The New Unicorn Investors. Case Western Reserve University School of Law Scholarly Commons, doi: <https://core.ac.uk/download/423918007.pdf>
- Donald, David C, Miraz, Mahdi H. (2020). Multilateral Transparency for Security Markets Through DLT. FLASH: The Fordham Law Archive of Scholarship and History, doi: <https://core.ac.uk/download/286697780.pdf>
- Ho, Ke. (2017). A Legal Analysis on Enterprises Overseas Fundraising -- A Comparison Between the U.S. Market and the Taiwanese Market. Digital Repository @ Maurer Law, doi: <https://core.ac.uk/download/232678163.pdf>
- Choi, Stephen J, Pritchard, Adam C. (2023). All Stick and No Carrot? Reforming Public Offerings. University of Michigan Law School Scholarship Repository, doi: <https://core.ac.uk/download/572821104.pdf>
- Wilson, Daniel L. (2020). Can Regulatory Reform Reverse the Decline of Public Markets in Canada? Assessing the Factors Impacting Decisions by Corporate Leaders to Avoid Canadian Public Listings. Scholarship@Western, doi: <https://core.ac.uk/download/304375409.pdf>
- Chan, Jonathan, Lim, Ernest. (2023). How it Matters Who Makes Corporate Rules. Social Science Research Network (SSRN), doi: <https://core.ac.uk/download/590811076.pdf>
- Lu, Lerong, Ren, Ci. (2024). Innovating corporate share listing frameworks: a comparative study of SPAC regulatory regimes in the United Kingdom, Singapore, and Hong Kong. doi: <https://core.ac.uk/download/604575173.pdf>
- Koesrindartoto DP, Sanjaya MR. (2024). Evaluating Current Stage of Equity Crowdfunding Adoption in Indonesia: An Exploratory Study. Public Finance Institute, doi: <https://core.ac.uk/download/599164404.pdf>
- Vismara, Silvio. (2022). Inclusive digital finance: the industry of equity crowdfunding. doi: <https://core.ac.uk/download/630989480.pdf>
- Farahat, Adham, Hussein, Ibrahim S. (2024). BRICS vs. the US Dollar: Analyzing the Potential of a BRICS Reserve Currency and Leadership Challenges that may Arise. Handelshøyskolen BI, doi: <https://core.ac.uk/download/639533165.pdf>
- Yogesh K Dwivedi, Kshetri N, Hughes L, Slade E, Jeyaraj A, Kar AK, Abdullah M Baabdullah, et al. (2023). Opinion Paper: “So what if ChatGPT wrote it?” Multidisciplinary perspectives on opportunities, challenges and implications of generative conversational AI for research, practice and policy. International Journal of Information Management, Volume (71), 102642-102642, 102642-102642. doi: <https://doi.org/10.1016/j.ijinfomgt.2023.102642>
- Koohang A, Nord JH, Keng-Ooi B, Wei G-Tan H, Al M-Emran, Aw EC-X, Abdullah M Baabdullah, et al. (2023). Shaping the Metaverse into Reality: A Holistic Multidisciplinary Understanding of Opportunities, Challenges, and Avenues for Future Investigation. Journal of Computer Information Systems, Volume (63), 735-765, 735-765. doi: <https://doi.org/10.1080/08874417.2023.2165197>
- Bauw MD, Vranken L, Matthys C. (2022). Bridging gaps in food labelling. Nutrition Bulletin, Volume (47), 2-8, 2-8. doi: <https://doi.org/10.1111/nbu.12539>

- Lockey S, Gillespie N, Holm D, Someh I. (2021). A Review of Trust in Artificial Intelligence: Challenges, Vulnerabilities and Future Directions. Proceedings of the Annual Hawaii International Conference on System Sciences/Proceedings of the Annual Hawaii International Conference on System Sciences, doi: <https://doi.org/10.24251/hicss.2021.664>
- Al-Masawa, Hasan AM. (2020). Board of director attributes, audit committee characteristics and institutional ownership on Malaysian IPOS liquidity. doi: <https://core.ac.uk/download/555333650.pdf>
- Aase, Bjørn F, ærevåg H, åkon. (2020). A warning to equity crowdfunding investors! you might overpay. doi: <https://core.ac.uk/download/401581444.pdf>
- Biffis, Blake, Brouhns, Brouhns, Cairns, Cairns, Chen, et al. (2019). Still living with mortality: The longevity risk transfer market after one decade. 'Cambridge University Press (CUP)', doi: <https://core.ac.uk/download/163076646.pdf>
- Balkir, Tulu. (2017). New Regionalism in Global Order: Regional Trade Integration and Its Links with Financial Sector. ODU Digital Commons, doi: <https://core.ac.uk/download/217299254.pdf>
- Fisch, Jill E. (2022). GameStop and the Reemergence of the Retail Investor. Penn Law: Legal Scholarship Repository, doi: <https://core.ac.uk/download/519804459.pdf>
- Avgouleas, E & Marjosola, H (eds) (2022), Digital Finance in Europe: Law, Regulation, Governance: Volume 5 in the series European Company And Financial Law Review - Special Volume. de Gruyter, Berlin. <https://doi.org/10.1515/9783110749472>
- Lupo-Pasini, Federico. (2022). Sustainable Finance and Sovereign Debt: The Illusion to Govern by Contract. Oxford University Press, doi: <https://core.ac.uk/download/578086654.pdf>
- Odinet, Christopher K, Tosato, Andrea. (2023). The Intersection of NFTs and Structured Finance. Boston University School of Law, doi: <https://core.ac.uk/download/616424681.pdf>
- Bruce, Kara J, Odinet, Christopher K, Tosato, Andrea. (2022). The Private Law of Stablecoins. Arizona State University College of Law, doi: <https://core.ac.uk/download/616424606.pdf>
- Reber, Beat, Vencappa, Dev. (2016). Deliberate premarket underpricing and aftermarket mispricing: new insights on IPO pricing. 'Elsevier BV', doi: <https://core.ac.uk/download/153571578.pdf>
- Ira M. Millstein Center for Global Markets and Corporate Ownership Columbia Law School, (2017). Report from the General Counsel Summit on Short-Termism and Public Trust. 'Center for Open Science', doi: <https://core.ac.uk/download/568032873.pdf>
- Aryal, Gaurab, Chen, Zhaohui, Yao, Yuchi, Yung, et al. (2023). Security Issuance, Institutional Investors and Quid Pro Quo: Insights from SPACs. doi: <http://arxiv.org/abs/2211.16643>

- Andriosopoulos, Dimitris, Panetsidou, Styliani. (2021). A global analysis of Private Investments in Public Equity. doi: <https://core.ac.uk/download/362958548.pdf>
- Yogesh K Dwivedi, Hughes L, Abdullah M Baabdullah, Ribeiro S-Navarrete, Giannakis M, Mutaz M Al-Debei, Dennehy D, et al. (2022). Metaverse beyond the hype: Multidisciplinary perspectives on emerging challenges, opportunities, and agenda for research, practice and policy. *International Journal of Information Management*, Volume (66), 102542-102542, 102542-102542. doi: <https://doi.org/10.1016/j.ijinfomgt.2022.102542>
- Allam Z, Sharifi A, Bibri SE, David S Jones, Krogstie J. (2022). The Metaverse as a Virtual Form of Smart Cities: Opportunities and Challenges for Environmental, Economic, and Social Sustainability in Urban Futures. *Smart Cities*, Volume (5), 771-801, 771-801. doi: <https://doi.org/10.3390/smartcities5030040>
- Yadav, Yesha. (2019). Oversight Failure in Securities Markets. *Scholarship@Vanderbilt Law*, doi: <https://core.ac.uk/download/288236148.pdf>
- Bartosova, Viera, Becker, Christian, Belanova, Katarina, Beridze, et al. (2019). Strategies for sustainable socio-economic development and mechanisms their implementation in the global dimension. doi: <https://core.ac.uk/download/293755583.pdf>
- González-Páramo, José Manuel, Haliassos, Michael, Kockelkoren, Theodor, Mayer, et al. (2015). Challenges in Securities Markets Regulation: Investor Protection and Corporate Governance. Vienna: SUERF - The European Money and Finance Forum, doi: <http://hdl.handle.net/10419/163514>
- Christensen HB, Hail L, Leuz C. (2021). Mandatory CSR and sustainability reporting: economic analysis and literature review. *Review of Accounting Studies*, Volume (26), 1176-1248, 1176-1248. doi: <https://doi.org/10.1007/s11142-021-09609-5>
- Laureanda, A., Cano, M., Marticola, N. (2024). Green Finance instruments: Challenges and Risks. doi: <https://core.ac.uk/download/636340412.pdf>
- Dzigbede, Komla D. (2016). Essays in State and Local Government Debt Management: Networks, Strategic Refinancing, and Regulatory Disclosure. *ScholarWorks @ Georgia State University*, doi: <https://core.ac.uk/download/71428178.pdf>
- Chiu H, (2018). Decoupling Tokens from Trading: Reaching Beyond Investment Regulation for Regulatory Policy in Initial Coin Offerings. doi: <https://core.ac.uk/download/195303989.pdf>

Appendix 3

Question 3

In what ways are public markets and private markets likely to converge?

I. Introduction

The landscape of financial markets is witnessing a significant transformation as public markets and private markets begin to converge, a phenomenon driven by advancements in technology and changing investor expectations. This convergence reshapes traditional understandings of liquidity and accessibility, inviting a broader spectrum of participants into the financial ecosystem. Fundamental to this evolution is the increasing digitalisation of economies, which not only encourages and promotes innovation but also highlights the necessity for businesses rapidly to adapt to competitive pressures. As noted in the literature, the influence of environmental, societal, and technological changes is paramount in this context, prompting a re-evaluation of how financial resources are mobilised and allocated (Kraus S et al.). Moreover, the advent of techniques such as Federated Learning stands to enhance collaboration across diverse platforms, thereby facilitating the integration of public and private market data (Kairouz P et al.). Consequently, understanding this convergence is helpful for understanding the future of investment dynamics.

A. Definition of public markets

Public markets are defined as platforms where commodities, securities, and services are traded openly, typically characterised by regulated exchanges that facilitate transactions between multiple buyers and sellers. As they engage in price-setting mechanisms, public markets serve as a vital reflection of economic condition, providing transparency and access to a wider demographic. Recent trends suggest a growing convergence between public markets and private markets, particularly as both sectors increasingly recognise the importance of governance frameworks that prioritise public interest. This convergence echoes the evolving landscape of competition policy, where the traditional demarcation between public welfare and private competition is becoming distorted. For example, competition authorities are confronted with the challenge of integrating public interests within new market structures, particularly those structures driven by digital systems, highlighting a need for redefining public welfare in response to monopolistic tendencies that may arise from these evolving dynamics (Gouri et al.) (Horn et al.).

B. Definition of private markets

In the context of financial systems, private markets are defined as platforms where securities are traded directly between parties, typically involving investments that do not require registration with regulatory agencies, therefore operating outside the public sphere. This environment, although allowing for

greater flexibility and tailored investment opportunities, catering to specific investor needs and risk appetites, may be accompanied by governance practices shaped by contractual relationships and by opaque, if not unjustifiable, asset valuations practices. The dynamics of private markets often lead to hybrid relationships with public markets, as evidenced in welfare contexts where private providers compete or collaborate with public entities. For example, the blending of pension schemes reveals a trend where private pensions funds can both complement and challenge public welfare systems, underscoring a nuanced co-existence rather than a simple trade-off between the two sectors (Horn et al.). Moreover, as the framework of accounting standards converges between public sectors and private sectors, complexities in heritage asset reporting further illustrate the ongoing interplay between these markets, indicating that while distinctions remain, a level of integration is emerging (Anessi-Pessina E et al.).

C. Market convergence

The convergence of public markets and private markets necessitates a nuanced understanding of the evolving economic landscape, particularly as digital technology and globalisation reshape traditional market paradigms. Recognising how these two realms interact is critical for regulators, policymakers, and investors alike, as each influences the other in various capacities. For example, the rise of private insurance markets, characterised by riskier, individualising investments, reshapes welfare states via privatisation and securitisation, in line with the Maritime model discussed in (Kohl et al.). Simultaneously, regulatory bodies confront challenges posed by monopolistic competition in platform markets, raising questions about the relevancy of existing antitrust frameworks. As noted in (Gouri et al.), the convergence of competition policy, law, and public interest highlights the imperative of redefining regulatory approaches considering these emergent structures. Therefore, understanding market convergence is essential for fostering innovation, ensuring fair competition, and promoting public welfare in contemporary economies.

D. Overview of historical context

The historical interplay between public markets and private markets provides the basis for understanding their potential convergence. Over time, different countries have adopted varied approaches to economic security, influencing the structure of their markets. For example, nations with a Maritime insurance tradition, such as the USA and Canada, developed larger and more vibrant life and non-life insurance sectors that favoured financial market investments, thereby liberalising their welfare states and enhancing securities markets (Kohl et al.). At the same time, the relationship between public welfare systems and private providers has evolved from a competitive to a complementary dynamic. Initially characterised by significant trade-offs, where private provisions often crowded out public spending, this relationship has shifted toward a more integrated

model, especially in the context of OECD countries, reflecting a nuanced interdependence between sectors (Horn et al.). This historical context serves as a basis to examine current trends in market convergence.

E. The evolution of the convergence of public markets and private markets

As public and private markets evolve, their convergence is increasingly influenced by the interplay of information access and credit risk assessment. Public markets, traditionally characterised by reliance on standardised information, are witnessing a shift as private entities leverage non-public data to inform investment decisions, enhancing the overall efficiency of both markets. This transition not only narrows the information asymmetry but also alters the credit risk landscape, as highlighted in recent analyses that differentiate between structural models of debt and reduced-form models of debt. Public debt is frequently assessed through structural models, which incorporate broader financial indicators, while private debt benefits from reduced-form models that capitalise on proprietary insights (Lafontaine et al.). Such dynamics underscore the need for a deeper and clearer understanding of how these models adapt to new information, ultimately shaping investors' perceptions of default risk across both environments and illustrating the potential pathways for increased integration (He et al.).

II. Technological Advancements

The role of technological advancements in the convergence of public markets and private markets cannot be overstated, as these innovations often serve as the catalyst for integration between the two sectors. As private companies increasingly leverage cutting-edge technologies, such as artificial intelligence and blockchain, the traditional barriers that distinguish public markets from their private counterparts are beginning to dissolve. These technologies not only enhance operational efficiencies and transparency but also facilitate increased access for retail investors in private markets. For example, platforms that enable tokenisation of assets allow private entities to reach a broader audience while providing the liquidity often only associated with public markets. Furthermore, (Klarin et al.) elucidates how market-driven convergence processes may emerge from these technological shifts, challenging the conventional notions of industry convergence. Considering these developments, the prospect of public markets and private markets converging appears increasingly plausible, presenting both challenges and opportunities for regulators and their regulatory policies and frameworks.

A. Impact of fintech on market accessibility

The rise of fintech has drastically reshaped market accessibility, particularly by democratising financial services that were previously limited to traditional banking institutions. By leveraging advanced technologies, fintech has enabled a wider segment of the population to engage with financial markets, often at lower

costs and with greater efficiency. This transformation is evident in many countries, where the FinTech environment has flourished through supportive regulations, fostering an increased comfort with digital solutions among consumers (Al-Mohamady et al.). As competition policy struggles with evolving market structures, the convergence of public markets and private markets becomes significant, particularly regarding consumer access and protection. The challenges presented by monopolistic structures in platform markets necessitate an ongoing re-evaluation of antitrust laws to ensure that they align with public interest (Gouri et al.). That is, fintech not only enhances market accessibility but also raises critical questions about regulatory frameworks and their ability to keep pace with rapid innovation.

B. Role of blockchain in market transparency

The role of blockchain in enhancing market transparency is pivotal, particularly as public markets and private markets increasingly intersect. By utilising distributed ledger technology, blockchain ensures that all transactions are recorded in a tamper-proof manner, significantly reducing the potential for fraud and manipulation. This transparency advances greater trust among investors, facilitating a more seamless flow of capital between traditional financial systems and decentralized finance systems. As outlined in recent studies, the integration of blockchain with the Internet of Things (IoT) can address numerous challenges, including cybersecurity and data privacy, which are essential for maintaining transparency in market operations (Abdolee et al.). Furthermore, the development of decentralized financial (DeFi) markets illustrates how blockchain can coexist with traditional financial structures, promoting collaboration between sectors to enhance efficiency and accessibility (McQueen et al.). Ultimately, the adoption of blockchain offers an encouraging pathway toward a more transparent, accountable financial system, reinforcing the convergence of public markets and private markets.

C. Influence of algorithmic trading on market dynamics

The influence of algorithmic trading on market dynamics is profound, reflecting a nuanced intersection between public markets and private markets. As algorithmic strategies evolve, they have been shown to enhance market liquidity while simultaneously deteriorating informational efficiency, as evidenced by recent studies on the Johannesburg Stock Exchange, which indicate that liquidity changes impact market efficiency differently across various regimes (Young et al.). This variability in efficiency is important for understanding how public markets and private markets might converge, particularly as algorithmic trading obscures the lines between traditional financial instruments and more innovative private investments. Moreover, the dual-process taxonomy of algorithmic traders, differentiating between those traders who possess speed advantages and those traders equipped with superior forecasting abilities, highlights the

complexity of their roles within market microstructures. Such insights suggest that greater integration of algorithmic trading practices could reshape the landscape of financial markets, promoting a convergence that transcends conventional categorisation (Gamzo et al.).

D. Emergence of online trading platforms

The emergence of online trading platforms has significantly altered the landscape both of public markets and of private markets, encouraging an environment where convergence is increasingly plausible. As traditional financial markets contend with the implications of digital assets and decentralised finance (DeFi), the integration of technology into trading practices is redefining how these markets interact. Online platforms facilitate transactions that distort the lines between public offerings and private investments, suggesting a shift toward more inclusive financial access. Moreover, regulatory frameworks are under scrutiny; competition authorities must adapt to these evolving market structures, as highlighted in recent analyses that discuss the tension between monopolistic tendencies of digital platforms and the necessity for consumer welfare (Gouri et al.). Furthermore, there is a growing recognition that collaboration between decentralised financial markets and traditional financial systems may strengthen and reinforce the public good, ensuring that innovation is harnessed to enhance market efficiency without compromising regulatory integrity (McQueen et al.).

E. Integration of data analytics in investment strategies

The integration of data analytics into investment strategies marks a pivotal shift in the convergence of public markets and private markets, enhancing decision-making processes across various investment platforms. By leveraging large data-driven networks, stakeholders from both realms can collaborate in real-time, sharing insights that mitigate information asymmetries often present in traditional market structures (Visconti M et al.). This technological synergy is particularly evident in the application of machine learning algorithms, which enable investors to conduct real-time data analysis through predictive and prescriptive analytics. These methods not only facilitate the identification of trends and anomalies within vast data sets but also provide actionable insights for optimising investment decisions (Abualigah et al.). Consequently, the alignment of interests among public entities and private entities is strengthened, enabling a cooperative landscape in which data-driven strategies can generate mutual value. The seamless integration of analytics consequently foresees a future where investment strategies are increasingly informed by collaborative insights, ultimately obscuring market boundaries.

III. Regulatory Changes

As public markets and private markets increasingly experience regulatory changes, the convergence of these sectors becomes more pronounced. Contemporary

financial regulation, particularly with the implementation of uniform accounting standards such as IFRS, has significantly reshaped the reporting requirements for firms across both domains. Notably, research indicates that while private firms historically exhibited less unconditional conservatism in their financial reporting, the move toward IFRS convergence has diminished this gap, leading to heightened accountability and transparency across for both sectors (Basu et al.). Furthermore, the evolution of the insurance sector, particularly in Maritime economies, underscores the role of private insurance in shaping the welfare state and financial markets, illustrating how regulatory frameworks can enable an environment conducive to greater integration (Kohl et al.). Consequently, these regulatory shifts not only facilitate a more cohesive investment landscape but also enhance the alignment of interests between public market participants and private market participants, reinforcing the potential for convergence.

A. Evolution of securities regulations

The evolution of securities regulations has played a pivotal role in shaping both public markets and private markets, advancing a convergence that is increasingly evident in contemporary capitalist societies. Historically, regulatory frameworks have evolved in response to the growing sophistication of financial markets, ensuring investor protection while facilitating capital formation. Particularly in Maritime countries, such as the United States and the United Kingdom, a more liberal approach to securities has emerged, driving innovation and risk-taking that obscure the lines between public market dynamics and private market dynamics (Kohl et al.). These countries have developed institutions that encourage larger securities markets, as evidenced by their robust insurance sectors that adaptively participate in capital markets. In contrast, Alpine countries exhibit stronger state involvement in their securities regulations, leading to a more conservative investment landscape (Kohl et al.). As regulatory practices continue to adapt, the increased convergence of public markets and private markets is anticipated, creating a more integrated financial system.

B. Impact of globalization on market regulations

The impact of globalisation on market regulations has prompted a significant transformation in the ways public markets and private markets operate, highlighting an increasing convergence between the two. As markets become more interconnected, traditional regulatory frameworks struggle to address the complexities that arise, particularly within digital and technology-driven sectors. For example, competition policies originally tailored for traditional product markets may fail effectively to regulate monopolistic structures emerging from platform economies, as noted in discussions surrounding the evolving role of competition authorities (Gouri et al.). Furthermore, the convergence of International Financial Reporting Standards (IFRS) has a crucial role as it enhances comparability in financial reporting across diverse business

environments. Evidence suggests that IFRS convergence reduces the conservatism gap between public firms and private firms, indicating a shift toward more uniform market behaviours (Basu et al.). That is, globalisation not only reshapes market dynamics but also necessitates a re-evaluation of regulatory frameworks to ensure equitable competition across public sectors and private sectors.

C. Role of government policies in market convergence

The interplay between government policies and market convergence is pivotal in understanding how public markets and private markets might increasingly overlap. As economies evolve, particularly in the context of digital transformation and globalisation, government interventions, through competitive regulations and welfare policies, are reshaping the landscape of both market types. For instance, (Kohl et al.) emphasises that the characteristics of different insurance markets can lead to diverse welfare state constructions, with a pronounced influence on how public sectors and private sectors engage with financial markets. Concurrently, the challenges posed by monopolistic market structures, as highlighted in (Gouri et al.), necessitate a re-evaluation of competition policies, compelling a combination of public interest and antitrust regulations. This confluence not only impacts economic participation but also drives innovation and consumer welfare, indicating a significant trend toward the convergence of public market dynamics and private market dynamics shaped by proactive government policies.

D. Changes in reporting requirements for private firms

As the financial landscape evolves, changes in the reporting requirements for private firms are becoming increasingly significant, suggesting a potential convergence between public markets and private markets. Historically, private firms maintained less stringent reporting obligations compared to their public counterparts, benefiting from reduced regulatory scrutiny. However, recent shifts, particularly with the adoption of International Financial Reporting Standards (IFRS), indicate an increase in the reporting rigor for private entities. According to research, IFRS convergence has resulted in heightened conservatism in financial reporting among private firms, effectively narrowing the gap with public firms' practices (Basu et al.). Furthermore, as private firms experience capital inflows without the burdens of public disclosure, they inadvertently rely on the information disseminated by public companies, which could exacerbate the competitive divide (de Fontenay et al.). This evolution in reporting requirements can potentially lead to a more integrated market environment, within which the distinctions between private entities and public entities become less evident, facilitating broader economic implications.

E. Influence of regulatory technology (RegTech)

The emergence of regulatory technology (RegTech) is pivotal in understanding the convergence of public markets and private markets, highlighting how innovation can reshape the regulatory landscape. As RegTech evolves, it facilitates near real-time information sharing between market participants and regulatory bodies, transforming the dynamics of Regulation by Information. This shift allows regulatory frameworks to adapt with unprecedented agility, thereby influencing compliance and reporting standards across financial markets. Critics, however, caution that such rapid advancements may lead to deficits in accountability and transparency, particularly within the European Union. A proactive regulatory approach becomes essential to harness RegTech's potential while mitigating risks associated with unchecked technological adoption. As financial systems increasingly rely on these advanced technologies, the balance between promoting innovation and ensuring consumer protection remains delicate, threatening to create significant disparities between public oversight and private sector interests if not carefully managed (Brown et al.) (HOFMANN et al.).

IV. Investment Trends

The convergence of public markets and private markets has significantly influenced contemporary investment trends, particularly as financial instruments and regulatory environments evolve. A fundamental factor in this convergence is the transformation of investment strategies within the private sector, frequently driven by market demands for enhanced returns and improved risk management. For example, the increasing prominence of private insurance markets, as noted in research highlighting their early adoption of riskier financial investments, aligns with the growing liberalisation of welfare states and capital markets (Kohl et al.). Concurrently, comprehensive analyses like the Investment Report from the European Investment Bank demonstrate that understanding investment drivers and barriers is crucial for navigating these converging landscapes, as they encapsulate the prevailing sentiments among firms regarding investment conditions ("EIB Investment Report 2019/2020 - Key Findings" European Investment Bank, (2021).). Thus, as public and private markets continue to blend, the resulting investment trends reflect a more interconnected financial system that challenges traditional distinctions.

A. Rise of alternative investments in public markets

As the dynamics of capital raising evolve, the rise of alternative investments in public markets underscores a significant trend toward convergence between public markets and private realms. This shift is marked by institutional frameworks that increasingly favour riskier and innovative financial instruments, reflecting a broader acceptance of alternative assets such as private equity and hedge funds in the public market landscape. The interaction between private companies and public disclosures has further intensified this trend, as public

firms witness declining benefits from mandatory disclosure while private entities leverage public information for competitive advantage (de Fontenay et al.). Additionally, the expansion of insurance markets, particularly within the Maritime model, has facilitated greater investment in diverse assets, encouraging liberalised welfare states and extensive securities markets. Consequently, this intersection of traditional public investment strategies with alternative assets suggests a future where the barriers between public finance and private finance continue to diminish, reshaping investment paradigms (Kohl et al.).

B. Increasing interest in private equity by institutional investors

The rising interest in private equity among institutional investors signifies a pivotal shift in capital allocation, reflecting broader trends both in public markets and in private markets. As institutional investors seek enhanced returns and diversification, private equity offers an attractive alternative to traditional stock markets, which are increasingly perceived as over-saturated and less rewarding. This trend is compounded by regulatory dynamics that have distorted the lines between public capital and private capital. For example, while public companies historically bore extensive disclosure burdens, recent shifts in regulatory frameworks have allowed private entities to thrive without similar obligations, enabling them to capitalise on the information asymmetries prevalent in public markets (de Fontenay et al.). Furthermore, the governance advantages of private equity, particularly in markets with institutional voids, underscore its appeal, as evidenced by retained ownership patterns favouring private equity after IPOs. This convergence highlights a transformation in investor behaviour, pushing private equity to the forefront of institutional investment strategies.

C. Growth of SPACs (Special Purpose Acquisition Companies)

The rapid proliferation of Special Purpose Acquisition Companies (SPACs) represents a significant shift in the landscape of public markets and private markets, illustrating their potential convergence. Initially designed as blank check companies to facilitate funding and acquisitions, SPACs gained prominence due to their ability to streamline the public listing process for private firms. This innovation allows companies, especially smaller and highly leveraged ones, to access public capital while bypassing traditional initial public offerings (IPOs) (Kolb et al.). As SPACs have matured, concerns about their long-term performance and shareholder value have arisen, highlighting a dichotomy in market perceptions (Lim et al.). Although SPACs can provide rapid liquidity for targeted acquisitions, studies indicate that firms entering the market by means of SPACs often underperform compared to those utilising IPOs, suggesting that the promise of democratising access to public funding must be tempered with caution about their sustainability in developing long-term value.

D. Trends in retail investor participation in private markets

The increasing participation of retail investors in private markets marks a significant shift in the investment landscape, characterised by a convergence of public market dynamics and private market dynamics. Traditionally, private markets have been accessible primarily to institutional and accredited investors, but recent developments have democratised access, allowing a broader array of investors to engage in alternative assets. This increase in participation can be attributed to the proliferation of digital platforms and technologies that facilitate investment in private equity and in venture capital opportunities. Moreover, as retail investors become more sophisticated and seek diversification beyond traditional public equities, they are drawn to the potential for high returns, or the perception of them, associated with private investments. This trend aligns with the broader dialogue around regulatory frameworks, within which competition policy's adaptation to the challenges posed by evolving market structures is crucial to protecting consumer interests in both realms of investment, as highlighted by the ongoing debates on convergence found in (Gouri et al.) and (Kwikiriza et al.).

V. Market Behaviour and Investor Sentiment

Understanding market behaviour and investor sentiment is fundamental to evaluating the convergence of public markets and private markets. As private equity transactions provide insights not yet available in public markets, they may serve as a leading indicator for future public market performance. For instance, research indicates that private equity fund managers, through their diligence process, gain access to critical company information which can forecast market trends and investor actions, suggesting private investments significantly influence public sentiment (P Barucca et al.). Moreover, advancements in Machine Learning (ML) and Natural Language Processing (NLP) have enhanced the ability to analyse sentiment from diverse sources, such as social media and news outlets. This integration allows investors to capture real-time sentiment, which, when paired with predictive models, yields more accurate market behaviour forecasts (Sathish N et al). Ultimately, recognising the interplay between investor sentiment in private transactions and public market reactions is essential for grasping how these markets may increasingly overlap.

A. Similarities in risk appetite between public investors and private investors

In examining the similarities in risk appetite between public investors and private investors, it becomes evident that both sectors exhibit a growing willingness to engage with high-risk ventures, particularly in response to pressing global economic and financial challenges. Public investors increasingly seek to mobilise private capital through blended finance arrangements, which serve to mitigate perceived risks associated with adaptation projects. This convergence reflects a

shared understanding that addressing complex economic and financial issues necessitates substantial investments that were previously considered too risky by the private sector. For instance, public funding can catalyse private investment in sectors like agriculture, as illustrated by the Acumen Resilient Agriculture Fund, which blends concessional funding with commercial investments (Brown et al.). Similarly, both market types recognise the importance of adapting to evolving economic landscapes, which has led to a resurgence of differentiated risk profiles and a re-evaluation of asset allocations (Klare et al.).

B. Influence of economic cycles on market convergence

The influence of economic cycles on market convergence manifests through the interdependent dynamics between public markets and private markets, particularly during periods of economic upheaval (as might be observed during this period of changes to tariffs structures being introduced by the United States). Economic downturns often lead to increased volatility and tighter liquidity conditions, prompting private investors to seek refuge in public markets, where liquidity and transparency are perceived, probably correctly, as more reliable. As public entities contend with fiscal challenges, such as those challenges observed in Latin America and the Caribbean, their policies must respond to significant socio-economic pressures, which can catalyse a convergence toward more market-based structures to attract investment and to stimulate growth (Galindo A et al.). This convergence is not only necessary for economic resilience but also essential for a coordinated approach to addressing pressing global challenges (William F Lamb et al.).

C. Behavioural finance and its impact on investment decisions

Behavioural finance offers crucial insights into the psychological factors influencing investor decisions, particularly in the context of public market and private market convergence. Understanding how emotions and cognitive biases affect behaviour can clarify the growing disparity in investment strategies between these two realms. For example, asymmetric information in public markets has historically eroded investor confidence, leading to adverse decision-making outcomes among retail investors. This phenomenon is emphasised by findings that illustrate a significant disconnect between corporate governance practices and firm value due to a lack of investor protection, further deteriorating trust in the marketplace (Copelovitch, M et al.). Moreover, research highlights how asymmetric disclosures have exacerbated this issue, compelling many non-institutional accredited investors (NIAIs) to navigate a landscape prevalent with uncertainty and inconsistent information, ultimately undermining their investment confidence and decision-making (Buchanan et al.). Understanding these dynamics is essential for formulating policies directed toward harmonising the experiences across both public markets and private markets.

D. Changes in investor expectations and demands

In recent years, shifts in investor expectations have prompted a re-evaluation of the distinctions between public markets and private markets. Investors are increasingly seeking transparency, clear governance, and innovation, pushing both sectors to adapt. The rise of private equity and venture capital has resulted in demands for heightened accountability and standardised reporting affiliated with public companies. Notably, as illustrated in research on financial reporting conservatism, private firms exhibit lower levels of unconditional conservatism than public firms, suggesting an evolving landscape within which the regulatory frameworks governing both types of entities are converging in response to investor demands (Basu et al.). Additionally, the impetus for enhanced security and compliance can be observed in sectors such as maritime trade, where the challenges posed by illicit activities encourage a more structured approach to governance that aligns with investor interests. This trend exemplifies a larger movement toward synchronisation between public market practices and private market practices, reinforcing the trend toward convergence (Sergi et al.).

E. The role of social media in shaping market perceptions

The proliferation of social media has fundamentally altered market dynamics, reshaping how public markets and private markets interact and converge. As users increasingly turn to platforms like Twitter and Instagram for news and product recommendations, market perceptions are largely driven by communal sentiment rather than traditional advertising. This shift in information dissemination has significant implications for both public entities and private entities, as they must navigate the complex landscape within which consumer trust is built through engagement and transparency. When consumers perceive brands as participatory stakeholders, responding to feedback and engaging in dialogues, their purchasing decisions are influenced in profound ways. The demands for media education further highlight the necessity of understanding diverse consumer aspirations, as observed in the intersections of private media training and market expectations. Moreover, the importance of user perspectives in evaluating media performance suggests that companies must adapt their strategies to align with evolving consumer values in this digital age (Magin et al.).

VI. Conclusion

The convergence of public markets and private markets suggests a transformative shift in financial paradigms, reflecting both challenges and opportunities for investors and regulators alike. As public companies confront diminishing incentives to remain compliant with stringent disclosure requirements, evidenced by a decline in initial public offerings, private markets are increasingly capitalising on the abundance of information provided by public entities, resulting in a dynamic interdependence between the two sectors (de Fontenay et al.). This scenario raises critical questions about the sustainability of public markets, especially as private

firms thrive without the same regulatory burdens (Anessi-Pessina E et al.). Furthermore, the ongoing debates around accounting standards highlight the necessity for clarity in how these markets operate and the implications for heritage and unlisted asset valuation practices. Ultimately, this convergence necessitates a re-examination of regulatory approaches to ensure that both public markets and private markets can coexist harmoniously while preserving their unique characteristics and contributions to the economy.

A. Summary of key points

The evolving dynamics between public markets and private markets signify a critical shift in capital raising strategies, with implications for both sets of investors and firms. Notably, as public companies increasingly contend with excessive disclosure requirements and diminishing benefits from remaining public, the disparity between the two types of markets is beginning to become more concealed. This convergence is highlighted by the consistent flow of capital into private companies, which leverage the information asymmetry of public companies to thrive without the same regulatory burdens. Moreover, historical trends indicate that initial public offerings are declining, reflecting a potential crisis for public markets as investor sentiment shifts toward more privately held entities (Douarin et al.). Furthermore, the impact of initial support for market reforms and economic liberalisation has a critical role in shaping perceptions of market structures (Douarin et al.). Together, these factors suggest a future where public markets and private markets may increasingly unify in their operational frameworks.

B. Implications of market convergence for investors

The implications of market convergence for investors are multifaceted, particularly as public markets and private markets increasingly experience integration. Historically, public markets have been characterised by stringent disclosure requirements that provided certain investor protections, while private markets operated with less transparency, often resulting in asymmetric information hurdles for potential investors. However, the trend of capital flowing into private companies, documented in the substantial increase of investment in private equity, raises concerns about the sustainability of public markets. As (de Fontenay et al.) notes, the decline in initial public offerings suggests a diminishing incentive for public companies to meet regulatory disclosure demands when substantial capital can be amassed privately. This shift not only affects investor access to critical financial information but also leads to a potential deterioration in the quality and availability of capital-intensive care services, as highlighted in the convergence of ownership models in sectors such as childcare and elder care. The resulting corporatisation and financialisation may prioritise short-term returns over long-term sustainability, which could reshape investors' strategies and expectations dramatically in both spheres (Farris et al.).

C. Outlook for public and private markets

The outlook for public markets and private markets is increasingly marked by a convergence driven by evolving regulatory landscapes and investor behaviours. As public companies encounter diminishing returns on mandatory disclosure requirements, the traditional advantages of being publicly traded are eroding. Firms can now access substantial capital without the burdens of public transparency, leading to a noteworthy decline in initial public offerings and stock exchange listings. This trend highlights the unsustainable nature of the current public-private divide, as private companies increasingly leverage information from public entities without incurring the associated costs (de Fontenay et al.). Additionally, global economic forecasts indicate that emerging trends will continue to obscure these market distinctions, driving policymakers to reconsider their approach to regulation in a manner that could further enhance the interplay between these arenas (Alcidi et al.). Overall, this shifting landscape underscores the complex dynamics at play in capital markets and signals a potential redefinition of their roles.

D. Importance of adaptability in investment strategies

In the dynamic landscape of both public markets and private markets, adaptability in investment strategies emerges as a crucial factor for success. As market conditions evolve, investors must adjust their approaches to capitalise on emerging trends and to mitigate risks. The growing convergence of public markets and private markets necessitates this adaptability, allowing investors to navigate complexities that arise from an increasingly interconnected financial environment. For example, as noted in recent studies, the private sector has a significant mediating role in enhancing transparency and accountability within public markets, which is vital for sustainability initiatives (Kilic et al.). Furthermore, adaptability in investment policies can enhance the responsiveness of financial strategies to territorial inequalities, addressing the unique needs of diverse market segments. That is, a flexible investment framework is essential, enabling investors effectively to respond both to market challenges and to opportunities in this converging landscape.

E. The significance of convergence in financial markets

The convergence of public markets and private markets is significant as it reflects broader shifts in financial structures, often driven by regulatory changes and technological advancements. As these markets intertwine, investors benefit from enhanced liquidity and diversified opportunities, enabling more efficient capital allocation. Notably, the recent dynamics in the health insurance sector highlight this convergence, where forecasting the financial indicators creates a picture of evolving market conditions (Hala et al.). Furthermore, the interdependence of private financial institutions and sovereign debt sustainability underlines the importance of transparency in fostering trust within converging markets (Abbas et

al.). As governments share more data about the private sector, investor confidence may increase, leading to reduced borrowing costs. Ultimately, the transformation toward convergence is not only indicative of changing investor preferences but also essential for the systemic resilience and stability of financial markets globally.

References

- Sascha Kraus, Paul Jones, Norbert Kailer, Alexandra Weinmann, Nuria Chaparro-Banegas, Norat Roig-Tierno. (2021). "Digital Transformation: An Overview of the Current State of the Art of Research" SAGE Open, doi: <https://doi.org/10.1177/21582440211047576>
- Peter Kairouz, H. Brendan McMahan, Brendan Avent, Aurélien Bellet, Mehdi Bennis, Arjun Nitin Bhagoji, Kallista Bonawitz, et al. (2021). "Advances and Open Problems in Federated Learning" doi: <https://doi.org/10.1561/9781680837896>
- Hala, Liliia. (2019). "RESULTS OF ANALYSIS AND FORECASTING OF THE MAIN FINANCIAL INDICATORS OF THE HEALTH INSURANCE MARKET DEVELOPMENT IN UKRAINE" 'OU Scientific Route', doi: <https://core.ac.uk/download/301580711.pdf>
- Copelovitch, M., Gandrud, C. and Hallerberg, M. (2018). Financial Data Transparency, International Institutions, and Sovereign Borrowing Costs. International Studies Quarterly, 62(1), pp. 23-41 doi: <https://core.ac.uk/download/77603863.pdf>
- Basu, Debarati. (2024). "Firm Type and Unconditional Conservatism: The Indian Experience with IFRS Convergence" Digital Commons @ New Haven, doi: <https://core.ac.uk/download/616421856.pdf>
- de Fontenay, Elisabeth. (2017). "The Deregulation of Private Capital and the Decline of the Public Company" Duke University School of Law, doi: <https://core.ac.uk/download/84098910.pdf>
- Alcidi, Cinzia., Busse, Matthias, Elkerbout, Milan, Gros, et al. (2018). "Global Trends to 2035 - Economy and Society. November 2018" doi: <https://core.ac.uk/download/163085536.pdf>
- Nwokolo, Samuel Chukwujindu. (2024). "From Policy to Practice: Evaluating the Role of Private-Sector Champions Like Elon Musk in Shaping Trump's 2.0 Climate Agenda" More information about the Future Energy Service and Publishing, , doi: <https://core.ac.uk/download/639702785.pdf>
- Klarin, Anton, Lajom, J.A.L., Suseno, Y. (2021). "Systematic literature review of convergence: A systems perspective and re-evaluation of the convergence process" 'Institute of Electrical and Electronics Engineers (IEEE)', doi: <https://core.ac.uk/download/490799173.pdf>
- Brown, Rafael, Dahdal, Andrew Mazen, Truby, Jon. (2020). "Banking on AI: mandating a proactive approach to AI regulation in the financial sector" 'Informa UK Limited', doi: <https://core.ac.uk/download/328792386.pdf>
- HOFMANN, Herwig C H, PFLÜCKE, Felix, ZETZSCHE, Dirk Andreas. (2022). "The changing nature of 'Regulation by Information': Toward real-time regulation?" John Wiley and Sons Inc, doi: <https://core.ac.uk/download/590263821.pdf>
- Farris, Sara, Horton, Amy, Lloyd, Eva. (2024). "Corporatisation and financialisation of social reproduction: Care homes and childcare in the United Kingdom" doi: <https://core.ac.uk/download/603249896.pdf>

- Kohl, Sebastian, van der Heide, Arjen. (2024). "Private Insurance, Public Welfare, and Financial Markets: Alpine and Maritime Countries in Comparative-Historical Perspective" doi: <https://core.ac.uk/download/614349622.pdf>
- Horn, Alexander, Kohl, Sebastian. (2024). "Beyond trade-offs: Exploring the changing interplay of public and private welfare provision in old age and health in the historical long-run" doi: <https://core.ac.uk/download/621473164.pdf>
- Moro Visconti, Roberto (ORCID:0000-0002-3458-5161). (2017). "PUBLIC PRIVATE PARTNERSHIPS, BIG DATA NETWORKS AND MITIGATION OF INFORMATION ASYMMETRIES" 'Virtus Interpress', doi: <https://core.ac.uk/download/85208698.pdf>
- Abualigah, Laith. (2025). "Enhancing Real-Time Data Analysis through Advanced Machine Learning and Data Analytics Algorithms" International Federation of Engineering Education Societies (IFEES), doi: <https://core.ac.uk/download/640243360.pdf>
- European Investment Bank. (2021). "EIB Investment Report 2019/2020 - Key Findings" European Investment Bank, doi: <https://core.ac.uk/download/478118076.pdf>
- Gouri, Geeta. (2020). "Convergence of competition policy, competition law and public interest in India" RUS, doi: <https://core.ac.uk/download/621363120.pdf>
- Al-Mohamady, Salma. (2024). "Policy Frameworks and Citizens' Use of Fintech Solutions: The Pros and Cons in Egypt" AUC Knowledge Fountain, doi: <https://core.ac.uk/download/599796471.pdf>
- Kohl, S., van der Heide, A. (2022). "Private Insurance, Public Welfare, and Financial Markets: Alpine and Maritime Countries in Comparative-Historical Perspective" Max-Planck-Institut für Gesellschaftsforschung, doi: <https://core.ac.uk/download/541696909.pdf>
- JYOTI RANJAN SAHOO AMITABH SRIVASTAVA, Jyotirmaya Patnaik. (2018). "Students' Choice and Motivation for Journalism Education in Indian Private Universities" 'Modern Language Association', doi: <https://core.ac.uk/download/534867285.pdf>
- Magin, Melanie, Stark, Birgit. (2020). "More relevant today than ever: past, present and future of media performance research" 'Cogitatio', doi: <https://core.ac.uk/download/343335091.pdf>
- Kilic, Merve, Kuzey, Cemil, Uyar, Ali. (2020). "Sustainable Stock Market and Sustainability Reporting Propensity of the Public Sector: Mediating Role of the Private Sector" Murray State's Digital Commons, doi: <https://core.ac.uk/download/326489976.pdf>
- Bucaite-Vilke, Jurga. (2022). "Social Investment and Territorial Inequalities: Mapping Policies and Services in the Baltic States" 'Peter Lang, International Academic Publishers', doi: <https://core.ac.uk/download/534901605.pdf>
- African Financials website, Aguilera, Aguilera, Anderson, Aoki, Arthurs, Ashworth, et al. (2018). "The institutional determinants of private equity involvement in business groups – the case of Africa" 'Elsevier BV', doi: <https://core.ac.uk/download/60240314.pdf>
- Simanainen, Miikka. (2019). "Sustainable investing – Moving from compliance and risk management to creating societal impact" doi: <https://core.ac.uk/download/224802840.pdf>

Kabli, Abdellah, Rizzello, Alessandro. (2020). "Social Finance and Sustainable Development Goals: A Literature Synthesis, Current Approaches and Research Agenda" doi: <https://core.ac.uk/download/589965001.pdf>

Abdolee, Reza, Maroufi, Mohammad, Tazekand, Mozaffari, Behzad. (2019). "On the Convergence of Blockchain and Internet of Things (IoT) Technologies" 'North American Business Press', doi: <http://arxiv.org/abs/1904.01936>

McQueen, Molly Ann. (2024). "Assessing the Role and Regulatory Impact of Digital Assets in Decentralizing Finance" 'The Busan Gyeongnam Mathematical Society', doi: <https://core.ac.uk/download/597587477.pdf>

Anessi-Pessina E., Caruana J., Sicilia M., Steccolini I. (2020). "Heritage: the priceless hostage of accrual accounting" doi: <https://core.ac.uk/download/554062194.pdf>

Douarin, Elodie. (2023). "(Re-)Experiencing markets: Public attitudes toward markets in the post-communist transition" UCL School of Slavonic and East European Studies, doi: <https://core.ac.uk/download/603248702.pdf>

Sergi, Anna. (2023). "Cocaine and the port: Utopias of security, urban relations, and displacement of policing efforts in the port of Piraeus" SAGE Publications, doi: <https://core.ac.uk/download/586805214.pdf>

Brown, Louis Helen. (2023). "Addressing the adaptation finance gap: scaling up investment in climate change adaptation using blended finance solutions" Faculty of Commerce, doi: <https://core.ac.uk/download/590326045.pdf>

Klare, Nicolas. (2017). "Financial linkages in European equity and debt markets" doi: <https://core.ac.uk/download/157638721.pdf>

Lim, Zhen Hong. (2022). "Abnormal returns from insider trades on special purpose acquisition company's (SPAC's) warrants" Halifax, N.S.: Saint Mary's University, doi: <https://core.ac.uk/download/539589478.pdf>

Kolb, Johannes. (2017). "Empirical essays on acquisitions" Fakultät Wirtschafts- und Sozialwissenschaften. Institut für Financial Management, doi: <https://core.ac.uk/download/132419647.pdf>

Prananingrum, A, G. (2022). "CORPORATE GOVERNANCE AND FIRMS VALUE: THE IMPACT OF IFRS CONVERGENCE EVIDENCE FROM FOUR ASEAN COUNTRIES" 'Atma Jaya Catholic University of Indonesia', doi: <https://core.ac.uk/download/542647215.pdf>

Buchanan, John. (2017). "Corporate Governance and the Shareholder: Asymmetry, Confidence, and Decision-Making" 'IUScholarWorks', doi: <https://core.ac.uk/download/147840864.pdf>

Kwikiriza, N., Muoki, P. (2019). "Incentives and disincentives to investment in orange-fleshed sweetpotato - The case of a pro-poor public-private partnership in Rwanda. Technical assessment of orange-fleshed sweetpotato value chain in Rwanda." 'International Potato Center (CIP)', doi: <https://core.ac.uk/download/195714667.pdf>

Nandigama Sathish, Bhavana Jamalpur. (2025). "A Comprehensive Survey on Enhancing Stock Market Predictions through Machine Learning and NLP-Based Sentiment Analysis Integration" 2025 4th International Conference on Sentiment Analysis and Deep Learning

(ICSADL), 92-99. doi:

<https://www.semanticscholar.org/paper/316fb00cf9ff6ab3341ce1df25445c71f23e0272>

P. Barucca, F. Morone. (2024). "Predicting public market behavior from private equity deals" doi:

<https://www.semanticscholar.org/paper/5cef53253128d21ea983f4fd202de4dee67931b5>

Young, Nicara Romi. (2017). "Liquidity and the convergence to market efficiency" doi:

<https://core.ac.uk/download/188771385.pdf>

Gamzo, Rafael Alon. (2017). "Algorithmic trading, market quality and information: a dual - process account" doi: <https://core.ac.uk/download/188769982.pdf>

Lafontaine, Jérémi. (2020). "Public and private debt markets: an empirical analysis of credit risk" 'Universite de Sherbrooke', doi: <https://core.ac.uk/download/492550558.pdf>

He, Yunhao. (2018). "Srovnání akciových primárních emisí v Číně a USA" Vysoká škola báňská - Technická univerzita Ostrava, doi: <https://core.ac.uk/download/161962463.pdf>

Galindo, Arturo, Nuguer, Victoria. (2023). "2023 Latin American and Caribbean Macroeconomic Report: Preparing the Macroeconomic Terrain for Renewed Growth" doi: <https://doi.org/10.18235/0004780>

Lamb, William F., Wiedmann, Thomas, Pongratz Andrew, Julia Robbie M., Crippa, Monica, Olivier, J. G. J., Wiedenhofer, Dominik et al. (2021). "A review of trends and drivers of greenhouse gas emissions by sector from 1990 to 2018" Environmental Research Letters, doi: <https://doi.org/10.1088/1748-9326/abee4e>

Appendix 4

Question 4

What developments in public or private markets require regulatory focus in Australia or in the future?

I. Introduction

In recent years, Australia has witnessed notable transformations within its public markets and private markets, particularly concerning the valuation practices of unlisted assets in sectors such as infrastructure and property. These shifts necessitate a critical regulatory focus to safeguard investor interests and mitigate systemic risk. Unlike their listed counterparts, unlisted asset valuations often suffer from a lack of transparency and consistency, raising concerns about their reliability. For instance, research identifies a deficit in scholarly attention towards unlisted property funds (UPFs), despite their significant role in investment portfolios, especially among institutional investors (Marzuki et al., 2018). Furthermore, the financialisation of infrastructure presents a critical nexus where private capital intersects with state interests, further complicating valuation processes and market dynamics (Thrower et al., 2018).

A. Overview of public and private markets in Australia

The Australian financial landscape is characterised by a complex interplay between public private markets and private markets, particularly evident in the growing emphasis on infrastructure investment. Public markets serve as a platform for liquidity and transparency, while private markets, encompassing unlisted assets, offer opportunities for substantial returns through direct investments. However, issues surrounding the inappropriate valuation of unlisted assets, including infrastructure and property, have generated concerns among regulators. As noted, these sectors are increasingly located at the nexus of financialisation, where state actors engage with private capital to co-invest in infrastructure projects, blurring the lines of accountability and valuation practices (Thrower et al., 2018). Furthermore, appropriate regulatory frameworks are vital as they address the varying appetites of investors during different infrastructure project phases (Dlamini et al., 2017). This duality presents a challenge for regulators who must ensure that asset valuations remain fair and transparent amid rapid financial innovation.

B. Importance of regulatory focus in financial markets

The regulatory focus in financial markets is imperative, particularly in Australia, as it addresses critical challenges associated with unlisted asset valuation practices in sectors such as infrastructure and property. Regulatory frameworks are designed to ensure transparency, reduce information asymmetry, and promote investor confidence, thereby enhancing market efficiency. In the context

of financialisation, the role of regulatory bodies becomes increasingly significant as they navigate the complexities introduced by private investment actors who may prioritise profit maximization at the expense of public interest ((Thrower et al., 2018)). Moreover, the involvement of diverse funding mechanisms, ranging from public investment to development finance institutions, emphasises the need for robust regulatory oversight to ensure equitable access and sustainable growth in infrastructure financing ((Dlamini et al., 2017)). Without a stringent regulatory focus, the potential for inappropriate valuations and misallocation of resources increases, ultimately undermining the stability and integrity of financial markets.

C. Definition of unlisted asset valuation practices

Valuation practices for unlisted assets, particularly in the context of infrastructure and property, pose significant challenges in both regulatory compliance and investor transparency. Unlisted property funds (UPFs), for instance, frequently emphasise behavioural and investment aspects that diverge from those aspects of their listed counterparts, yet they remain understudied in substantial sectors of real estate investment. This lack of scrutiny can lead to valuation smoothing biases, complicating the assessment of performance and risk associated with these funds, thereby necessitating a vigorous regulatory focus. The diverse methodologies and methods employed, ranging from performance analysis to asset allocation, further complicate efforts to achieve consistency and clarity in valuations. Initiatives led by organisations such as the Asian Association for Investors in Non-Listed Real Estate Vehicles (ANREV) and the European Association for Investors in Non-Listed Real Estate (INREV) aim to enhance transparency and accuracy in the unlisted market, which is critical for enabling informed investment decisions and promoting effective capital flows into UPFs (Marzuki et al., 2018).

D. Significance of infrastructure and property sectors

The infrastructure and property sectors have a critical role in shaping economic growth and stability, particularly within the context of Australian markets. These sectors are pivotal not only for facilitating trade and investment but also for delivering essential services that underpin everyday life. Research indicates that the financialisation of infrastructure transforms it from a public good into a significant financial asset class, with institutional actors increasingly participating in these markets (Thrower et al., 2018). Similarly, effective airport regulation has been identified as crucial for attracting private investment in aviation infrastructure, illustrating how strategic management of public assets can enable economic benefits (Dlamini et al., 2017). Failure to ensure appropriate valuation practices for these unlisted assets can lead to distorted market perceptions, ultimately undermining investor confidence and fiscal accountability. That is, a regulatory focus on the nuances of these sectors is

imperative for maintaining their robustness and for promoting sustainable development.

E. Public Market and Private Market Interactions

The increasing complexity of public market and private market interactions in Australia raises critical regulatory concerns, particularly surrounding inappropriate unlisted asset valuation practices in the infrastructure and property sectors. As private capital increasingly infiltrates public domains, the financialisation of essential services, as provided by infrastructure and property, can transform these assets into highly politicised financial instruments, necessitating a thorough examination of the institutional dynamics at play. Furthermore, the role of state and quasi-public entities as co-investors complicates valuation practices, often leading to discrepancies that can misinform investors and distort market perceptions (Thrower et al., 2018). This evolution not only highlights the essential need for robust regulatory frameworks but also emphasises the imperative for transparency in asset valuation processes to safeguard both public interests and market integrity. The challenges of navigating these financial and regulatory landscapes are reiterated in global contexts, illustrating that Australian policymakers must address these issues comprehensively (Norges Bank, 2021).

II. Current Landscape of Public and Private Markets in Australia

The current landscape of public and private markets in Australia reflects a complex interplay of traditional investment vehicles and emerging valuation challenges, particularly concerning infrastructure and property assets. As institutional investors increasingly seek opportunities in infrastructure, concerns arise regarding the valuation practices of unlisted assets that frequently lack transparency and regulatory oversight. Notably, the financial characteristics that underpin infrastructure investments, long-term returns and low correlation with economic cycles, align them with the liabilities of pension funds, yet, barriers such as inadequate project pipelines and insufficient expertise inhibit significant investment (Mingeli et al., 2021). Moreover, the financialisation of infrastructure illustrates how state agencies and private actors coalesce within this evolving market, raising questions about the implications for public services and investment integrity (Thrower et al., 2018). That is, the regulatory focus must address these valuation discrepancies to ensure sustainable growth and protect investors in Australia's capital markets.

A. Overview of public market trends and developments

An examination of recent public market trends in Australia reveals notable shifts propelled by both economic conditions and regulatory dynamics. The financial sectors resilience during the COVID-19 crisis has enabled a recovery phase focused on sustainable and inclusive growth, however, the interplay of low

interest rates has led to inflated house prices and a backlog of credit demand, exacerbating risks within a banking system overly reliant on housing assets. As a result, young firms, critical for job creation, continue to struggle accessing adequate financing, which stifles innovation and productivity. Moreover, the complexity of valuing unlisted assets such as infrastructure and property becomes increasingly pertinent, necessitating regulatory scrutiny to prevent risks arising from inaccurate and inappropriate valuations that could jeopardise investor confidence and market integrity. Addressing these multifaceted challenges will require a strategic regulatory approach that encompasses financial inclusion and enhanced consumer protections, ensuring that the recovery remains commercially stable, equitable, and sustainable (Mart Mínez et al., 2022) (Christine J Lewis et al., 2021).

B. Overview of private market trends and developments

As private markets evolve, significant trends are reshaping investment dynamics, particularly in the infrastructure sector and property sector. The emergence of private equity firms in assets such as telecommunications tower infrastructure exemplifies this shift, driven largely by technological advancements that compel substantial investments and innovative asset management strategies. Notably, recent analyses highlight the impressive performance of unlisted property funds (UPFs), which serve as critical investment vehicles in the context of both domestic markets and global markets, underscoring their growing significance amidst limited literature on the topic (Venäläinen et al., 2024). Moreover, the rising importance of UPFs reflects the need for informed regulatory oversight to address valuation challenges commonly associated with unlisted assets, a concern echoed across various regions (Marzuki et al., 2018). The intersection of these trends necessitates heightened scrutiny and regulatory focus in Australia to cultivate a transparent and an effective investment landscape in private markets.

C. Role of institutional investors in market dynamics

Institutional investors have a pivotal role in shaping market dynamics, particularly as they engage with unlisted assets, such as infrastructure and property, which have gained prominence in both public markets and private markets. Their increasing involvement reflects a broader trend towards financialisation, wherein infrastructure projects, once treated as social assets, are now viewed as profitable investment opportunities (Thrower et al., 2018). This shift is evident in Australia, where institutional capital is crucial for bridging infrastructure funding gaps, especially as traditional financing avenues diminish (Mingeli et al., 2021). However, the practices surrounding unlisted asset valuation, often opaque and inadequately regulated, pose significant challenges. Without stringent regulatory focus, the potential for inflated or otherwise inaccurate valuations increases, undermining investor confidence and jeopardising economic stability. Therefore,

recognising the impact of institutional investors and the need for regulatory scrutiny is essential for creating a more transparent and resilient financial environment in Australia.

D. Impact of global economic factors on Australian markets

Global economic factors substantially influence Australian markets. As Australia navigates an increasingly interconnected global economy, fluctuations in international trade policies, commodity prices, and capital flows exert pressure on local market stability. For example, the valuation practices of unlisted assets, including infrastructure and property, require critical scrutiny considering these global dynamics. Regulatory focus becomes paramount when addressing the intricacies of high-growth enterprises, which (World Bank Group, 2018) identifies as businesses under five years old demonstrating significant turnover growth. Moreover, the integration of environmental, social, and governance strategies into market practices is increasingly recognized as an improved basis for sustainable development, as evidenced in recent research addressing sustainable development goals (SDGs) (Mart Mínez et al., 2022). Hence, understanding and regulating the impact of global economic factors are essential for ensuring the integrity and transparency of Australia's public and private markets.

E. Comparison of public and private market Regulatory Frameworks

The comparison between public market regulatory frameworks and private market regulatory frameworks reveals critical differences that shape investment landscapes in Australia, especially concerning unlisted assets such as infrastructure and property. Public market regulations are generally more stringent, mandated to protect retail investors through transparency and rigorous disclosure requirements. In contrast, private markets, while under regulatory scrutiny, often benefit from greater flexibility that allows institutional investors to engage in more innovative but risk-prone practices, particularly including the valuation of unlisted assets. This disparity can lead to a misalignment in assessing asset values, as observed in examples where private investors pursue aggressive valuation methodologies without sufficient oversight, potentially mirroring challenges identified in jurisdictions like Namibia where similar investment characteristics collide with regulatory limitations (Mingeli et al., 2021). Moreover, the financialisation of infrastructure indicates that state involvement has a crucial role in bridging gaps between public protections and private capital interests, underscoring the need for harmonised regulatory approaches that encompass both sectors effectively (Thrower et al., 2018).

III. Inappropriate Valuation Practices in Unlisted Assets

The inappropriate valuation practices surrounding unlisted assets, particularly in infrastructure and property, pose significant challenges to regulatory frameworks in

Australia. These practices are often exacerbated by the inherent complexities of valuing assets that lack transparent market data, leading to valuations that may not accurately reflect true economic value. Such discrepancies can mislead investors and stakeholders, undermining market integrity. For example, effective valuation should integrate diverse financial and non-financial criteria, highlighting the necessity of valuing socio-cultural impacts alongside monetary assessments (Pickerill et al., 2021). Furthermore, the absence of rigorous regulatory oversight often results in a lack of accountability, fostering environments where inflated valuations can thrive without scrutiny (Ruggins et al., 2018). Consequently, addressing these valuation inconsistencies through enhanced regulatory measures will be crucial for restoring confidence both in public and in private market operations in Australia.

A. Definition and examples of inappropriate valuation practices

Inappropriate valuation practices, particularly within unlisted assets such as infrastructure and property, pose significant risks to market integrity and investor trust. These practices often involve inflated asset valuations based on flawed methodologies and methods or subjective assumptions, failing to reflect true market conditions. For example, some firms may overstate the income potential of a property by utilising unrealistic projections of future cash flows, thereby misleading investors about the asset's actual worth. Such discrepancies can have damaging ripple effects on financial markets, particularly in the context of State-Owned Enterprises (SOEs) where transparency is paramount. The OECD's Recommendation on Guidelines on Anti-Corruption and Integrity underscores the necessity of rigorous valuation standards to combat these issues (OECD, 2023). Furthermore, addressing the Sustainable Development Goals (SDGs) requires regulatory bodies to integrate sound valuation practices that align with ethical governance, ensuring accountability in public and private markets (Mart Mínez et al., 2022).

B. Common methodologies used in asset valuation

Asset valuation methodologies are central to understanding the integrity both of public markets and of private markets, particularly in the context of unlisted assets such as infrastructure and property. Two predominant approaches are the income approach, which estimates the present value of future cash flows, and the market approach, which assesses asset value based on the sale prices of comparable assets. However, these methodologies are problematic when applied inconsistently or without appropriate context, especially in Australia's increasingly financialised environment where unlisted assets may not have transparent pricing mechanisms. This inconsistency can lead to significant valuation errors, frequently inflated valuations, as highlighted by the evolving engagement of institutional investors in infrastructure markets, underscoring the necessity for regulatory scrutiny and standards. As noted in recent studies,

(Thrower et al., 2018) emphasises the need for a granular analysis of institutional actors involved in these asset valuations, while (Magweva et al., 2020) calls attention to the illusory nature of risk-return profiles in infrastructure investments, complicating their valuation further.

C. Consequences of inaccurate asset valuations

The implications of inaccurate asset valuations extend far beyond individual investment decisions, potentially destabilising broader economic frameworks. In the context of both public markets and private markets in Australia, improper valuations can lead to significant misallocations of resources, particularly in sectors such as infrastructure and property. For instance, valuers may rely on limited datasets, resulting in erroneous pricing, as evidenced by findings in Dubai where valuation variances were primarily attributed to information inefficiency and lack of standardization in practice (Waters et al., 2019). Such inaccuracies not only distort market perceptions but can also foster, if not encourage an increase in, systemic risk, particularly when large-scale investment decisions are based on flawed assessments. Furthermore, the absence of stringent regulatory frameworks governing unlisted asset valuations exacerbates this issue, leading to a scenario where the potential for financial manipulation and misrepresentation flourishes, ultimately undermining investor confidence (MacMaster et al., 2024). Hence, a re-evaluation of regulatory oversight is essential to mitigate these risks.

D. Case studies highlighting valuation failures

Valuation failures in unlisted assets, particularly in infrastructure projects, have led to significant financial repercussions, underscoring the necessity for regulatory scrutiny in Australia. Case studies reveal that insufficient transparency in asset evaluation can distort investment decisions and impact overall market stability. For example, a thorough assessment of UK infrastructure investments highlights the consequences of inadequate public spending, which often leads to an overreliance on private capital that can be both volatile and misjudged (Inderst et al., 2017). Concurrently, the financialization of infrastructure, characterised by a focus on maximizing returns, often obscures the essential social functions these assets serve (Thrower et al., 2018). The aggregation of such valuation failures enables speculative behaviours, resulting in inflated asset prices that do not reflect true market value. Therefore, by examining these case studies, it becomes clear that regulatory frameworks must adapt to mitigate such risks and enhance accountability within both public sectors and private sectors.

E. Stakeholder implications of valuation discrepancies

Valuation discrepancies in unlisted assets, particularly within infrastructure and property markets, pose significant implications for stakeholders, including investors, regulatory bodies, and the broader economy. Inconsistent or inflated asset valuations can lead to misallocated investments and diminished trust in

market fundamentals, which is particularly concerning in Australia's increasingly complex financial landscape. Stakeholders, especially institutional investors, may encounter elevated risks that arise from these discrepancies, affecting their return on investment and long-term strategies. Moreover, as highlighted by contemporary research, the financialisation of infrastructure has transformed these essential services into politicised financial assets, compounding valuation challenges and complicating the role of state actors in investment decisions (Inderst et al., 2017) (Thrower et al., 2018). Consequently, regulatory frameworks must evolve to address these valuation methodologies, safeguarding stakeholder interests and ensuring the sustainable development of public and private market dynamics.

IV. Regulatory Challenges and Gaps

The evolving landscape of public and private markets in Australia highlights significant regulatory challenges and gaps, particularly concerning unlisted asset valuation practices in the infrastructure and property sectors. The financialisation of these assets has drawn growing attention, as institutional players increasingly engage with them, raising the need for robust regulatory frameworks that ensure transparency and accountability. Notably, the interplay between public investment participants and private investment actors can complicate valuation practices, which often lack standardisation, relevance, and oversight. As outlined in recent academic discourse, there is a critical necessity to scrutinise how state actors mediate with private capital, particularly in infrastructure investments. The complexity surrounding financialisation necessitates a regulatory approach that not only bridges existing gaps but also addresses the institutional drivers behind these market transformations (Thrower et al., 2018). Furthermore, inefficiencies in airport economic regulation illustrate the potential benefits of a diversified funding strategy for infrastructure projects, underscoring the need for a comprehensive regulatory overhaul (Dlamini et al., 2017).

A. Overview of existing regulatory frameworks in Australia

The regulatory frameworks governing public markets and private markets in Australia provide essential guidelines designed to ensure compliance, sustainability, and accountability in resource management. The Sustainable Forests (Timber) Act 2004 (Vic) exemplifies a structured approach to ecological sustainability, incorporating principles of ecologically sustainable development (ESD) within its framework for both public forestry and private forestry sectors (Martin et al., 2021). This dual focus emphasises that any effective regulation must not only establish compliance protocols but also engage in active monitoring and adaptation based on stability and sustainability criteria. Similarly, addressing the needs of small and medium enterprises (SMEs) engaged in international trade reflects another facet of regulatory focus. This focus includes providing targeted export incentives and robust support systems that empower

SMEs and enhance their competitiveness on global scales (Blackburn et al., 2018). Together, these frameworks highlight the intricate balancing act required in effectively managing Australia's diverse economic landscapes.

B. Identification of gaps in current regulations

The identification of gaps in current regulations is critical for addressing inappropriate unlisted asset valuation practices, particularly in the Australian context. Regulatory frameworks often lag market developments, creating vulnerabilities that can lead to misstatements, unintended or otherwise, in asset valuations, especially for infrastructure and property sectors. Existing guidelines, such as those proposed by the OECD regarding the governance of state-owned enterprises, highlight the need for vigilant oversight to mitigate undue influences on asset valuations (OECD, 2023). These gaps indicate a pressing need for comprehensive reforms that enhance transparency, accountability, and stakeholder engagement in valuation processes, thereby reducing the risk of financial misconduct and promoting market integrity.

C. Challenges confronted by regulators in enforcement

The increasing complexity and interconnectedness of public markets and private markets present significant challenges for regulators in enforcement. As financialisation transforms infrastructure and property into lucrative asset classes, regulators must navigate a landscape rife with questionable, and demonstrably inaccurate, valuation practices that jeopardise market integrity. For example, the influence of various institutional actors, such as sovereign wealth funds and private equity firms, complicates oversight efforts because these investments often obscure the true valuation of assets involved ((Thrower et al., 2018)). Moreover, regulatory bodies struggle to address the impact of diverse factors like governance, corruption, and institutional trust on investor behaviour, as highlighted by studies within diaspora communities that seek innovative financing tools for infrastructure ((Mazibuko et al., 2018)). This complexity necessitates a re-evaluation of existing regulatory frameworks to ensure transparency, accountability, and robust enforcement mechanisms that can adequately overcome the evolving challenges posed by inappropriate valuation practices in unlisted assets.

D. Comparison with international regulatory practices

In analysing Australia's regulatory landscape, it is instructive to compare Australia's regulatory environment with international practices, particularly in the context of unlisted asset valuation within infrastructure and property markets. Globally, regulatory frameworks have increasingly scrutinised financialisation trends, as observed in the ongoing evolution of European and U.S. policies aimed at enhancing transparency and accountability in asset valuation processes. Notably, the financialisation of infrastructure has spotlighted the role of

institutional actors, where states co-invest alongside private capital, showcasing a complex interplay of interests (Thrower et al., 2018). This contrasts with Australia's more decentralised approach, which may inadvertently permit, if not unintentionally encourage and permit, discrepancies in asset valuations, thereby necessitating a unified regulatory response. Furthermore, aligning with international adaptive reuse strategies, an emphasis on sustainable financing mechanisms and stakeholder engagement enables a more resilient economic model, advocating for a collective understanding of the diverse motivations inherent in these capital markets (Pickerill et al., 2021). Such comparisons highlight the necessity for reform in Australian practices to increase investor confidence and market integrity.

E. Recommendations for improving regulatory oversight

Enhancing regulatory oversight in Australia's unlisted asset markets, particularly in infrastructure and property valuation, necessitates a multifaceted approach that addresses the intricacies of financialisation and institutional engagement. One crucial recommendation is to establish a framework that mandates greater transparency in valuation methodologies employed by institutional investors, ensuring that these practices align with evolving market conditions and stakeholder expectations. Furthermore, regulatory bodies should engage in continuous dialogue with institutional actors to gain a deeper understanding of the interplay between state interventions and private capital dynamics (Thrower et al., 2018). Additionally, integrating sustainable investment strategies into the regulatory framework can promote long-term value creation while safeguarding public interests, particularly in community enterprise initiatives (Pickerill et al., 2021). Implementing these recommendations would not only enhance the integrity of market valuations but also cultivate a more resilient financial landscape capable of accommodating potential future disruptions in the unlisted asset sector.

V. Impact of Infrastructure and Property Valuation on Markets

The interplay between infrastructure quality and property valuation significantly influences market dynamics, particularly in developing contexts such as Australia. As observed in the literature, property markets exhibit varying maturity levels based on institutional frameworks and valuation practices ((Makanya et al., 2017)). Inadequate infrastructure can lead to valuation inaccuracies, resulting in diminished investor confidence and increased market uncertainty. This situation is exacerbated in regions characterized by burgeoning real estate activities, where valuation discrepancies can be disturbing; for instance, studies indicate valuation opinion variations ranging from 33.6% to 63% in sub-Saharan Africa, signalling potential challenges in achieving market maturity ((Awuah B et al., 2017)). Consequently, the failures in accurate property valuation hamper liquidity and operational efficiency within the markets, necessitating heightened regulatory scrutiny. Strengthening

valuation processes, alongside enhancing infrastructure, emerges as paramount for fostering transparency and ensuring the long-term stability and credibility of Australia's public and private markets.

A. Importance of infrastructure and property in the economy

Infrastructure and property play pivotal roles in shaping economic landscapes, serving as essential backbones for both public welfare and private investment. The financialisation of infrastructure has transformed it from a public good into a politicised asset class, facilitating greater engagement from private capital and institutional actors in markets where the state traditionally held authority (Thrower et al., 2018). This shift underscores the need for effective regulatory frameworks to mitigate the risks associated with inappropriate asset valuation, particularly for unlisted properties. Concurrently, unlisted property funds (UPFs) have emerged as significant players in global investment strategies, highlighting their potential to enhance portfolio diversification and performance in both regional contexts and international contexts (Marzuki et al., 2018). As such, the intricacies of these investment vehicles necessitate increased scrutiny and regulation to ensure transparency and accountability, thereby safeguarding economic stability and fostering sustainable growth within the property and infrastructure sectors.

B. Specific valuation challenges in infrastructure assets

The valuation of infrastructure assets presents distinct challenges that require careful regulatory scrutiny, particularly in the context of increasing financialisation. As outlined in recent studies, infrastructure is increasingly viewed not merely as essential public assets but as a politicised financial instrument subject to institutional investment strategies (Thrower et al., 2018). This shift complicates traditional valuation methodologies, leading to discrepancies that can arise from the temporal nature of investment horizons and varying stakeholder interests. Furthermore, the evolving landscape of sustainable finance introduces additional complexities; adaptive reuse investment strategies for cultural heritage, for instance, necessitate sustainable funding mechanisms that intertwine financial returns with social impact assessments (Pickerill et al., 2021). This dual focus often obscures the true value of these assets, raising questions about the adequacy of current valuation practices and highlighting the need for regulatory frameworks that address both financial outcomes and non-financial outcomes in infrastructure asset valuation.

C. Specific valuation challenges in property assets

Valuation challenges in property assets are increasingly significant in the context of sophisticated financial markets, particularly as public entities and private entities navigate the complexities of unlisted asset evaluations. Property assets, often deemed essential both for social infrastructure and for financial

investment, are susceptible to inaccurate valuations, more frequently inflated valuations, due to varying methodologies and methods and market dynamics. The financialisation of infrastructure, where public utility services are reinterpreted as financial assets, underscores the necessity for rigorous regulatory frameworks to manage these evaluations effectively (Thrower et al., 2018). Furthermore, the integration of sustainability into funding mechanisms, such as adaptive reuse strategies, introduces additional layers of valuation complexity, necessitating a holistic understanding both of financial instruments and of community engagement (Pickerill et al., 2021). These challenges reveal a need for robust regulatory oversight to ensure that valuation practices align with both market realities and societal values, ultimately enabling greater transparency and accountability in property asset assessments.

D. Effects of Inaccurate Valuations on investment decisions

The prevailing presence of inaccurate valuation of unlisted assets, particularly within the infrastructure and property sectors, significantly distorts investment decisions, influencing market efficiency and capital allocation. Inappropriate asset valuations can lead investors to overestimate the worth of their holdings, subsequently resulting in inflated expectations regarding returns on investments. This scenario is exacerbated by the uneven information asymmetry that often characterises private markets, wherein unlisted assets lack the transparency requisite for accurate assessment. As noted in recent analyses, the decline in infrastructure investment quality, once a hallmark of developed economies, significantly impairs prospects for stable and predictable economic growth. The intersection of these valuation discrepancies and the growing reliance on private capital in infrastructure projects underscores the need for regulatory scrutiny, as inaccurate asset valuations not only impede informed decision-making but also threaten the stability of financial systems (Indian Institute of Finance, 2019) (Dunvold A et al., 2018). Enhanced regulatory focus on standardising valuation practices may mitigate these risks, creating an improved investment climate.

E. Long-term implications for market stability and growth

The long-term implications for market stability and growth in Australia are intricately tied to the evolving regulatory landscape, particularly concerning unlisted asset valuation practices in the infrastructure and property sectors. As private investment increasingly contributes to these markets, a clear understanding of their financialisation becomes paramount. The United Kingdom's experience illustrates that while private capital has historically driven infrastructure development, persistent underinvestment from public budgets creates risks to market viability and stability; a scenario Australia could encounter if unregulated growth continues (Inderst et al., 2017). Furthermore, the interplay between institutional investment and state involvement demonstrates a dual dependency that can complicate valuation integrity (Thrower et al., 2018).

Without stringent regulatory oversight, the propensity for inaccurate asset has the potential significantly to undermine market confidence, ultimately hampering stable and sustainable economic growth. Therefore, there is a crucial need to address these valuation practices to ensure a stable, resilient market environment in the long term.

VI. Conclusion

This review of developments in public and private markets within Australia, particularly regarding unlisted asset valuation practices, suggests that a significant regulatory focus is imperative. The need for enhanced oversight is underscored by ongoing issues related to infrastructure and property valuations that can mislead investors and distort market integrity. Given the OECD's emphasis on safeguarding state-owned enterprises from undue influence, as detailed in the Recommendation on Guidelines on Anti-Corruption and Integrity in State-Owned Enterprises (OECD, 2023), there is a somewhat compelling argument that Australia must fortify its regulatory frameworks to mitigate risks associated with inappropriate valuations. Ultimately, a rigorous regulatory approach is vital to ensure the resilience of both public and private markets in Australia.

A. Summary of key findings and arguments

In evaluating recent developments in Australian public markets and private markets, key findings underscore the critical need for enhanced regulatory focus on unlisted asset valuation practices, particularly within the infrastructure and property sectors. The financialisation of infrastructure has been a significant trend, with institutional actors, including both public agencies and private investors, increasingly engaging in these markets. This interplay necessitates a nuanced understanding of the motivations and actions of these entities, as evidenced by (Thrower et al., 2018), which delves into the complexities of state and institutional co-investment strategies. Furthermore, the examination of regulatory frameworks reveals gaps in effectively ensuring sustainable management in resource sectors, highlighted by (Martin et al., 2021). This lack of rigorous oversight signals broader implications for unlisted asset valuation, suggesting an imperative for the development of adaptive regulatory responses that prioritise accountability, transparency, and adherence to verifiable and analytically rigorous principles, thereby safeguarding market integrity.

B. Importance of addressing valuation practices

The importance of addressing valuation practices in the context of public markets and private markets in Australia cannot be overstated, especially concerning inappropriate unlisted asset valuations, particularly infrastructure and property. Accurate valuation is crucial for maintaining investor confidence and ensuring stable market operations; when valuation practices are flawed or opaque, as they are currently, they can lead to significant misallocations of capital and create

systemic risks. The financialisation of infrastructure underscores the complexity added by various institutional actors whose divergent interests can result in valuation processes being even more opaque, ultimately transforming essential services into politicised financial assets (Thrower et al., 2018). That is, refining these practices is essential for creating transparent, equitable, and more predictable market conditions in Australia.

C. Call for enhanced regulatory focus and reforms

As Australia deals with the complexities of unlisted asset valuation, particularly in infrastructure and property sectors, there is a compelling call for enhanced regulatory focus and reform. The emergence of inappropriate valuation practices has underscored the necessity of establishing rigorous frameworks that ensure transparency and accountability in these markets, with a critical need for the valuation of unlisted assets to reflect their listed counterparts. Research suggests that financialisation of infrastructure increasingly intertwines public investments and private investments, necessitating a re-evaluation of the state's role as a co-investor alongside private capital (Thrower et al., 2018). Furthermore, effective regulation is critical in aligning the interests of diverse stakeholders, particularly in infrastructure, where regulatory frameworks can attract investment by providing certainty around future cash flows (Dlamini et al., 2017). In response to these developments, reforming regulatory practices becomes essential to safeguard economic interests and to enable a stable investment environment that can withstand the pressures of financialisation and market volatility.

D. Outlook for public markets and private markets in Australia

As Australia navigates its evolving economic landscape, the outlook for public markets and private markets is increasingly intertwined with the demand for robust regulatory frameworks, particularly concerning unlisted asset valuation practices in infrastructure and property. The significant role of government property and infrastructure as vital public assets necessitates a strategic management approach, as demonstrated in comparisons with the governance models implemented in the UK and USA (Seymour-Jones et al., 2017). These models offer insights into alternative practices for enhancing asset efficiency through integrated governance. Furthermore, the financialisation of infrastructure investment showcases the complexities involved when public entities engage with private capital and institutional investors (Thrower et al., 2018). This growing interplay underscores the urgency for Australia to refine its regulatory architecture, ensuring transparency and accountability in asset valuation to promote investor confidence and stable market growth amidst a rapidly changing financial environment.

E. The role of regulation in market integrity

Robust regulatory frameworks are essential, particularly in the context of Australia's public markets and private markets. The prevalence of inappropriate valuation practices for unlisted assets, including infrastructure and property, poses significant risks to market transparency and investor confidence. Digital solutions may present innovative avenues for enhancing valuation accuracy and transparency, thus potentially mitigating the concerns related to asset misrepresentation (OECD, 2023). However, the fundamental understanding of an asset as a resource that creates future value must be imbedded in any 'digital solution', with Keynes' s analysis, which included yield, carrying cost, and liquidity to assess the total return of an asset, being essential in the evaluation of new valuation methods that are critically required for unlisted assets. Additionally, the OECD report highlights the necessity for coherent policy actions that bolster governance and align stakeholders' interests towards quality infrastructure investments (OECD, 2023). Effective regulation not only curtails malpractices but also fosters an environment conducive to stable economic growth, thereby underscoring the critical intersection between regulatory frameworks and market integrity within the Australian context.

References

- OECD (2023), *Safeguarding State-Owned Enterprises from Undue Influence: Implementing the OECD Guidelines on Anti-Corruption and Integrity in State-Owned Enterprises*, Corporate Governance, OECD Publishing, Paris, <https://doi.org/10.1787/47444e1c-en>.
- OECD (2023), *Improving the Landscape for Sustainable Infrastructure Financing*, OECD Publishing, Paris, <https://doi.org/10.1787/bc2757cd-en>.
- Mart Mínez, María Mart PLínez. (2022). *New Approaches in Social, Environmental Management and Policy to Address SDGs*. MDPI eBooks, doi: <https://doi.org/10.3390/books978-3-0365-2950-9>
- Norges Bank. (2022). *Government Pension Fund Global: Annual report 2021*. Norges Bank Investment Management, doi: <https://core.ac.uk/download/539604933.pdf>
- Makanya, Rufaro. (2017). *An analysis of the structure and maturity of the Doha property market*. Department of Construction Economics and Management, doi: <https://core.ac.uk/download/185390476.pdf>
- World Bank Group. 2018. "Stimulating Business Angels in the Czech Republic." © World Bank. doi: <http://hdl.handle.net/10986/30913>
- Awuah B KG, Gyamfi-Yeboah F, (2017). *The role of task complexity in valuation errors analysis in a developing real estate market*. 'Informa UK Limited', doi: <https://core.ac.uk/download/132846356.pdf>
- Thrower, Simon G. (2018). *An institutional and spatial consideration of markets for financialised infrastructure*. Newcastle University, doi: <https://core.ac.uk/download/334997541.pdf>
- Pickerill, Tracy. (2021). *Overview of Hybrid Financial Instruments and Investment Leverage Enablers for Cultural Heritage Adaptive Reuse*. Dublin Institute of Technology, doi: <https://core.ac.uk/download/482671627.pdf>
- FINANCE INDIA © Indian Institute of Finance Vol. XXXIII No. 4, (2019). December, Pages 1119 - 1164. doi: <https://www.financeindia.org/data/2019/FI334/FI-334-CCP.pdf>
- Dlamini, Zimasa P. (2017). *Regulations, securitisation and the financing of airport infrastructure in Sub-Saharan Africa: a case study*. doi: <https://core.ac.uk/download/188775526.pdf>
- Seymour-Jones, Trevor. (2017). *An Assessment of International Leading Practice in the Integrated Management of Public Sector Property Assets, and its Application to the Australian Public Sector*. Faculty of Architecture, Design and Planning, doi: <https://core.ac.uk/download/212690787.pdf>
- Marzuki, Jufri B. (2018). *The role of unlisted property funds in mixed-asset portfolios*. 'American Psychological Association (APA)', doi: <https://core.ac.uk/download/351814123.pdf>
- Inderst, Georg. (2017). *UK Infrastructure Investment and Finance from a European and Global Perspective*. doi: <https://core.ac.uk/download/211623940.pdf>

Venäläinen, Tero. (2024). The Impact of Private Equity on the Finnish Tower Market. doi: <https://core.ac.uk/download/617978668.pdf>

Ruggins, Elizabeth SM. (2018). Building blocks: a historical sociology of the innovation and regulation of exchange traded funds in the United States, 1970-2000. The University of Edinburgh, doi: <https://core.ac.uk/download/429727509.pdf>

Mingeli, Benedictus. (2021). Pension fund Investment and infrastructure development in Namibia. Graduate School of Business (GSB), doi: <https://core.ac.uk/download/387837996.pdf>

Magweva, Rabson. (2020). Significance of infrastructure investments in emerging markets to institutional investors. doi: <https://core.ac.uk/download/344750169.pdf>

MacMaster, Keith. (2024). A Sustainable Seabed Mining Asset Valuation Code Framework. Schulich Law Scholars, doi: <https://core.ac.uk/download/617919188.pdf>

Waters, Michael J. (2019). A critical examination of property valuation variance in Dubai. Energy, Geoscience, Infrastructure and Society, doi: <https://core.ac.uk/download/340113236.pdf>

Mazibuko, Patras. (2018). Modeling the Africa Diaspora Pension Fund: likely financing instrument for Africa's development infrastructure. Research of GSB, doi: <https://core.ac.uk/download/185442454.pdf>

Christine J Lewis, Westmore B. (2021). The role of the Australian financial sector in supporting a sustainable and inclusive recovery. OECD Economics Department working papers, doi: <https://doi.org/10.1787/b262744b-en>

Martin, Rhett. (2021). Ecologically sustainable forest management in Victoria: existing regulation and future directions. 'Federation University Australia', doi: <https://core.ac.uk/download/544395290.pdf>

Critical Dialogues of Urban Governance, Development and Activism: London and Toronto. (2020). 'UCL Press', doi: <https://core.ac.uk/download/346619470.pdf>

Infrastructure Tokenization: Does Blockchain Have a Role in the Financing of Infrastructure? (2023). World Bank, Washington, DC eBooks, doi: <https://doi.org/10.1596/39579>

Blackburn, Robert, Do, Hang, Tanewski, George. (2018). Internationalisation: Global Issues. Institute of Public Accountants, doi: <https://core.ac.uk/download/323057709.pdf>

Dunvold A, Wiig H. (2018). Unlisted Infrastructure as an Asset Class. Norwegian School of Economics, doi: <https://openaccess.nhh.no/nhh-xmlui/bitstream/handle/11250/2561103/masterthesis.PDF?sequence=1>

Appendix 5

Question 5

What would make public markets in Australia more attractive to entities seeking to raise capital or access liquidity for investors while maintaining appropriate protections for investors?

I. Introduction

The attractiveness of public markets in Australia is increasingly critical for entities seeking to raise capital and to enhance investor liquidity while ensuring adequate protections. The declining participation of companies in public markets, as highlighted by the similar trends observed in Canada and in the United States, has potentially negative implications for economic robustness and investor confidence (Wilson et al., 2020). Essential to revitalising these markets is an understanding of the multifaceted factors influencing companies' decisions to enter or to exit public markets, including regulatory complexity and ongoing compliance burdens (Wilson et al., 2020). As the financial landscape evolves, there is an important need to explore the interplay between these challenges and the broader socio-economic issues that may deter potential investors (Cerr, V at al. (Eds), 2022). Moreover, the distinction between publicly traded investment avenues and private investment avenues in sectors such as infrastructure suggests a shifting paradigm in capital allocation, necessitating a comprehensive approach to reshape public market dynamics. By addressing these concerns, Australia can promote and offer a more inviting investment climate that balances growth with investor safeguards.

A. Overview of public markets in Australia

Public markets in Australia serve as critical platforms for capital raising and liquidity access, reflecting both the robustness of the financial system and the regulatory framework that underpins this robustness. With an array of entities ranging from small startups to large corporations utilising these markets, the Australian Securities Exchange (ASX) has a pivotal role in facilitating investment activities. As evidenced by recent reports, there is potential for enhancing the attractiveness of these markets through increased transparency and improved investor protections, emphasising not only financial returns but also sustainable practices aligned with integrated reporting standards (Velte P, 2021). Concurrently, as global tensions and economic uncertainties continue to impact investor sentiment, prioritising measures that reinforce local market confidence and streamline capital access is paramount (Campos D et al., 2022). By addressing these challenges, Australia can enhance the viability and appeal of its public markets, ultimately fostering a more inclusive and resilient investment landscape.

B. Importance of capital raising and liquidity

The significance of effective capital raising and liquidity cannot be overstated, particularly within the context of Australia's public markets. Enhanced access to capital not only facilitates the growth and expansion of businesses but also contributes to overall market stability and investor confidence. This stability is crucial in an environment increasingly influenced by global economic uncertainties, as highlighted in recent analyses which emphasise the need for developing economies to mobilise fiscal resources amid geopolitical tensions and supply chain disruptions (Campos D et al., 2022). Furthermore, the adaptability of financial instruments, such as green bonds, offers pathways for directing investment towards sustainable projects, which can bolster market appeal for entities aiming to raise capital (Lin-yun Z et al., 2021). By ensuring that market frameworks support liquidity, as demonstrated in emerging trends toward central bank digital currencies, investors gain confidence in their ability to access funds when required (Sun T et al., 2022). This synthesis of capital strategies positions Australia as a competitive market that aligns with investor protection principles while promoting and supporting growth.

C. Current challenges faced by entities in public markets

The current landscape of public markets in Australia is fraught with challenges that deter entities from utilising these platforms for capital raising and liquidity access. One primary concern is the illiquidity of certain market segments, which can significantly diminish the attractiveness of public offerings as entities encounter inherent illiquidity discounts that affect valuations and investor confidence (P Liedtke, 2021). Additionally, regulatory hurdles often stymie the participation of smaller firms, limiting their access to necessary funding compared to larger entities that can more readily navigate these complexities (Czerwinski, M. 2024). Moreover, the liquidity issues compounded by economic volatility highlight the detrimental impact of external factors, which has led to broader implications for capital markets, particularly in alternative investing sectors (G Giudici et al., 2021). To cultivate a more favourable environment, policymakers must therefore prioritise regulatory simplification and investor education while enabling market stability and transparency (Rizky SM et al., 2024).

D. The need for investor protection

As public markets in Australia strive to attract entities seeking capital and liquidity, the necessity for robust investor protection becomes increasingly paramount. This protection not only fosters trust but also mitigates the risks associated with market volatility and financial instability. As highlighted in research on resource markets, strong institutional frameworks are essential to prevent poorly directed investments, which could exacerbate economic downturns and undermine investor confidence (Jones B et al., 2022).

Furthermore, with the ongoing global economic uncertainties, such as those amplified by recent tariff announcements by the United States and geopolitical tensions, the establishment of effective regulatory measures is crucial to shield investors from potential losses while ensuring sustainable growth (Campos D et al., 2022). As markets evolve, exploring innovative financial instruments, such as central bank digital currencies, could also enhance transparency and security in transactions, thereby attracting more investors (Sun T et al., 2022). Ultimately, a comprehensive strategy for investor protection will not only safeguard investments but also contribute to a more vibrant public market system in Australia (Lin-yun Z et al., 2021).

E. Key areas for improvement

To enhance the attractiveness of public markets in Australia for entities seeking capital and investors accessing liquidity, several key areas for improvement must be addressed. First, streamlining regulatory processes would alleviate the administrative burdens that often deter potential issuers, ensuring that the path to public funding is efficient and transparent. Second, developing sophisticated financial instruments, such as securitisation, which could diversify financing options and effectively manage risks associated with illiquidity, promoting stability for investors (Svetlana M Khalatur et al., 2024). Third, increasing market depth through educational initiatives can aid investors in understanding the valuation complexities present in Australia's public markets, particularly regarding discounts for illiquidity and lack of marketability (Czerwinski, 2024). Fourth, fostering a robust environment for foreign investment will enhance capital inflows, drawing on successful frameworks observed in comparable markets such as India (B Kumari S et al., 2023). These enhancements will collectively create a more appealing ecosystem both for issuers and for investors.

II. Regulatory Framework

The regulatory framework governing public markets in Australia must strike a delicate balance between investor protections and the encouragement of capital-raising opportunities for entities. As evidenced by international trends, regulatory overreach can deter companies from pursuing public listings, limiting liquidity options for investors and restraining economic growth (Wilson et al., 2020). To navigate this complexity, Australian regulators should seek to establish clearer guidelines that reduce the compliance burden on public companies, thereby creating a more attractive investment climate. Furthermore, implementing targeted investment incentives could effectively stimulate participation from small and medium-sized enterprises (SMEs), enhancing their capacity to access international markets (Blackburn et al., 2018). By tailoring policy initiatives to address the specific needs of these firms while safeguarding investor interests, Australia can cultivate a robust public market system that not only attracts new listings but also retains investor

confidence and promotes sustainable economic development (Casalini et al., 2023) (Johnson et al., 2022).

A. Overview of existing regulations governing public markets

Public markets in Australia are governed by a complex framework of regulations designed to ensure transparency, protect investors, and facilitate capital formation. The Australian Securities and Investments Commission (ASIC) has a pivotal role in enforcing these regulations, which include stringent disclosure requirements for public companies to provide for informed investment decisions. However, to enhance the attractiveness of public markets for entities seeking capital, regulatory adaptations are necessary. For instance, targeted policies aimed at small and medium-sized enterprises (SMEs) could encourage a more dynamic environment (Blackburn et al., 2018). Moreover, addressing disparities in access to responsible investments for mass affluent investors would require significant amendments to advisor licensing and training processes (MacMaster et al., 2018). Considering ongoing debates regarding financialisation and its implications for housing and investment markets, stakeholders must critically engage with these regulatory frameworks to balance investor protections with the need for more agile capital-raising mechanisms (Blanc et al., 2023) (Al-Msiedeen et al., 2019).

B. Comparison with international regulatory standards

In evaluating the attractiveness of Australian public markets for capital-raising entities, a crucial component is the alignment with international regulatory standards. Global financial markets have increasingly adopted rigorous frameworks aimed at enhancing investor protection while promoting liquidity and capital access. For example, international best practices emphasise transparency and robust market conduct, essential in mitigating the risks associated with capital markets. Comparative analyses reveal that Australia's regulatory environment, while conducive to investment, may require adjustments to reinforce its competitiveness against jurisdictions that actively promote digital financial innovations, such as central bank digital currencies, as highlighted in recent discussions on evolving monetary policies (Sun T et al., 2022). Furthermore, sustaining investor confidence necessitates the integration of insights from economic analyses, which suggest that effective tax mobilisation could balance revenue needs with equitable investor protections (Campos D et al., 2022). By harmonising Australia's regulations with these international benchmarks, Australia can create a more appealing landscape for both domestic entities and foreign entities seeking investment opportunities while preserving essential safeguards for investors.

C. Impact of regulations on capital raising efforts

The efficacy of capital raising efforts in public markets is intricately linked to the regulatory framework that governs them. Australia's public markets must navigate a landscape where regulations are often perceived as both a protective barrier for investors and a potential hindrance to entrepreneurs seeking funding. Analysing global regulatory practices reveals the necessity for a balance that encourages innovation while safeguarding investor interests. For example, adaptations in regulations to facilitate crowdfunding have proven beneficial in jurisdictions such as India, where outdated frameworks stifled emerging industries (Nikam et al., 2019). Furthermore, countries with robust governance structures enable private investments in public equity to thrive, demonstrating that regulatory environments can positively influence capital raising performance (Andriosopoulos et al., 2021). In contrast, challenges encountered by markets with thin trading and low turnover highlight the critical need for reforms that support liquidity and depth in capital markets (Mutize et al., 2020). Ultimately, strategic regulatory amendments could render Australian public markets significantly more attractive for capital-raising entities.

D. Potential reforms to enhance market attractiveness

Enhancing the attractiveness of public markets in Australia necessitates a multifaceted approach, particularly focused on regulatory reforms that alleviate unnecessary burdens on companies. Drawing from insights into Canada's public company decline, there is a strong argument for streamlining the IPO process while reducing compliance complexities, as excessive regulatory overreach has been pinpointed as a significant deterrent for prospective public entities (Wilson et al., 2020). Furthermore, adopting principles laid out in international agreements, such as the EU-Japan Economic Partnership Agreement, could bolster corporate governance standards, enabling Australian markets to demonstrate their commitment to transparency and to ethical practices (Sachs et al., 2019). Additionally, promoting public-private partnerships, as highlighted in discussions about infrastructure development, can create a favourable investment climate that mitigates risks and encourages capital influx (Casalini et al., 2023). Finally, strategically tailored investment incentives could stimulate growth while ensuring they do not undermine long-term sustainability (Johnson et al., 2022). Collectively, these reforms can fortify Australia's public markets, making them more appealing to investors and businesses alike.

E. Balancing regulation with investor protection

The challenge of balancing regulation with investor protection is essential for making Australian public markets attractive for capital raising while safeguarding investor interests. An effective regulatory framework can mitigate risks associated with market volatility and encourage investor confidence, which is particularly crucial in the wake of financial crises. Countries encountering similar

challenges, such as those in the GCC region, have had to innovate their debt capital markets to attract investors by enhancing regulatory oversight and ensuring market stability (AL-TAWARI et al., 2020). Additionally, the necessity for public-private partnerships in financing infrastructure development indicates that regulatory environments must evolve to support investor interests without compromising protections (Casalini et al., 2023). In parallel, the exploration of crowdfunding mechanisms has revealed diverse models that balance accessibility for fundraisers with essential investor safeguards (Shneor, S., et al. (Eds), 2020). As observed in the euro area, implementing strategic financial policies can help sustain investor relations while managing public debt effectively (van Riet et al., 2018).

III. Market Accessibility

Market accessibility is a pivotal factor influencing the attractiveness of public markets in Australia for entities wanting to raise capital and to provide liquidity for investors. A more inclusive market framework can enhance participation from diverse investor classes, thereby increasing overall investment volumes. Implementing technological advancements, such as those advancements emerging from the fintech sector, can streamline the process of capital raising by facilitating peer-to-peer lending and enhancing transparency in transactions (Allen F et al., 2021). The need for innovative financing solutions is becoming increasingly evident, enabling capital to flow into sustainable projects while catering to commercially and environmentally conscious investors (Lin-yun Z et al., 2021).

A. Barriers to entry for new entities in public markets

The barriers to entry for new entities in public markets can be significant, often deterring potential firms from seeking capital through these channels. Regulatory frameworks and high compliance costs present substantial challenges, as smaller firms frequently lack the resources to navigate complex legal requirements. Moreover, the necessity of demonstrating substantial financial viability discourages many startups and small-to-medium enterprises (SMEs) from entering the market. As noted, a targeted approach is crucial for facilitating SME participation, particularly in sectors with high international potential (Blackburn et al., 2018). Additionally, the successful integration of emerging technologies, such as blockchain, within public market structures could enhance efficiency and attract new participants (Osemwengie et al., 2025). However, without robust regulatory frameworks to support these innovations, entities may find it risky to enter public markets, thereby perpetuating a cycle of limited access to capital and constricted liquidity (Bastin et al., 2024). Addressing these barriers could significantly bolster the attractiveness of Australian public markets for new entrants.

B. Role of technology in improving market access

The incorporation of advanced technologies within public markets significantly enhances market access, which is crucial for attracting entities seeking to raise capital and to provide liquidity to investors. Digital platforms enable greater efficiency in transactions, broadening participation beyond traditional investors by leveraging accessibility and transparency. This phenomenon, often referred to as platformisation, aligns with the ongoing evolution of urban governance and market infrastructures, creating new opportunities for capital flows and investment strategies, particularly in sustainable sectors (Allam Z et al., 2022). Furthermore, the integration of innovative technologies, such as big data and artificial intelligence, can streamline the investment process, allowing for real-time data analysis and improved decision-making (OECD, 2023). As concerns about environmental impact rise, coupling technological advancements with clean energy initiatives could attract more investments while adhering to emerging regulations (Qadir SA et al., 2021). That is, the strategic implementation of technology not only facilitates market access but also aligns with regulatory frameworks that protect investor interests (Al-Enazi A et al., 2021, p. 1962-1985).

C. Importance of investor education and awareness

Investor education and awareness are crucial in enhancing the attractiveness of public markets in Australia for entities seeking capital. A well-informed investor base is less susceptible to market volatility and adverse shocks, ultimately promoting stability and liquidity in public markets. This notion is particularly underscored in the context of emerging markets, where investors may lack a thorough understanding of inherent risks and complexities (Singh T et al., 2022). By equipping investors with the knowledge to navigate the financial landscape, including understanding intangible asset investments and their potential barriers, the overall investment climate can improve ((Demmou L et al., 2021)). Furthermore, fostering investor education enhances participation in markets, which can drive innovation and economic growth, as observed in diverse environments that utilised targeted educational initiatives ((Guyen M et al., 2021)). Ultimately, cultivating awareness among investors not only strengthens their confidence and engagement but also contributes to more resilient market dynamics, aligning with the essential goal of maintaining appropriate protections (Jarzabkowski P et al., 2021).

D. Strategies to simplify the listing process

To enhance the attractiveness of public markets in Australia for entities seeking capital while ensuring investor protections, it is essential to streamline the listing process. Simplification can occur through the adoption of clearer regulations and the reduction of bureaucratic barriers that currently hinder smaller firms from entering the market. Government policies should focus on tailored support for small and medium-sized enterprises (SMEs) that aim to internationalise but

encounter significant hurdles in terms of compliance and administrative procedures (Blackburn et al., 2018). Additionally, implementing innovative funding models such as crowdfunding could democratise access to capital, appealing to a diverse range of investors and minimising costs associated with traditional listing methods (Shneor, S. et al (Eds), 2020). The introduction of flexible dual-class share structures might also serve to protect founder's visions while attracting long-term investors (Wu et al., 2022). Finally, leveraging modern technologies, including blockchain, can further simplify processes and enhance transparency, ultimately revitalizing investor confidence (Lynn, T. et al. (Eds), 2018).

E. Enhancing liquidity through diverse investment options

A critical component in enhancing liquidity within public markets in Australia is the diversification of investment options available both to entities raising capital and to investors seeking returns. By broadening the spectrum of instruments, such as infrastructure equity, and specialised exchange-traded funds (ETFs), markets can cater to varied investor appetites and risk tolerances. The implementation of regulatory frameworks that streamline the issuance and trading of such products can invigorate market activity, attract institutional participation, and ultimately enhance investor confidence, leading to a more robust public markets environment (Campos D et al., 2022).

IV. Investor Confidence

A robust level of investor confidence is pivotal for enhancing the attractiveness of public markets in Australia, particularly for entities seeking to raise capital. This confidence hinges on a regulatory environment that not only emphasises investor protection but also facilitates efficient capital allocation. Research has shown that difficulties stemming from regulatory complexity can deter institutional participation, as evidenced by the multifaceted nature of market dynamics (Wilson et al., 2020). Furthermore, the emerging significance of innovative financial instruments underlines the demand for transparent and standardised investment options that align with contemporary sustainability goals (Cano, M. 2024). The integration of advanced technologies, notably blockchain, may also streamline compliance and heighten transparency, addressing the concerns raised by investors regarding market integrity (Osemwengie et al., 2025). Collectively, these factors underscore the necessity for a multifaceted approach to revitalising investor confidence and, ultimately, to attracting capital to Australian public markets.

A. Factors influencing investor confidence in public markets

Investor confidence in public markets is deeply influenced by regulatory frameworks, technological advancements, and the overall market environment. A robust regulatory system is essential, as such a system establishes the rules that govern market behaviour and assures investors of their protections, thereby

creating a stable investment climate. As highlighted in recent studies, regulatory overreach can deter potential public companies, leading to a decline in market participation and, consequently, investor confidence (Wilson et al., 2020). On the technological front, the adoption of innovations such as blockchain can enhance operational efficiency, yet it must be supported by a regulatory framework that is equipped to address this technology's unique challenges (Osemwengie et al., 2025). Furthermore, specific policies that focus on supporting small and medium-sized enterprises (SMEs) are critical for enhancing market attractiveness, as they can facilitate increased participation in international markets, thereby expanding investor opportunities (Blackburn et al., 2018). Ultimately, a cohesive approach between government, regulators, and market participants is vital for maintaining a vibrant public market that upholds investor protections (Avgouleas, E., et al. (Eds) 2022).

B. Importance of transparency and disclosure practices

The importance of transparency and disclosure practices in public markets cannot be overstated, particularly in the context of maintaining investor confidence and of enhancing market attractiveness in Australia. Effective transparency ensures that all stakeholders have access to material information about companies, thereby reducing the likelihood of fraudulent activities such as those seen in the PT. Garuda Indonesia Tbk scandal, where financial misrepresentation harmed investors (Hasni NN et al., 2025). Furthermore, robust disclosure practices can deter insider trading, which undermines the capital markets integrity by creating an uneven playing field among investors (Sembiring TP et al., 2024) (Hardicky N, 2024). As these issues illustrate, enhancing the principle of openness through stringent disclosure requirements is vital for protecting investors and reinforcing trust in the market. Additionally, addressing methodological and method discrepancies in asset valuations, particularly concerning liquidity discounts, can further align Australian markets with international standards, ultimately promoting investor engagement and capital flow (Czerwi Mński, 2024).

C. Role of corporate governance in attracting investors

Corporate governance has a pivotal role in attracting investors, particularly in public markets where trust and transparency are paramount. Effective governance structures not only ensure compliance with regulations but also create an environment of accountability and ethical management, which can significantly enhance investor confidence. In the context of the Australian public markets, a system that emphasises stringent governance practices can mitigate risks associated with investment, thereby enticing entities seeking capital. This emphasis on governance practices is further supported by the necessity of aligning investment strategies with sustainable practices, as noted in the OECDs report on mobilizing funding for quality infrastructure investment, which

emphasizes the importance of effective governance in infrastructure development (OECD, 2023). Additionally, considering the interplay between economic factors and public sentiment as discussed in the literature on populism, reputable corporate governance can counteract potential investor apprehensions imbedded in socio-economic instability (Guriev S et al., 2022). That is, cultivating robust corporate governance frameworks is essential for advancing Australia's appeal to domestic investors and to international investors.

D. Mechanisms for protecting minority investors

The protection of minority investors is crucial for enhancing the appeal of public markets in Australia, as these mechanisms create a sense of security and trust among stakeholders. Effective measures should include stringent disclosure requirements, robust corporate governance structures, and active regulatory oversight to deter potential abuses by majority shareholders. For example, the experiences observed in other jurisdictions, particularly under the Securities and Exchange Commission's 2007 Exchange Act Rule 12h-6, highlight the risks associated with weakened investor protections leading to adverse market conditions and material valuation discrepancies, particularly for foreign firms with less rigorous standards of governance (Wilson et al., 2020). Similarly, the trend of declining public companies indicates that regulatory overreach must be balanced with protective measures that do not stifle market entry (Piriyakul-Frye et al., 2018). An interdisciplinary approach, combining insights from diverse fields to evaluate current practices, could offer innovative solutions tailored to minority investor needs (University for Business and Technology - UBT, 2023) (University for Business and Technology - UBT, 2019), ultimately making Australian public markets more attractive for capital-seeking entities.

E. Building trust through regulatory oversight

The establishment of robust regulatory oversight is crucial for building trust in Australia's public markets, as this oversight reassures both investors and entities seeking capital. Effective regulations can mitigate risks associated with financial transactions, particularly within the rapidly evolving fintech sector, which has witnessed exponential growth in recent years. As stated, regulatory frameworks must balance consumer protection with the promotion of innovation, ensuring that entities can access liquidity without compromising investor safeguards (Igbinenikaro E et al., 2024). Additionally, initiatives like the Bali Fintech Agenda highlight the importance of comprehensive policies that can adapt to technological advancements while addressing inherent risks (Feyen E et al., 2023). By implementing measures such as improved transparency and support for diverse funding sources, the regulatory environment can reinforce investor confidence, encouraging greater participation in public markets. Strengthening these frameworks will ultimately enhance the resilience of Australia's financial

system, making Australia more attractive both for capital seekers and for investors (Campos D et al., 2022).

V. Innovation and Market Development

Innovation serves as a critical driver for market development in Australia's public markets, enhancing their attractiveness to entities aiming to raise capital while safeguarding investor protections. For example, the burgeoning green bond market exemplifies how innovative financial instruments can facilitate access to liquidity for environmentally focused projects, which are increasingly favoured by impact investors (Vladimir V Kirey, 2024). Furthermore, financial mechanisms such as securitisation allow firms to transform assets into securities, thereby diversifying funding sources and maintaining valuable liquidity in times of economic uncertainty (Svetlana M Khalatur et al., 2024). In the digital era, tailored regulatory frameworks can address unique challenges such as data privacy and cybersecurity, creating an environment conducive to investment in technological innovation (Suhanti KA, 2024). Collectively, these strategies underscore the importance of robust securities regulation, which enhances transparency and investor trust, ultimately propelling market development and attracting higher levels of investment across various sectors in Australia (Aziza OR et al., 2023).

A. The role of fintech in transforming public markets

The integration of fintech into public markets presents a transformative opportunity for enhancing capital accessibility and investor liquidity in Australia. By leveraging advanced technologies, fintech disrupts traditional market structures, creating competition and efficiency, which are essential for attracting new entities seeking capital. For example, crowdfunding platforms exemplify how fintech democratises funding, allowing a diverse range of enterprises to connect with potential investors, thereby increasing market participation and liquidity (Blackburn et al., 2018). Furthermore, tailored government interventions targeting small and medium-sized enterprises (SMEs) can enrich this environment by providing essential resources such as export incentives and network support, which bolster international market engagement (Shneor, R et al. (Eds), 2020). These developments can mitigate investor risks while promoting innovation and growth, therefore aligning with the need for appropriate protections as the fintech sector expands its presence and activity in Australian public markets (Stylianou, K et al., 2023). Consequently, fintech emerges as a critical enabler of a more vibrant and inclusive capital-raising landscape.

B. Opportunities for new financial products and services

The evolution of financial markets in Australia presents a unique opportunity for the introduction of innovative financial products and services, potentially enhancing the attractiveness of public markets for capital-raising entities. For example, mutual funds have been recognised as crucial instruments for

diversifying investment portfolios, indicating a rising public interest in structured investment solutions (Rizky SM et al., 2024). As new financial products are designed, they should leverage advancements in digital technologies to improve transparency and accessibility, thereby addressing investor concerns about security and information asymmetry (L Alekseyenko, 2023). Moreover, the adaptation of financial instruments to meet local market needs could invigorate investor participation and bolster liquidity, ultimately enriching the Australian public markets (Kale S et al., 2024).

C. Encouraging sustainable and responsible investment

In promoting and reinforcing a landscape for sustainable and responsible investment, Australia's public markets must integrate strategic investment incentives that promote environmental and social benefits without incurring unnecessary public costs. This balanced approach entails a comprehensive understanding of how these incentives can be designed and implemented to address market failures that hinder sustainable development, as evidenced by the insights into investment incentives potential to yield positive societal outcomes (Johnson et al., 2022). Furthermore, analysis of crowdfunding models highlights the importance of diverse funding sources that align with ethical standards, encouraging a wider participation in sustainable projects (Zhao, L., et al. (Eds). 2020). Moreover, scrutiny of existing investment incentives reveals a need for enhanced monitoring and evaluation practices, ensuring that they effectively contribute to the challenges being encountered by investors (Johnson et al., 2022).

D. Collaboration between public sectors and private sectors

The collaborative efforts between public sectors and private sectors play a critical role in enhancing the appeal of Australian public markets for entities seeking capital. By enabling partnerships that prioritise the export and internationalisation of small and medium-sized enterprises (SMEs), both sectors can generate a robust framework that facilitates investment opportunities, thereby increasing market attractiveness (Blackburn et al., 2018). Furthermore, integrating innovative financing models, such as crowdfunding, can bridge gaps between traditional funding mechanisms and new entrepreneurial ventures, aligning investor interests with market growth (Zhao, L., et al. (Eds). 2020). However, addressing the regulatory challenges that hinder public company operations is paramount; many decision-makers have cited regulatory overreach as a significant barrier to entering public markets, prompting calls for reform to streamline compliance processes (Wilson et al., 2020). Therefore, a strategic focus on collaborative models and regulatory adjustments will not only boost market participation but also ensure investor protections remain intact (University for Business and Technology - UBT, 2023).

E. Future trends in market development and innovation

As Australia navigates the complexities of evolving market dynamics, future trends in market development and innovation will have a crucial role in enhancing Australia's public market's attractiveness. Specifically, a concerted focus on improving access to funding for small and medium enterprises (SMEs) is imperative. Data indicates a notable underperformance of Australian SMEs in international markets, raising concerns about their potential to drive innovation and growth (Blackburn et al., 2018). Implementing targeted investment incentives could facilitate capital access while ensuring that funds are directed toward sustainable and socially beneficial projects, thus addressing market failures without creating moral hazards inherent in lax regulations (Johnson et al., 2022). Furthermore, promoting collaborative platforms aligned with global crowdfunding practices can enhance investor engagement and broaden the pool of capital-seeking entities (Zhao, L., et al. (Eds). 2020). Collectively, these strategic innovations in market development will fortify investor protections while promoting an environment consistent with economic expansion.

VI. Conclusion

Enhancing the attractiveness of public markets in Australia necessitates a multifaceted approach that balances capital accessibility with robust investor protections. First, regulatory reform aimed at reducing compliance burdens can stimulate greater participation from entities seeking to raise capital, creating a more dynamic market environment. Second, the integration of innovative financial products may encourage investment in sustainable ventures while maintaining fiscal responsibility, further aligning with current global economic trends (Sun T et al., 2022, p. 1-1). Third, as countries explore the implications of digital currencies, Australia might consider the issuance of a retail central bank digital currency to modernise payment systems and attract investment (Lin-yun Z et al., 2021, p. 23105-23116). Overall, stimulating investor confidence through transparent practices and game-changing financial instruments can ensure that public markets remain a viable option for capital raising, therefore contributing to sustained economic growth in a challenging global landscape (Jones B et al., 2022, p. 2-26) (Campos D et al., 2022).

A. Summary of key points discussed

The discussion surrounding the enhancement of public markets in Australia reveals several critical factors that may attract entities seeking capital while safeguarding investor interests. Notably, the integration of fintech solutions is pivotal, as highlighted by the Bali Fintech Agenda, which underscores the need for policies that embrace digital innovations in financial services, potentially revolutionising access to funds and liquidity (Feyen E et al., 2023). Additionally, adapting regulatory frameworks to accommodate these technological advancements could streamline the capital-raising process, thereby drawing more businesses to the public markets. However, the complexities and price

volatility inherent in the raw materials of emerging markets present challenges that must be navigated carefully (Jones B et al., 2022, p. 2-26). Furthermore, establishing robust, universal systems for data collection and investor protection, as suggested in recent analyses of global responses, can enhance transparency and confidence in the market, ultimately creating and reinforcing a more attractive environment both for investors and for issuing entities (Gentilini U, 2022).

B. Reiteration of the importance of a balanced approach

To enhance the attractiveness of public markets in Australia for entities seeking capital while ensuring investor protections, a balanced approach is imperative. This strategy must harmonise regulatory reforms with the needs both of businesses and of investors, addressing challenges such as regulatory overreach that contribute to the decline in public company participation, as observed in similar global trends (Wilson et al., 2020). Government interventions should focus on supporting small and medium enterprises (SMEs) in their international ventures, thereby enriching the capital market landscape through enhanced export capabilities and innovation (Blackburn et al., 2018). Furthermore, interdisciplinary collaboration is essential to integrate diverse perspectives and practices across fields, encouraging an environment conducive to growth and innovation (University for Business and Technology - UBT, 2023). This multifaceted approach not only caters to current market inadequacies but also nurtures the evolution of infrastructure investment, ensuring sustainability and resilience in an increasingly financialised environment (Thrower et al., 2018).

C. Final thoughts on the future of public markets in Australia

As Australia seeks to strengthen its public markets, several critical considerations must be addressed to enhance attractiveness for capital-raising entities and to protect investors. The necessity for robust public-private partnerships, underscored by a commitment to infrastructure development, can serve as a catalyst for market confidence, particularly considering challenges encountered during periods of market volatility, which have necessitated innovative financing solutions (Casalini et al., 2023). Concurrently, regulatory frameworks informed by the evolving landscape of private market growth could assist in reversing the trend of companies opting to remain private longer, thus revitalising public market participation ((Gabor et al., 2021)). Moreover, the lessons from recent periods of financial instability suggest the importance of proactive regulation to safeguard against asset bubbles that can destabilise the financial environment (Allen et al., 2023). Finally, embracing new financing mechanisms, like Social Impact Bonds, can enhance public market engagement while addressing critical social needs (Bergfeld et al., 2019). Together, these elements can pave the way for a more resilient and attractive public market in Australia.

D. Action for stakeholders involved

In the evolving landscape of public markets in Australia, stakeholders must embrace a collective call to action to enhance market attractiveness for capital-seeking entities while safeguarding investor protections. By integrating innovative financial technologies, as highlighted in the Bali Fintech Agenda, stakeholders can streamline capital-raising processes and improve liquidity options ((Feyen E et al., 2023)). Additionally, policymakers and market regulators should develop frameworks that inspire trust among investors, ensuring transparent practices and robust oversight to mitigate risks (IMF, 2022, p. 1-1). The exploration of Central Bank Digital Currencies (CBDCs) further illustrates the potential for dynamic financing solutions that more efficiently connect businesses and investors ((Sun T et al., 2022, p. 1-1)). Furthermore, as urban environments advance toward smart city initiatives, stakeholders are encouraged to foster interdisciplinary collaborations that leverage technology to attract investments and generate sustainable growth ((Singh T et al., 2022)). Ultimately, fostering a synergistic ecosystem that prioritises innovation, security, and stakeholder engagement will render Australian public markets more compelling for potential capital seekers.

E. Vision for a more attractive public market landscape

A more attractive public market landscape in Australia hinges on the effective integration of technological advancements and innovative frameworks that align with contemporary investor expectations. As the financial sector confronts the rapid evolution of digital landscapes, it is imperative for public markets to incorporate elements reminiscent of the emerging Metaverse, where virtual interactions can enhance investment opportunities and access liquidity (Aysan AF et al., 2024). Such integration must be supported by robust information systems that facilitate dynamic interactions and personalized services, particularly in urban settings characterized by diverse market actor dynamics (Gentilini U, 2022). Moreover, embracing distributed ledger technology (DLT) could streamline compliance and operational efficiency, addressing the scepticism surrounding blockchain by enabling transparency and security (Schillig M, 2022, p. 31-66). By positioning these innovative strategies within a framework emphasising social responsibility and citizen well-being, Australia can cultivate a public market that not only attracts capital but also ensures investor protections through thoughtful regulatory measures (Singh T et al., 2022, p. 68319-68364).

References

- Hasni NN I, K Astawa, Nurlailasari E. (2025). PERLINDUNGAN HUKUM BAGI INVESTOR TERHADAP PRAKTIK FRAUDULENT ACTIVITIES DI PASAR MODAL DAN IMPLEMENTASI SANKSI BERDASARKAN UNDANG-UNDANG NOMOR 8 TAHUN 1995 TENTANG PASAR MODAL (Studi Kasus PT. Garuda Indonesia Tbk). *Pro Patria: Jurnal Pendidikan, Kewarganegaraan, Hukum, Sosial, dan Politik*, doi: <https://www.semanticscholar.org/paper/32f83c5b3c79db76bf61f15606639437e0682530>
- Sembiring TP, Dr. Sinaulan RL. (2024). LEGAL PROTECTION FOR INVESTORS AGAINST INSIDER TRADING PRACTICES BY ISSUERS ON THE CAPITAL MARKET. *Journal of Court and Justice*, doi: <https://www.semanticscholar.org/paper/5bf2bf0fdf8c409d3ca3e5cc80158b83c86182c1>
- Hardicky N. (2024). Insider Trading Analysis of the Indonesian Capital Market. *Jurnal Indonesia Sosial Sains*, doi: <https://www.semanticscholar.org/paper/852a94c7ad29668da2a42c9925cf5eed69988047>
- Rizky SM, Andini B, Hasda M, Syaipudin M, Sudirman WFR. (2024). Development of Mutual Funds in The Indonesian Capital Market. *Journal of Financial and Business*, doi: <https://www.semanticscholar.org/paper/1aa0501dc4a3961448da1ca17ae9c528ad802185>
- G Giudici, Aurélie Sannajust, Howard E Auken V. (2021). Special issue on small business financing: New actors, new opportunities, new challenges. *Journal of Small Business Management*, Volume (59), 219 - 222, 219 - 222. doi: <https://www.semanticscholar.org/paper/d3dcca06dbe52fa6004d8f973b524a6274085d0>
- P Liedtke. (2021). Vulnerabilities and resilience in insurance investing: studying the COVID-19 pandemic. *The Geneva Papers on Risk and Insurance. Issues and Practice*, Volume (46), 266 - 280, 266 - 280. doi: <https://www.semanticscholar.org/paper/bfa696ff183e3c992ddbd61fbb28dcde0d53b152>
- Igbinenikaro E, Adewusi AO. (2024). FINANCIAL LAW: POLICY FRAMEWORKS FOR REGULATING FINTECH INNOVATIONS: ENSURING CONSUMER PROTECTION WHILE FOSTERING INNOVATION. *Finance & Accounting Research Journal*, Volume (6), 515-530, 515-530. doi: <https://doi.org/10.51594/farj.v6i4.991>
- Campos D, Hugot J, Platitas R. (2022). Asian Development Outlook 2022: Mobilizing Taxes for Development. doi: <https://doi.org/10.22617/fls220141-3>
- Casalini, Francesca, Gatti, Stefano, Pianorsi, Mattia, Rao, et al. (2023). Rethinking infrastructure financing for Southeast Asia in the post-pandemic era. 'Asian Development Bank', doi: <https://core.ac.uk/download/564344514.pdf>
- Gabor, Evan S, Greene, Edward F, Kang, Mijin J, Katharani-Khan, et al. (2021). The Need for a Comprehensive Approach to Capital Markets Regulation. 'Columbia University Libraries/Information Services', doi: <https://core.ac.uk/download/532861799.pdf>
- Allen, Hilary J. (2023). Interest Rates, Venture Capital, and Financial Stability. *Digital Commons @ American University Washington College of Law*, doi: <https://core.ac.uk/download/599378021.pdf>

OECD (2023), Improving the Landscape for Sustainable Infrastructure Financing, OECD Publishing, Paris, <https://doi.org/10.1787/bc2757cd-en>.

Bergfeld, Nicholas, Klausner, David, Samel, Matus. (2019). Improving Social Impact Bonds: Assessing Alternative Financial Models to Scale Pay-for-Success. Annual Review of Policy Design, doi: <https://core.ac.uk/download/270220456.pdf>

Giang LT, Han NN, Anh PLQ, Tam LTM, Nga DTM, Phong BH. (2024). Assessment of the Current Situation and Solutions to Attract Australian FDI Capital to Vietnam in the Context of International Integration. International Journal of Scientific Research and Management (IJSRM), doi: <https://www.semanticscholar.org/paper/6b1de971b3fdb9c9601e6adbe601bb8885b87db8>

Svetlana M Khalatur A, Sirko, Malook A. (2024). SECURITIZATION AS AN EFFECTIVE COMPONENT MANAGEMENT OF THE FINANCIAL RESOURCES OF AN AGRICULTURAL ENTERPRISE IN THE CONDITIONS OF WAR. ECONOMIC BULLETIN OF THE DNIPROVSK STATE TECHNICAL UNIVERSITY, doi: <https://www.semanticscholar.org/paper/4a48ad5407f983005ef50e776a9f36ab92633c09>

Czerwi Mński. (2024). Metodyka szacowania dyskonta z tytułu braku płynności i ograniczonej zbywalności w wycenie przedsiębiorstw. Rozprawy i Studia, doi: <https://www.semanticscholar.org/paper/ed70f1e6a029c7c765ed64059f3e02c3247dbb18>

B Kumari S A, JAVAD K P. (2023). Impact on Fast Growing Large Scale Industries due to the Stock Market Policies – An Empirical Research. International Journal For Multidisciplinary Research, doi: <https://www.semanticscholar.org/paper/9a26eff03ac46589f18c458de5b9389dbfd6a6cd>

White, Frederick. (2022). Increasing Institutional Asset Owner Capital into Mixed Income Housing in the US. FIU Digital Commons, doi: <https://core.ac.uk/download/589930475.pdf>

Cano, Michel. (2024). Green Finance instruments: Challenges and Risks. doi: <https://core.ac.uk/download/636340412.pdf>

Osemwengie C,E, Osemwengie C,E. (2025). Legal and Regulatory Standards for the Adoption of Blockchain Technology in the Nigerian Capital Market. University of East London, doi: <https://core.ac.uk/download/647986135.pdf>

Wilson, Daniel L. (2020). Can Regulatory Reform Reverse the Decline of Public Markets in Canada? Assessing the Factors Impacting Decisions by Corporate Leaders to Avoid Canadian Public Listings. Scholarship@Western, doi: <https://core.ac.uk/download/304375409.pdf>

Dikau, Simon, Robins, Nick, Volz, Ulrich. (2020). A Toolbox for Sustainable Crisis Response Measures for Central Banks and Supervisors. Grantham Research Institute on Climate Change and the Environment, London School of Economics and Political Science and SOAS Centre for Sustainable Finance, doi: <https://core.ac.uk/download/326245209.pdf>

Nikam, Rahul J. (2019). Bespoke Crowdfunding Regulation: A Boost up to Startups and SMEs in India. 'Hasanuddin University, Faculty of Law', doi: <https://core.ac.uk/download/234113356.pdf>

- Andriosopoulos, Dimitris, Panetsidou, Styliani. (2021). A global analysis of Private Investments in Public Equity. doi: <https://core.ac.uk/download/362958548.pdf>
- Mutize, Misheck, Nkhalamba, McBride, Tefera, Ejigayhu. (2020). The development of financial markets in Africa: trends, challenges and prospects. 'AMH International Conferences and Seminars Organizing LLC', doi: <https://core.ac.uk/download/322628653.pdf>
- University for Business and Technology - UBT. (2023). International Conference on Management Business and Economy. UBT Knowledge Center, doi: <https://core.ac.uk/download/616936118.pdf>
- University for Business and Technology - UBT. (2019). International Conference on Management, Business and Economics. UBT Knowledge Center, doi: <https://core.ac.uk/download/352161309.pdf>
- Kale S A,Vatkar, Mehta N, Das S. (2024). How to Beat Inflation with Smart Investments by Orthopods. Journal of Clinical Orthopaedics, doi: <https://www.semanticscholar.org/paper/73ff6ac59b25c08b7a60caa7f82f5b2f907ffc88>
- Alekseyenko. L. (2023). Investment activities on the stock market: information security in the network economy. Economic Analysis, doi: <https://www.semanticscholar.org/paper/579dd76ddc83bc106abdc39f01d940b9dbcab01b>
- Jones B, Nguyen V-Tien, Elliott R. (2022). The electric vehicle revolution: Critical material supply chains, trade and development. World Economy, Volume (46), 2-26, 2-26. doi: <https://doi.org/10.1111/twec.13345>
- Lin-yun Z, Fei-ming H, Lu L, Ni X, Iqbal S. (2021). RETRACTED ARTICLE: Energy financing for energy retrofit in COVID-19: Recommendations for green bond financing. Environmental Science and Pollution Research, Volume (29), 23105-23116, 23105-23116. doi: <https://doi.org/10.1007/s11356-021-17440-3>
- Guven M, Jain H, Clément Joubert. (2021). Social Protection for the Informal Economy. doi: <https://doi.org/10.1596/36584>
- Demmou L, Franco G, Mello LD, Boone L, Alain de Serres, Borowiecki M, Himbert A, et al. (2021). Mind the financing gap: Enhancing the contribution of intangible assets to productivity. OECD Economics Department working papers, doi: <https://doi.org/10.1787/7aefd0d9-en>
- Jarzabkowski P, Bednarek R, Chalkias K, Cacciatori E. (2021). Enabling Rapid Financial Response to Disasters: Knotting and Re-knotting Multiple Paradoxes in Interorganizational Systems. Academy of Management Journal, Volume (65), 1477-1506, 1477-1506. doi: <https://doi.org/10.5465/amj.2019.0745>
- Vladimir V Kirey. (2024). INNOVATIVE STRATEGIES FOR FINANCING THE GREEN ECONOMY: GREEN MUNICIPAL BONDS. EKONOMIKA I UPRAVLЕНИЕ: PROBLEMY, RESHENIYA, doi: <https://www.semanticscholar.org/paper/fb54a34378762552b275d2da5456133776ef168b>
- Suhanti KA. (2024). Investasi Langsung di Era Ekonomi Digital: Tantangan dan Peluang Baru dalam Kerangka Hukum. As-Syar'i: Jurnal Bimbingan & Konseling Keluarga, doi: <https://www.semanticscholar.org/paper/eed44266fa87da7db78a8ea7d75542c45af6f7a7>

- Aziza OR, Uzougbo NS, Ugwu MC. (2023). THE ROLE OF SECURITIES REGULATION IN ENHANCING INVESTOR CONFIDENCE AND MARKET DEVELOPMENT IN SUB-SAHARAN AFRICA. Finance & Accounting Research Journal, doi: <https://www.semanticscholar.org/paper/f50cdd405243883f0b01a511134112419565f746>
- Gentilini U. (2022). Cash Transfers in Pandemic Times. doi: <https://doi.org/10.1596/37700>
- Aysan AF, Giray Gözgor, Nanaeva Z. (2024). Technological perspectives of Metaverse for financial service providers. Technological Forecasting and Social Change, Volume (202), 123323-123323, 123323-123323. doi: <https://doi.org/10.1016/j.techfore.2024.123323>
- Schillig M. (2022). 'Lex Cryptographi(c)a,' 'Cloud Crypto Land' or What? – Blockchain Technology on the Legal Hype Cycle. Modern Law Review, Volume (86), 31-66, 31-66. doi: <https://doi.org/10.1111/1468-2230.12748>
- Allen F, Gu X, Jagtiani J. (2021). A Survey of Fintech Research and Policy Discussion. Review of Corporate Finance, Volume (1), 259-339, 259-339. doi: <https://doi.org/10.1561/114.000000007>
- OECD. (2020). Mitigating the impact of COVID-19 on tourism and supporting recovery. OECD tourism papers, doi: <https://doi.org/10.1787/47045bae-en>
- Johnson, Lise, Toledano, Perrine. (2022). Investment Incentives: A Survey of Policies and Approaches for Sustainable Investment. 'Center for Open Science', doi: <https://core.ac.uk/download/542854063.pdf>
- Shneor, S., Zhao, L., Flaten, Bjorn-Tore (Eds). (2020). Advances in Crowdfunding: Research and Practice. Springer International Publishing AG, doi: <https://core.ac.uk/download/617170552.pdf>
- Partnership ICA, Partnership for Readiness M. (2021). Emissions Trading in Practice: A Handbook on Design and Implementation. 'World Bank', doi: <https://core.ac.uk/download/543472220.pdf>
- AL-TAWARI, ISSAM, ZAID. (2020). What Factors are Affecting the Underdevelopment of the Debt Capital Market in the GCC Region. doi: <https://core.ac.uk/download/334802997.pdf>
- van Riet, Ad. (2018). Financial repression and high public debt in Europe. CentER, Center for Economic Research, doi: <https://core.ac.uk/download/420837912.pdf>
- MacMaster, Keith. (2018). Responsible Investing: Access Denied. Schulich Law Scholars, doi: <https://core.ac.uk/download/524986223.pdf>
- Blanc, Fanny, Karlsson, Jacob, Rotolo, Martina, Scanlon, et al. (2023). Financialization in 13 cities - an international comparative report. London School of Economics (LSE), doi: <https://core.ac.uk/download/603246818.pdf>
- Al-Msiedeen, Jebreel M. (2019). The influence of corporate governance practices on firm performance and efficiency: evidence from Jordan. doi: <https://core.ac.uk/download/224777064.pdf>
- Feyen E, Natarajan H, Saal M. (2023). Fintech and the Future of Finance: Market and Policy Implications. doi: <https://doi.org/10.1596/978-1-4648-1914-8>

- International Monetary Fund. (2022). Review of The Institutional View on The Liberalization and Management of Capital Flows. MF Policy Paper, Volume (2022), 1-1, 1-1. doi: <https://doi.org/10.5089/9798400204593.007>
- Singh T, Solanki A, Sharma SK, Nayyar A, Paul A. (2022). A Decade Review on Smart Cities: Paradigms, Challenges and Opportunities. IEEE Access, Volume (10), 68319-68364, 68319-68364. doi: <https://doi.org/10.1109/access.2022.3184710>
- Piriyakul-Frye, Pratanphorn. (2018). Three Essays on The Effects of The Exchange Act Rule 12h-6 on Cross-Listings of Foreign Firms in The U.S. Market. EngagedScholarship@CSU, doi: <https://core.ac.uk/download/216956176.pdf>
- Velte P. (2021). Archival research on integrated reporting: a systematic review of main drivers and the impact of integrated reporting on firm value. Journal of Management & Governance, Volume (26), 997-1061, 997-1061. doi: <https://doi.org/10.1007/s10997-021-09582-w>
- Guriev S, Papaioannou E. (2022). The Political Economy of Populism. Journal of Economic Literature, Volume (60), 753-832, 753-832. doi: <https://doi.org/10.1257/jel.20201595>
- Allam Z, Sharifi A, Bibri SE, David S Jones, Krogstie J. (2022). The Metaverse as a Virtual Form of Smart Cities: Opportunities and Challenges for Environmental, Economic, and Social Sustainability in Urban Futures. Smart Cities, Volume (5), 771-801, 771-801. doi: <https://doi.org/10.3390/smartcities5030040>
- Maria F D'Arcangelo, Levin I, Pagani A, Pisu M, Åsa Johansson. (2022). A framework to decarbonise the economy. OECD economic policy papers, doi: <https://doi.org/10.1787/4e4d973d-en>
- Qadir SA, Al-Motairi H, Tahir F, Al L-Fagih. (2021). Incentives and strategies for financing the renewable energy transition: A review. Energy Reports, Volume (7), 3590-3606, 3590-3606. doi: <https://doi.org/10.1016/j.egyr.2021.06.041>
- Al-Enazi A, Eric C Okonkwo, Bi Yçer, Al T-Ansari. (2021). A review of cleaner alternative fuels for maritime transportation. Energy Reports, Volume (7), 1962-1985, 1962-1985. doi: <https://doi.org/10.1016/j.egyr.2021.03.036>
- Wu, Shangxuan. (2022). A Critique of Chinese Dual-Class Structure Listing Regulation: Lessons Learned from Overseas Experiences. UNSW, Sydney, doi: <https://unsworks.unsw.edu.au/bitstreams/01f4d943-97ba-45e3-b332-eea60c6e9e9d/download>
- Lynn, T., Mooney, John G., Rosati, P., Cummins, M. (Eds). (2018). Disrupting Finance: FinTech and Strategy in the 21st Century. 'Springer Science and Business Media LLC', doi: <https://core.ac.uk/download/541107358.pdf>
- Stylianou, K., Lacovides. M., Lundqvist, B. (Eds). (2023). Fintech Competition: Law, Policy, and Market Organisation. 'Bloomsbury Academic', doi: <https://core.ac.uk/download/590243409.pdf>
- Sachs, Ram. (2019). The International Law of Corporate Governance. DigitalCommons@Pace, doi: <https://core.ac.uk/download/275697849.pdf>

Bartosova, Viera, Becker, Christian, Belanova, Katarina, Beridze, et al. (2019). Strategies for sustainable socio-economic development and mechanisms their implementation in the global dimension. doi: <https://core.ac.uk/download/293755583.pdf>

Bastin, Christina, Vega C, Ana M, Andres D, Maria, Furdak, et al. (2024). Climate Allocation Compass, a Framework for Real-World Decarbonization (Compass-FRWD). 'Center for Open Science', doi: <https://core.ac.uk/download/622355448.pdf>

Blackburn, Robert, Do, Hang, Tanewski, George. (2018). Internationalisation: Global Issues. Institute of Public Accountants, doi: <https://core.ac.uk/download/323057709.pdf>

Avgouleas, E., Marjosola, H. (2022). Digital Finance in Europe: Law, Regulation, and Governance. 'Walter de Gruyter GmbH', doi: <https://core.ac.uk/download/520262523.pdf>

Thrower, Simon G. (2018). An institutional and spatial consideration of markets for financialised infrastructure. Newcastle University, doi: <https://core.ac.uk/download/334997541.pdf>

Cerra, Valerie, Eichengreen, Barry, El-Ganainy, Asmaa, Schlinder, Martin (Eds) (2022). How to Achieve Inclusive Growth. 'Oxford University Press (OUP)', doi: <https://core.ac.uk/download/520258912.pdf>

Upton-Hansen, Christopher. (2018). The financialization of art: a sociological encounter. doi: <https://core.ac.uk/download/250626013.pdf>

Calvin K, Dasgupta D, Krinner G, Mukherji A, Thorne P, Christopher H Trisos, José Romero, et al. (2023). IPCC, 2023: Climate Change 2023: Synthesis Report. Contribution of Working Groups I, II and III to the Sixth Assessment Report of the Intergovernmental Panel on Climate Change [Core Writing Team, H. Lee and J. Romero (eds.)]. IPCC, Geneva, Switzerland. doi: <https://doi.org/10.59327/ipcc/ar6-9789291691647>

Ando T, Greenwood M-Nimmo, Shin Y. (2022). Quantile Connectedness: Modeling Tail Behavior in the Topology of Financial Networks. Management Science, Volume (68), 2401-2431, 2401-2431. doi: <https://doi.org/10.1287/mnsc.2021.3984>

Sun T, Kiff J, Bossu W, Che N, Griffoli TM, Davidovic S, Yoshinaga A, et al. (2022). Behind the Scenes of Central Bank Digital Currency. Fintech Notes, Volume (2022), 1-1, 1-1. doi: <https://doi.org/10.5089/9798400201219.063>

Appendix 6

Question 6

Do you agree that a sustained decline in the number, size or sectoral spread of listed entities would negatively impact the Australian economy? If so, can you suggest ways to mitigate any adverse effects that may arise from such changes?

I. Introduction

An analysis concerning the economic ramifications of a sustained decline in the number, size, or sectoral spread of listed entities in Australia must establish a clear context for understanding the intricate interdependencies within Australia's financial system. An examination of these ramifications reveals not only the immediate challenges confronted by investors and businesses but also the broader implications for economic stability and growth. The ongoing attrition in the corporate landscape could potentially lead to diminished market liquidity, reduced investment opportunities, and a notable weakening of competitive dynamics among firms. By investigating the correlational impacts on employment, innovation, and economic resilience, there exists scope to identify potential strategies for mitigation, particularly considering international examples and case studies (Gwilym A et al., 2024)

A. Definition of listed entities and their role in the economy

Listed entities, typically defined as companies whose shares are traded on public stock exchanges, play a pivotal role in the economy by facilitating capital accumulation and providing a liquid platform for investment. These organisations contribute significantly to economic stability and growth by enabling the efficient allocation of resources, driving innovation, and fostering competitive markets. Their operational activities generate employment and stimulate ancillary sectors, accordingly, underscoring their integral role in the overall economic framework. Moreover, the dynamics of listed entities are critically influenced by taxation mechanisms, such as the Australian dividend imputation system, which affects corporate tax behaviour and investment decisions (Li et al., 2018). As such, a sustained decline in the number, size, or sectoral diversity of these entities could impede economic resilience, necessitating the implementation of strategic measures to mitigate these adverse effects (Bartosova et al., 2019). Thus, understanding their definition and economic impact is vital for policymakers and stakeholders alike.

B. Overview of the current trends in the Australian market

The landscape of the Australian market is currently marked by significant trends that reflect broader economic shifts, notably in the rise of the gig economy and the evolving role of philanthropy. The gig economy has emerged as a critical

response to the challenges posed by job losses during the COVID-19 pandemic, fostering a system where independent workers engage in short-term contracts, thereby transforming traditional employment paradigms (Chandra A et al., 2021). This shift underscores a broader reconfiguration of labour markets, with implications for economic stability and growth. Simultaneously, philanthropic organisations are increasingly pivotal in addressing funding initiatives that support economic resilience. As their influence grows, understanding global philanthropic trends offers insights into how such strategies may be integrated into local contexts to reinforce economic stability (Horvath et al., 2019). Collectively, these trends illustrate a dynamic market environment that necessitates adaptive strategies for mitigating the impacts of declining listed entities in Australia.

C. Importance of analysing the impact of decline on the economy

Understanding the economic implications of a sustained decline in listed entities is crucial, as this understanding offers insights into broader systemic risks and growth trajectories. The decrease in the number, size, or sectoral diversification of these entities can stymie capital availability, reducing investment opportunities, and undermining overall economic dynamism. This contraction not only affects market liquidity but may also impede innovation, as emerging companies struggle to secure funding and resources. Furthermore, as the landscape shifts, businesses encounter significant adaptive challenges, which may exacerbate socio-economic inequalities, issues that have been explored in recent reports that highlight the need for strategic interventions (Gwilym A et al., 2024) and (UN. ESCAP et al., 2024). A thorough analysis of these trends enables policymakers to devise targeted strategies that not only mitigate economic downturns but also promote resilience and inclusive growth, ensuring a more stable financial system in Australia.

II. Economic Implications of Decline in Listed Entities

The decline in the number, size, and sectoral spread of listed entities in Australia holds significant economic implications that extend beyond mere corporate statistics; the decline signals a potential erosion of confidence in the Australia's market structures. As fewer companies seek public listing, the diversity of investment opportunities diminishes, leading to a concentration of capital in a declining number of sectors. This lack of sectoral diversification could heighten the economy's vulnerability to market volatility and sector-specific shocks. Moreover, the diminishing corporate landscape may impose limitations on job creation and innovation, undermining long-term economic growth. The ramifications are further exacerbated by the interconnectedness of global markets, where Australia might find itself at a disadvantage relative to more robust economies. To address these challenges, proactive measures such as enhancing regulatory frameworks and

incentivising domestic startups could foster resilience in the listed entity ecosystem (Mariani et al., 2024) (Gwilym A et al., 2024).

A. Effects on capital markets and investment opportunities

The decline in the number, size, and sectoral spread of listed entities in Australia exerts profound effects on capital markets and investment opportunities. This contraction limits the breadth of investment options available both to domestic and to international investors, which can lead to a reduction in overall market liquidity and to volatility, driving cautious investment behaviour. Such a scenario may discourage new venture capital initiatives and hinder the growth of innovative sectors, thereby stifling economic dynamism. Furthermore, the dwindling participation of firms in domestic equity markets signals reduced home country support for industries, which can exacerbate capital allocation inefficiencies, as evidenced by the need for strategies to leverage adaptive reuse investments that prioritise sustainable funding mechanisms within capital markets (Pickerill et al., 2021). The evolving landscape requires a nuanced understanding of institutional frameworks and stakeholder motivations to facilitate effective investment flows, particularly in addressing the challenges that arise from contrasting home country resources for internationalisation (Chan et al., 2018).

B. Impact on employment and job creation in various sectors

The sustained decline in the number, size, or sectoral spread of listed entities in Australia carries profound implications for employment and job creation across various sectors. As fewer companies enter or remain in the market, the diversity of employment opportunities diminishes, particularly affecting industries reliant on a robust array of firms for competitive dynamics and innovation. This erosion in corporate presence can stifle job creation, leading to increased unemployment rates and heightened economic instability. Moreover, analysis indicates that the impacts of trade liberalisation on employment may differ across sectors, highlighting that mere reductions in tariffs might not suffice to increase employment levels without concurrent advancements in productivity and competitiveness (Ayoki et al., 2020). Significantly, evidence from global visitor levies reflects potential avenues to mitigate these issues, fostering investment and expansion in niche markets while ensuring that job creation aligns with sustainable economic practices (Gwilym A et al., 2024).

C. Consequences for innovation and entrepreneurship

The sustained decline in the number, size, and sectoral diversity of listed entities in Australia presents significant challenges for innovation and entrepreneurship within the economy. A diminished corporate landscape restricts resources for startups and emerging ventures, subsequently stifling innovative activity. Without the competitive drive typically instigated by a thriving marketplace, companies may not adequately invest in research and development, critical for encouraging

groundbreaking ideas. Firms with a longstanding history of encountering significant adversities may exhibit diminished innovation capacity, emphasising how stability, or lack thereof, can shape entrepreneurial responses (Eweje et al., 2024). Ultimately, these factors underscore the need for robust financial instruments and adaptive strategies to invigorate innovation, suggesting that adaptive reuse investments could encapsulate sustainable entrepreneurial models to bolster economic resilience.

III. Sectoral Spread and Its Importance

The sectoral spread of listed entities is crucial for the stability and resilience of an economy, particularly in Australia, where diverse industries contribute to overall market robustness. A reduced sectoral spread can hinder economic dynamism by concentrating risks within a limited number of industries, making the economy vulnerable to sector-specific downturns. Businesses across varying sectors enhance innovation and competitiveness by driving collaboration and knowledge sharing, which are essential for addressing contemporary challenges such as, for example, digital transformation, as indicated in (UN.ESCAP et al., 2024). Furthermore, if Australia were to experience a continued contraction in sectoral diversity, such a contraction could provoke a ripple effect that undermines entrepreneurial ventures and constrains economic growth. Proactively addressing these issues is essential for mitigating adverse impacts and creating a more balanced economic landscape, as noted in (Chu et al., 2023).

A. Analysis of sectoral diversity among listed entities

The examination of sectoral diversity among listed entities in Australia reveals critical implications for economic stability and growth. A concentrated market, where a limited number of industries dominate, increases vulnerability to sector-specific downturns, as evidenced by the fluctuations in the resources sector. This lack of diversity can lead to significant economic risks, particularly in times of global disruption. Moreover, as industries such as fisheries illustrate, ineffective management can exacerbate these challenges; while some nations experience sustainable growth through effective policies, others lag due to inadequate frameworks (Food and Agriculture Organization of the United Nations, 2020). Furthermore, engaging a broader array of sectors could facilitate innovation and responsiveness to emerging global trends, reinforcing economic resilience. Therefore, enabling sectoral diversity among listed entities not only mitigates risks but also amplifies potential growth avenues crucial for the Australian economy's long-term health.

B. Risks associated with a lack of sectoral spread

The declining number and sectoral spread of listed entities in Australia generate significant risks for the economy, primarily by reducing market resilience and increasing vulnerability to systemic shocks. A concentrated market limits the

range of available investments, which can frame and constrain innovation and economic dynamism. Such a lack of diversity can exacerbate the adverse impacts of economic disturbances, leading to heightened volatility in financial markets. For example, reliance on a few sectors can leave the economy exposed to sector-specific downturns, potentially undermining stability and growth. Moreover, as highlighted in discussions surrounding globalisation and its effects on economic structures, a narrow sectoral focus can hinder integration into global value chains, limiting opportunities for domestic industries to adapt and to compete internationally (Bakalinska et al., 2018). Addressing these challenges requires proactive measures to encourage sectoral diversification and to support the establishment of new entrants in various industries, thereby enhancing overall economic robustness.

C. The role of sectoral spread in economic resilience

The relationship between sectoral spread and economic resilience is critical, particularly in the context of Australia's evolving financial landscape. A diverse sectoral presence among listed entities can significantly buffer an economy against fluctuations in specific industries. For example, the presence of entities across sectors such as technology, healthcare, and finance can mitigate risks associated with downturns in any single sector, fostering overall stability. Conversely, a sustained decline in the number and size of these entities can lead to an over-reliance on limited sectors, making the economy more vulnerable to shocks and diminishing economic dynamism. Furthermore, without sufficient diversity, innovation may stagnate, diminishing future growth prospects. Therefore, maintaining a robust sectoral spread not only enhances economic resilience but also promotes long-term stability and growth, highlighting the need for interventions that encourage sectoral engagement and sustainability in the Australian market.

IV. Mitigation Strategies

The efficacy of mitigation strategies in response to a sustained decline in Australia's listed entities necessitates a comprehensive approach that incorporates both regulatory frameworks and market incentives. Central to this endeavour is strengthening the monitoring and reporting mechanisms that capture the economic and social impacts of such declines. Furthermore, incorporating the concept of portfolio primacy may encourage asset managers to adopt roles as capital stewards, fostering corporate responsibility toward commercial viability and sustainability (Tallarita et al., 2023). However, challenges inherent in fiduciary conflicts and limited engagement with private companies must be addressed to enhance the effectiveness of these strategies. By synthesising robust data-driven insights with proactive financial stewardship, Australia can mitigate the adverse effects of declining listed entities and promote long-term economic stability.

A. Policy recommendations for encouraging new listings

Encouraging new listings in Australia is vital for reversing the ongoing decline in the number, size, and sectoral diversity of listed entities, which has negative repercussions for the economy. To reinforce a conducive environment for new market entrants, policies must emphasise targeted support for small and medium enterprises (SMEs) eager to engage in public markets. For example, a tailored approach that includes export incentives and access to finance can empower SMEs, thereby increasing their representation on stock exchanges. A higher priority on facilitating SME exports in industries such as manufacturing and professional services would not only enhance their international competitiveness but also stimulate new listings ((Blackburn et al., 2018)). Additionally, channels for providing in-depth informational guidance, such as tailored advice and specialised mentoring programs, can significantly aid firms navigating the complexities of going public (Turnour et al., 2022). Ultimately, these strategies may revitalise the Australian financial landscape and contribute toward sustainable economic growth.

B. Support for small and medium enterprises (SMEs) to access capital

The challenge of securing adequate capital for small and medium enterprises (SMEs) is essential in mitigating the adverse effects of a sustained decline in the number and size of listed entities in Australia. As SMEs are pivotal to economic growth, enabling their access to capital can lead to job creation and enhanced financial performance, thereby stimulating overall economic resilience. Evidence suggests that targeted tax incentives, akin to South Africa's Section 12J tax incentive for venture capitalists, could similarly encourage investment in Australian SMEs, mitigating issues such as high failure rates and limited financial resources (Makhalemele et al., 2021). Furthermore, implementing policies that promote internationalization among SMEs, such as tailored export incentives and networking opportunities, can expand their market reach and financial stability (Blackburn et al., 2018). By addressing both domestic capital access and international capital access, Australia can reinforce its economic landscape, ensuring a diverse and robust enterprise sector that thrives amid changing market conditions.

V. Conclusion

The sustained decline in the number, size, or sectoral spread of listed entities in Australia poses significant risks to economic stability and growth. Such attrition can lead to diminished investment opportunities and reduced market confidence, ultimately impairing capital accumulation necessary for national development. As highlighted by recent studies and regulatory reviews, systemic shortcomings in current governance frameworks could exacerbate these issues, particularly within sectors vulnerable to shifts in policy and in economic demand (Castles et al., 2024). Mitigation strategies must therefore focus on enhancing the attractiveness of the

Australian market through tangible reforms, including refined regulatory practices and robust incentive structures. Moreover, an analysis of international evidence on visitor levies suggests that alternative funding measures could be utilized to promote sectors lagging in investments, thereby improving economic resilience (Gwilym A et al., 2024). Ultimately, a multifaceted approach that incorporates these suggestions is essential for reversing the current trajectory of public listings in Australia.

A. Summary of the key findings regarding the decline

The decline in the number, size, and sectoral spread of listed entities in Australia poses a significant threat to the national economy, manifesting both in immediate consequences and long-term consequences. Recent analyses have revealed that this contraction not only diminishes capital availability for emerging industries but also curtails innovation across sectors, adversely impacting economic dynamism. Moreover, with fewer large-scale entities, the investment landscape becomes less diversified, increasing vulnerability to external shocks.

B. Reflection on the importance of a diverse and robust market

A diverse and robust market is essential for sustaining economic resilience, particularly in the context of declining numbers of listed entities in Australia. The interplay between various sectors creates a buffer against economic downturns, encouraging innovation and competition that can stimulate growth. Without a broad spectrum of industries represented on the stock exchange, the economy becomes increasingly vulnerable to sector-specific shocks, which can lead to severe ramifications for employment and for investment. Moreover, the emphasis on creating inclusive economic frameworks can drive equitable growth, ensuring participation across diverse demographics, including a range of socioeconomic factors. The introduction of policies that enhance sectoral diversity provides a pathway for sustainable market evolution (Partnership ICA et al., 2021). As Australia's economy navigates these challenges, the fostering of a diverse market becomes not only beneficial but imperative for long-term stability and prosperity.

C. Stakeholders to implement suggested strategies

Given the pressing challenges posed by the sustained decline in the number, size, and sectoral spread of listed entities in Australia, it is imperative that stakeholders, including government officials, industry leaders, and financial institutions, adopt and implement targeted strategies for mitigation. An active partnership among these stakeholders can bolster the resilience of the Australian economy, encouraging investments and market stability. For instance, the development of comprehensive guidelines for monitoring economic impacts can enhance data collection and inform policy-making, ultimately laying a foundation for robust decision-making. Additionally, collaborative platforms for public engagement can facilitate community-driven strategies that resonate with local needs and enhance. By prioritising these inclusive and informed approaches,

stakeholders can effectively reverse detrimental trends in the listed entities' landscape, assisting to secure a prosperous economic future.

References

- Asian and Centre P for the Development of Management DI (APDIM) UN, ESCAP. (2021). Guideline on monitoring and reporting the impact of sand and dust storms through the Sendai framework monitoring. 'Food and Agriculture Organization of the United Nations (FAO)', doi: <https://core.ac.uk/download/641690875.pdf>
- University of New Orleans. Center for Hazards Assessment, Response and Technology. (2018). LA SAFE – Louisiana's Strategic Adaptations for Future Environments: The Collective Search for Common Ground. ScholarWorks@UNO, doi: <https://core.ac.uk/download/304672868.pdf>
- Chandra A, Journal II of Law and Research L, Ranjan R. (2021). Impact of Gig Economy On Millennial Generation. 'Modern Language Association', doi: <https://core.ac.uk/download/534866819.pdf>
- Horvath, Zsafia K, Kou, Xiaonan, Mohseni, Afsoon, Osili, et al. (2019). An Annotated Bibliography of Recent Literature on Current Developments in Philanthropy. doi: <https://core.ac.uk/download/227054275.pdf>
- Gwilym A, Rhys, Osti, Linda. (2024). Review of impacts of visitor levies in global destinations. Welsh Government, doi: <https://core.ac.uk/download/631303050.pdf>
- United Nations. ESCAP, Entity UN for Equality and the Empowerment of Women (Women U). (2024). Charting new paths for gender equality and empowerment: Asia-Pacific regional report on Beijing+30 review. UN. ESCAP, doi: <https://core.ac.uk/download/641688200.pdf>
- Chu, Long, Do, Thang, Michaelowa, Axel, Nguyen, et al. (2023). Carbon Border Adjustment Mechanism Impact Assessment Report for Vietnam. VnLawFind, NHQuang&Associates, doi: <https://core.ac.uk/download/611955158.pdf>
- Tallarita, Roberto, Director A of the Program on Governance C. (2023). The Limits of Portfolio Primacy. Scholarship@Vanderbilt Law, doi: <https://core.ac.uk/download/568039106.pdf>
- Ayoki, Milton. (2020). The employment effects of trade policy reform in Myanmar. doi: <https://core.ac.uk/download/286380296.pdf>
- Eweje, Gabriel, Kobayashi, Kazunori, Rastegar, Hiva, Sajjad, et al. (2024). Sustainability in the wake of crisis: Transforming climate change-induced disasters into drivers of renewable energy innovation in business. Edith Cowan University, Research Online, Perth, Western Australia, doi: <https://core.ac.uk/download/638727595.pdf>
- Pickerill, Tracy. (2021). Overview of Hybrid Financial Instruments and Investment Leverage Enablers for Cultural Heritage Adaptive Reuse. Dublin Institute of Technology, doi: <https://core.ac.uk/download/482671627.pdf>
- Bartosova, Viera, Becker, Christian, Belanova, Katarina, Beridze, et al. (2019). Strategies for sustainable socio-economic development and mechanisms their implementation in the global dimension. doi: <https://core.ac.uk/download/293755583.pdf>

Li, Xuerui. (2018). The Impact of Foreign Operations and Foreign Ownership on Corporate Tax Avoidance in the Australian Dividend Imputation System. Canberra, ACT: The Australian National University, doi: <https://core.ac.uk/download/159464799.pdf>

Agarwal A, Koh H, Thuard J, Garg R. (2019). Financing the Future of Asia: Innovations in Sustainable Finance. FSG Communications Ltd, doi: <https://core.ac.uk/download/480181988.pdf>

Majekolagbe, Gbenga A. (2023). Towards a Just Transition Impact Assessment Framework. Schulich Law Scholars, doi: <https://core.ac.uk/download/617919179.pdf>

Chan, Shiam C. (2018). Home Country Effects on Internationalization: Chinese Agrifood Investment in Advanced Economies. The University of Sydney Business School, Discipline of International Business, doi: <https://core.ac.uk/download/212694324.pdf>

Food and Agriculture Organization A the United Nations. (2020). The State of World Fisheries and Aquaculture: Sustainability in Action. FIU Digital Commons, doi: <https://core.ac.uk/download/480450554.pdf>

Bakalinska O,(O), Kalyuzhna N,(N), Kasianok K,(K), Konrad, et al. (2018). Global Determinants of the International Movement of Production Factors: Economic-legal and Institutional Context. Scientific Route OÜ, doi: <https://core.ac.uk/download/326910223.pdf>

Blackburn, Robert, Do, Hang, Tanewski, George. (2018). Internationalisation: Global Issues. Institute of Public Accountants, doi: <https://core.ac.uk/download/323057709.pdf>

Turnour, Pearce J. (2022). Indigenous economic development and sustainable livelihoods for northern Australia. doi: <https://core.ac.uk/download/542341445.pdf>

Makhalemele, Moeketsi. (2021). The Impact of Section 12J Venture Capital Companies' Regime on Small and Medium Enterprises in South Africa. Graduate School of Business (GSB), doi: <https://core.ac.uk/download/479335377.pdf>

Castles, Margaret, Fowler, Robert J, McCormack, Phillipa C, Wawryk, et al. (2024). The Australian Experience with Environmental Offsets: An Illusory Tool for Addressing Biodiversity Loss and Climate Change? UC Law SF Scholarship Repository, doi: <https://core.ac.uk/download/641036032.pdf>

Mariani, Bernardo. (2024). China's Stance on the War in Ukraine: Implications for Conflict Management and Resolution. doi: <https://core.ac.uk/download/628413492.pdf>

Appendix 7

Question 7

To what extent are greater expectations of public companies, compared to private companies, the result of Australian regulatory settings or the product of public scrutiny and community expectations of these companies?

I. Introduction

The dynamic between public companies and private companies in Australia presents a compelling case for examining the differing expectations placed upon these entities. Compared to private companies, public companies operate under a stringent framework of regulatory settings designed to ensure transparency and accountability. This regulatory environment is influenced not only by legislative measures but also by heightened public scrutiny and community expectations, contrasting sharply with the more insulated operations of private firms. As noted in recent analyses, factors such as corporate governance mechanisms and disclosure practices play vital roles in shaping these expectations, creating a landscape where public companies are increasingly held to higher standards of ethical behaviour and performance (Pandey N et al., 2022). Additionally, the evolving discourse around the role of technology in governance emphasises the need for responsiveness and adaptability in public companies (Selwyn N, 2022). Therefore, an exploration of these dynamics reveals complex interactions between regulation and societal expectations, informing a deeper understanding of corporate accountability in Australia (OECD, 2023) (Gstrein OJ et al., 2022).

A. Definition of public and private companies in the Australian context

The distinction between public companies and private companies in Australia is paramount to understanding the dynamics of corporate regulation and community expectations. Public companies, which trade on stock exchanges and are subject to stringent reporting requirements under the Corporations Act 2001, are expected to uphold transparency and accountability to a broad range of stakeholders, including shareholders, employees, and the general public. In contrast, private companies are shielded from such rigorous scrutiny, as their financial information is not disclosed publicly. This divergence sets the stage for heightened expectations placed upon public companies, often reflecting societal values and norms. Moreover, the interplay between regulatory frameworks and public opinion significantly shapes these expectations, as evidenced by recent scandals involving major consulting firms that have triggered public inquiries and debates about corporate governance and accountability (Dumay et al., 2024). The evolving landscape of corporate management in Australia necessitates a nuanced understanding of how these definitions influence community perceptions and regulatory practices (Muravu et al., 2023).

B. Overview of expectations placed on public companies

The expectations placed on public companies are heavily influenced by both regulatory frameworks and societal norms, creating a unique pressure to maintain transparency and accountability. Unlike private companies, public firms are subject to stringent governance codes and disclosure requirements that underscore the importance of communication as a mechanism for corporate accountability (Doole et al., 2025). Furthermore, regulatory capture complicates this landscape, often allowing vested interests to influence the integrity of regulatory systems, thereby undermining public trust and expectations (North et al., 2018). This dynamic reflects a broader societal expectation that public companies not only provide financial returns but also uphold their social contract with citizens by addressing public concerns thoroughly (Krasovitsky et al., 2018). Moreover, the necessity for robust auditing and oversight further establishes a comparative standard that private companies do not encounter, as public companies are increasingly scrutinised by various stakeholders including regulators, investors, and the general public (Ferry et al., 2022). That is, the elevated expectations for public companies emerge from both regulatory mandates and societal demands.

C. Outlining the balance between regulatory settings and public scrutiny

In examining the dynamics between regulatory settings and public scrutiny, it becomes evident that both elements significantly influence the expectations placed on public companies in Australia. Regulatory frameworks provide the necessary structure for accountability, yet public perception and community expectations shape these frameworks. As indicated in contemporary analyses, the shifting boundaries between public and private sectors affect how transparency is mandated and perceived, suggesting a mutual reinforcement of both regulatory and societal pressures. Moreover, with the rise of digital platforms that facilitate the dissemination of information, public scrutiny has evolved, leading companies to be increasingly aware of their image and operational transparency (Tsisis et al., 2019). Although regulations are essential for establishing a baseline of accountability, the complexity of stakeholder interactions often means that public companies must navigate these expectations of accountability carefully, balancing compliance and the heightened expectations from an informed community (Broad et al., 2017).

II. Regulatory Settings in Australia

The regulatory settings in Australia significantly shape the operational landscape for public companies, leading to heightened expectations compared to their private counterparts. Australian legislation, particularly through the Australian Securities and Investments Commission (ASIC), mandates rigorous disclosure requirements and governance standards that compel public companies to maintain transparency with stakeholders. This regulatory framework seeks to foster trust and accountability,

thereby influencing public perceptions and expectations regarding these entities. As discussed in recent analyses, there is a strong interplay between governance structures and disclosure practices in public organisations, suggesting that a well-defined regulatory environment can enhance organisational accountability and transparency (Broad et al., 2017). Consequently, the regulatory framework arguably functions as a catalyst in establishing greater expectations, driven substantially by public scrutiny and community engagement (Wanna et al., 2020) (Diamond et al., 2021).

A. Overview of the Australian regulatory framework for public companies

The regulatory framework governing public companies in Australia is primarily encapsulated within the Corporations Act 2001, which emphasises comprehensive disclosure requirements and corporate governance standards. Public companies are held to stricter standards compared to their private counterparts, reflecting a societal expectation for transparency and accountability. This regulatory landscape is informed not only by legislative mandates but also by evolving public scrutiny of corporate behaviours. As highlighted in various studies, the public's increasing demand for transparency has prompted reforms aimed at enhancing communication between companies and stakeholders, emphasising the importance of disclosure mechanisms that extend beyond mere financial reporting (North et al., 2018). Additionally, the emphasis on non-financial information is becoming significant as stakeholders actively seek deeper insights into corporate practices and performance (Ca Añadas et al., 2019). Overall, while regulatory settings have a pivotal role in shaping expectations for public companies, the influence of community expectations and scrutiny cannot be understated, creating a multifaceted impact on corporate governance (Muravu et al., 2023) (Kranenburg et al., 2020).

B. Comparison of regulatory requirements for public vs. private companies

In analysing the regulatory landscape for public companies versus private companies, it becomes evident that public entities encounter significantly higher scrutiny and expectations primarily due to their transparency obligations and exposure to public stakeholders. Australian regulatory settings mandate that public companies adhere to rigorous reporting standards designed to protect investor interests and ensure market integrity. This expectation contrasts sharply with private companies, which enjoy greater operational flexibility and privacy, often leading to a perceived lower standard of accountability. The stringent requirements imposed on public firms, such as continuous disclosures and compliance with corporate governance principles, reflect their critical role in maintaining investor confidence and market stability, as noted in the OECDs discussions on public governance (OECD, 2023). Moreover, the expectation for public companies to demonstrate ethical practices stems not only from

regulations but also from heightened community scrutiny, influencing corporate practices in ways to which private companies are considerably less susceptible to (OECD, 2023) (OECD, 2022). Ultimately, this complex interplay between regulatory mandates and public expectations underscores the rationale for differing standards in accountability and governance between these two types of companies (Selwyn N, 2022).

C. Impact of regulatory compliance on public company operations and expectations

Regulatory compliance significantly influences public company operations and shapes their expectations by imposing stringent standards that often surpass those standards for private entities. This dynamic compels public companies to adopt more transparent practices, as deviations from compliance can provoke public backlash and regulatory scrutiny. For example, the complexities surrounding welfare privatisation and state intervention in private sectors underscore how regulatory frameworks can alter operational practices, ensuring that companies remain accountable both to shareholders and to the public (Trigg et al., 2018). Furthermore, the comparative analysis of regulatory regimes in differing sectors, such as residential care, illustrates how quality expectations are intrinsically tied to compliance mandates, thereby affecting provider behaviour (Tuytens et al., 2018). In the Australian context, public companies operate under a heightened lens of accountability, driven not only by regulatory stipulations but also by societal values and demands, necessitating a balance between economic viability and social responsibility (Kotelnikova et al., 2022) (Akonumbo et al., 2022).

III. Public Scrutiny and Community Expectations

Public scrutiny and community expectations significantly shape the operational landscape for public companies in Australia, imposing distinct pressures compared to their private counterparts. The heightened visibility of public companies invites a greater demand for accountability and transparency, which is often bolstered by regulatory frameworks that amplify the community voice. The evolving dynamics distort the traditional boundaries between public sectors and private sectors, prompting public companies to adopt a more proactive approach in addressing stakeholder concerns. Furthermore, the increasing public discourse surrounding corporate practices enriches the dialogue on expectations, as critical reflections on Australian policies reveal the profound impact of civic engagement on accountability narratives (Wanna et al., 2020). In essence, the interplay between governance structures and the public's demand for corporate responsibility underscores that the scrutiny encountered by public companies is not solely a product of regulation but equally derived from community anticipation (Broad et al., 2017) (Diamond et al., 2021).

A. Role of media in shaping public perceptions of companies

The media plays a pivotal role in shaping public perceptions of companies, significantly influencing the expectations placed upon public firms as opposed to their private counterparts. Public companies, beholden to greater scrutiny, are often portrayed through a lens that highlights their accountability and transparency, largely driven by the demands of the media and societal norms. This scrutiny is compounded by the rise of what is referred to as epistemic business power, where corporations strategically engage with media to shape and influence public opinion about their practices and policies (Heinrich et al., 2024). Furthermore, the relationship between regulatory frameworks and the media can create an environment where perceived regulatory overreach exacerbates public concerns, as seen in the Canadian context where public company decline has been attributed to regulatory burdens, a narrative shaped by media discourse (Wilson et al., 2020). In contrast, private companies typically avoid such high levels of public examination, leading to differential expectations embedded in media portrayals and community pressures (Ca Añadas et al., 2019). That is, the influence of media is essential in understanding public perception and the ensuing expectations of public companies.

B. Influence of consumer behaviour on company reputation and expectations

The relationship between consumer behaviour and company reputation manifests significantly in the realm of public enterprises versus private enterprises. Public companies, often under heightened scrutiny from society, must navigate complex consumer expectations, which shape their reputations and operational directives. This scrutiny is compounded by a pervasive social media landscape where consumer sentiments are amplified, leading to direct impacts on a company's public image and financial performance. For example, concepts like greenwashing illustrate how misalignment between consumer perception and corporate practices can lead to reputational damage, ultimately affecting stakeholder trust and engagement (Ghaedi, A, 2023). Moreover, the expectations of transparency and accountability in public companies dominate discussions surrounding their operational standards, severely constraining their ability to operate without disclosure (Jónsdóttir et al., 2024). Consequently, the interplay of consumer behaviour and reputation management necessitates that public firms adopt robust strategies to align their practices with community standards to maintain competitiveness in an increasingly sentient market (Duncan et al., 2019).

C. Community engagement and its effect on public company accountability

Community engagement plays a pivotal role in shaping public company accountability, particularly within the context of Australian regulatory settings and societal expectations. As public companies are often viewed as extensions of their communities, there exists an inherent pressure to align business practices with community values. The report on automated decision-making highlights the necessity for transparency and public scrutiny in operations that significantly affect societal welfare (Rieke A et al., 2018). Moreover, the privatisation of police and security services reflects a growing trend in which community oversight becomes essential in evaluating accountability both in public sectors and private sectors (Alqutbah et al., 2017). This concern is rebounded in regulatory frameworks aimed at protecting public safety and well-being, as observed in proposals for a gambling regulator focused on community interests (Tithe an Oireachtais Houses of the Oireachtas, 2022). Ultimately, the interplay between regulatory expectations and public scrutiny drives companies to establish practices that create trust and enhance accountability (Tomasic et al., 2017).

IV. Interaction Between Regulation and Public Perception

The interaction between regulation and public perception has an important role in shaping the expectations placed on public companies vis-à-vis their private counterparts. Regulatory frameworks inherently influence how companies operate, dictating transparency and accountability standards that are often more stringent for public entities. This dynamic is further complicated by the heightened scrutiny public companies encounter from the community, which demands alignment with societal values and ethical norms. Evidence suggests that the distinction between public sectors and private sectors is vital in understanding these pressures; for example, the transfer of strategic performance measurement systems from the private sector to the public sector underscores the challenges of regulatory compliance informed by community perspectives (Muravu et al., 2023). Additionally, the rise of public-private partnerships in areas such as education illustrates a blending of expectations, where public opinion increasingly shapes governance structures (Enders, J. et al. 2021). That is, the interplay between regulatory settings and public sentiments significantly influences the expectations imposed on publicly listed companies, highlighting the need for adaptive management strategies (Onyoin et al., 2020) (Fedorowicz et al., 2020).

A. How regulatory settings respond to public scrutiny

Regulatory settings often adapt in response to the increasing public scrutiny that shapes corporate behaviour, particularly in the context of public companies. As societal expectations evolve, the impetus for regulatory change grows stronger, prompting legislatures to reconsider the frameworks that govern corporate

actions. This evolution is evident in the corporate governance reforms that emphasise transparency and stakeholder engagement, seeking to align corporate practices with public interests. For example, (North et al., 2018) highlights the tension between public disclosures aimed at fostering accountability and the tendency for corporations to prioritise private communication within select circles. Moreover, the influence of large retailers, such as supermarkets, on public health and the food environment further illustrates how regulatory responses emerge as a reaction to community pressures, as observed in the findings of (Pulker et al., 2019). This dynamic relationship between regulatory settings and public scrutiny ultimately underscores the responsibility of companies to meet the heightened expectations of their stakeholders.

B. Case studies illustrating the interplay between regulation and community expectations

The evolving expectations placed upon public companies in Australia can be illustrated through various case studies that highlight the interplay between regulation and community sentiment. For example, the rise of greenwashing illustrates how regulatory frameworks and public scrutiny converge to shape corporate behaviours and practices; businesses must now navigate increasing pressure to provide credible sustainability reports or encounter backlash from stakeholders (MOHAMMED et al., 2023). The ambiguity surrounding ESG criteria exacerbates this issue, as the lack of consistent definitions can lead to inconsistencies in performance evaluations across jurisdictions (Coelho et al., 2022). Furthermore, recent research indicates that the heightened focus on corporate governance within the ESG framework emphasises the relationship between community expectations and regulatory demands, particularly as firms contend with maintaining profitability amid stringent oversight (Le et al., 2024). These case studies collectively underscore that public companies encounter significantly different expectations than their private counterparts, driven both by regulatory settings and by active public engagement (Callaghan et al., 2024).

C. Analysis of the feedback loop between public companies and regulatory bodies

The feedback loop between public companies and regulatory bodies in Australia is complex and shaped both by institutional mandates and by societal expectations. Public companies, under the scrutiny of regulatory frameworks, confront a unique set of obligations that are often more stringent than those requirements governing private entities. For example, regulatory bodies, influenced by public sentiment, can impose measures that reflect community concerns, as observed in the evolving landscape of alcohol marketing regulations, which aim to balance public health with corporate interests (Martino et al., 2019). Conversely, the response from public companies to these regulations can shape future regulatory adjustments, as evidenced by the

challenges encountered by private security companies in maintaining accountability amidst flawed governance structures (Alqutbah et al., 2017). This dynamic underscores how regulatory developments can lead to heightened expectations, influencing not only compliance but also ethical practices and community engagement (Phomsoupha et al., 2017). The interplay between regulation and public perception has a pivotal role in defining the operational landscape for public companies in Australia (Agaimwonyi et al., 2023).

V. Conclusion

The heightened expectations placed on public companies in Australia emerge as a confluence of regulatory frameworks and societal scrutiny. The regulatory environment imposes more stringent requirements on public companies, reflecting a societal demand for transparency and accountability, while private companies frequently operate under less public oversight. Additionally, public expectations influence corporate behaviours significantly, as the concept of corporate social responsibility has gained profile. Both regulatory instruments and public sentiment shape corporate practices ((John V Orth et al., 2019)). The role of private standards further complicates this landscape, as these standards often transcend formal regulations, embedding heightened expectations into business operations and consumer relationships (van der Meulen et al., 2020). Eventually, the dual forces of strict regulation and community expectation collectively foster a culture where public companies are accountable to elevated standards, in consequence diminishing the disparities with their private counterparts (UPB IM et al., 2018), (UPB et al., 2017).

A. Summary of key findings regarding regulatory settings and public scrutiny

The interplay between regulatory settings and public scrutiny creates an environment where expectations of public companies are markedly higher than those expectations of private firms. Key findings indicate that compliance with rigorous disclosure requirements plays a crucial role, where public companies often adopt a minimalistic, tick-box approach to regulatory obligations, prioritising compliance over transparency (Abdo et al., 2018). As digital platforms increasingly influence public discourse, companies encounter additional pressures from consumer behaviour analytics, where data mining fuels targeted communications that can influence public perception (Tsisis et al., 2019). That is, the ethical implications of public policy research underscore a broader societal commitment to transparency, highlighting that companies have a duty not just to shareholders but to the community, thereby enhancing public expectations placed upon them (Spicker et al., 2022).

B. Reflection on the implications for future expectations of public companies

As societal scrutiny intensifies, the future expectations of public companies in Australia will increasingly hinge on their transparency and accountability. Regulatory frameworks, particularly those frameworks concerning corporate governance, have redefined how public companies engage with stakeholders, emphasising the necessity of effective communication and disclosure (North et al., 2018). Public inquiries, functioning as vital instruments for addressing breaches of trust, illustrate the pivotal role of community expectations in shaping corporate behaviour (Krasovitsky et al., 2018). Moreover, evolving perceptions of internal audit effectiveness suggest that companies with robust audit mechanisms not only enhance organisational performance but also enable and reinforce stakeholder confidence, which is principal in the public sector (Benkirane, K et al., 2024). As public companies navigate these expectations, they must contend with the inherent challenges posed by regulatory demands and societal pressures, making adaptability and initiative-taking engagement critical for sustained legitimacy in the marketplace (Houghton et al., 2020). That is, the trajectory of public companies will be increasingly intertwined with their responsiveness both to governance structures and to community interventions.

C. The balance between regulation and community influence in shaping corporate behaviour

The intricate relationship between regulation and community influence undeniably shapes corporate behaviour, particularly in public companies within the Australian context. Regulatory frameworks compel transparency and accountability, yet they often coexist with societal expectations that demand higher ethical standards and responsiveness to public welfare. As evidenced by the findings reported in relevant studies, greater regulatory pressures significantly affect corporate governance, requiring firms to integrate responsible practices within their operational models (Aresu, S. et al., 2023). However, the prevailing influence of community scrutiny turns regulatory compliance into a necessity driven not solely by the law but by public perceptions and expectations (Doole et al., 2025). For example, although specific regulatory mechanisms enhance voluntary disclosures and accountability in organisations, the degree of compliance frequently hinges on community demands for transparency and responsibility (Broad et al., 2017). That is, achieving a balance between stringent regulations and the proactive engagement of community voices emerges as crucial for fostering corporate behaviours that align with societal values and expectations.

References

- OECD (2023), Drivers of Trust in Public Institutions in New Zealand, Building Trust in Public Institutions, OECD Publishing, Paris, <https://doi.org/10.1787/948accf8-en>.
- de Klerk, Kylie, Singh, Faval. (2023). Does gender and cultural diversity matter for sustainability in healthcare? evidence from global organizations. Edith Cowan University, Research Online, Perth, Western Australia, doi: <https://core.ac.uk/download/587262316.pdf>
- Doole, Marie, Stephens, Theo. (2025). Drain the Swamp to Save the Swamp: mitigating capture in environmental regulatory systems. Institute for Governance and Policy Studies & the School of Government, doi: <https://core.ac.uk/download/641546169.pdf>
- Broad, Martin J, Ntim, Collins G, Soobaroyen, Teerooven. (2017). Governance Structures, Voluntary Disclosures and Public Accountability: The Case of UK Higher Education Institutions. 'Emerald', doi: <https://core.ac.uk/download/30733473.pdf>
- Krasovitsky, Sally M. (2018). Putting the 'Public' back into Inquiries: Assessing the success of Public Inquiries in Australia. Faculty of Arts and Social Sciences, School of Social and Political Sciences, doi: <https://core.ac.uk/download/212696864.pdf>
- OECD (2022), Building Trust and Reinforcing Democracy: Preparing the Ground for Government Action, OECD Public Governance Reviews, OECD Publishing, Paris, <https://doi.org/10.1787/76972a4a-en>.
- North, Gill. (2018). Are Corporate Governance Code Disclosure and Engagement Principles Effective Vehicles for Corporate Accountability? The United Kingdom as a Case Study. 'Deakin University', doi: <https://core.ac.uk/download/479053035.pdf>
- Ferry, Laurence, Midgley, Henry, Ruggiero, Pasquale. (2022). Where is Public Sector Auditing: A Comparative Analysis. Emerald, doi: <https://core.ac.uk/download/578141624.pdf>
- BENKIRANE K BENAZZI,K. (2024). Perception of the Importance of Internal Audit Effectiveness and Its Impact on Organizational Performance in Public Enterprises: Empirical Evidence from Morocco. The Body of Expert and Licensed Accountants of Romania, doi: <https://core.ac.uk/download/634245832.pdf>
- Houghton, Keith, Jubb, Christine, Kend, Michael, Ng, et al. (2020). The Future of Audit. 'OAPEN Foundation', doi: <https://core.ac.uk/download/478143285.pdf>
- Muravu, Naboth. (2023). Strategic Performance Measurement and Management: The Distinctive Nature of the Public Sector and Implications on Performance Measures. The International Institute for Science, Technology and Education (IISTE), doi: <https://core.ac.uk/download/564354512.pdf>
- MOHAMMED, AHMED,SHAWKY (2023) Mitigating Greenwashing: The Role of Audit Committees and Internal Audits in ESG Reporting Assurance, Durham theses, Durham University. Available at Durham E-Theses Online: <http://etheses.dur.ac.uk/15045/>

Onyoin, Moses. (2020). Post contractual governance of public-private partnerships (PPPs) : an institutional analysis of a Ugandan case. doi: <https://core.ac.uk/download/556180905.pdf>

Fedorowicz, Jane, Gantman, Sonia. (2020). Determinants and Success Factors of IT Outsourcing in the Public Sector. AIS Electronic Library (AISeL), doi: <https://core.ac.uk/download/351022476.pdf>

van der Meulen, Bernd. (2020). Private food law: Governing food chains through contract law, self-regulation, private standards, audits and certification schemes. 'Wageningen Academic Publishers', doi: <https://core.ac.uk/download/478113344.pdf>

John V Orth, Ashok K, Paul T Babie. (2019). Balancing Justice Needs and Private Property in Constitutional Takings Provisions: A Comparative Assessment of India, Australia, and the United States. FLASH: The Fordham Law Archive of Scholarship and History, doi: <https://core.ac.uk/download/216959442.pdf>

UPB IM, Jurnal. (2018). CORPORATE SOCIAL RESPONSIBILITY IN THE PHARMACEUTICAL INDUSTRY: A COMPARISON STUDY ON INDONESIAN AND AUSTRALIAN FIRMS. 'Universitas Putera Batam', doi: <https://core.ac.uk/download/270210682.pdf>

UPB J,I (Jurnal). (2017). Corporate Social Responsibility in the Pharmaceutical Industry: a Comparison Study on Indonesian and Australian Firms. 'Universitas Putera Batam', doi: <https://media.neliti.com/media/publications/231596-corporate-social-responsibility-in-the-p-bf39969c.pdf>

Ca Añadas, Juana, Caba Pérez, María del Carmen, Galán Valdivieso, Federico, Sariene S, et al. (2019). Non-Financial Information versus Financial as a Key to the Stakeholder Engagement: A Higher Education Perspective. 'MDPI AG', doi: <https://core.ac.uk/download/286590643.pdf>

Kranenburg, Sam, Marra, Teye, van Oorschot, Mark, Waard, et al. (2020). Transparent Carbon Disclosures:depth in Carbon-reporting of Dutch listed and non-listed companies. 'Amsterdam University Press', doi: <https://core.ac.uk/download/519033028.pdf>

Pulker, Elizabeth C. (2019). A Mixed-Methods Investigation of Australian Supermarkets' Corporate Social Responsibility Commitments to Public Health: The Case of Supermarket Own Brand Foods. Curtin University, doi: <https://core.ac.uk/download/237663159.pdf>

Tsesis, Alexander. (2019). Marketplace of Ideas, Privacy, and the Digital Audience. NDLScholarship, doi: <https://core.ac.uk/download/268224189.pdf>

Abdo, Abrahamson, Akerlof, Drugi A, Al-Shammari, Alciatore, Barth, et al. (2018). Disclosure of provisions for decommissioning costs in annual reports of oil and gas companies: a content analysis and stakeholder views. 'Elsevier BV', doi: <https://core.ac.uk/download/161525025.pdf>

Spicker, Paul. (2022). Ethical research in public policy. Policy Press, doi: <https://core.ac.uk/download/586722070.pdf>

Duncan, Anne. (2019). Business strategy and biodiversity - an exploration based on Australian case studies. doi: <https://core.ac.uk/download/265597212.pdf>

- Jónsdóttir, Eva K, Ommundsen, Fr Køyland. (2024). Re-Conceptualizing Greenwashing through Media Discourses. 'University of Agder', doi: <https://core.ac.uk/download/616581191.pdf>
- GHAEDI ARGHAVAN, (2023). Corporate Governance, CSR, ESG, and Sustainability: Realigning the Principle-Agent Equilibrium in Multinational Enterprises “MNEs”. doi: <https://core.ac.uk/download/596365791.pdf>
- Wanna, John. (2020). Critical Reflections on Australian Public Policy. 'OAPEN Foundation', doi: <https://core.ac.uk/download/478097375.pdf>
- Diamond, Kimberly E. (2021). The Yoga Analogy: Scaling-Up the U.S.’s Renewable Energy Sector Mindfully with New Technologies, Evolving Standards, Public Buy-In, Data Sharing, and Innovation Clusters. FLASH: The Fordham Law Archive of Scholarship and History, doi: <https://core.ac.uk/download/475631219.pdf>
- OECD (2023), Drivers of Trust in Public Institutions in New Zealand, Building Trust in Public Institutions, OECD Publishing, Paris, <https://doi.org/10.1787/948accf8-en>.
- Selwyn N. (2022). The future of AI and education: Some cautionary notes. European Journal of Education, Volume (57), 620-631, 620-631. doi: <https://doi.org/10.1111/ejed.12532>
- Pandey N, Andr Cés, Kumar S. (2022). Mapping the corporate governance scholarship: Current state and future directions. Corporate Governance An International Review, Volume (31), 127-160, 127-160. doi: <https://doi.org/10.1111/corg.12444>
- Gstrein OJ, Beaulieu A. (2022). How to protect privacy in a datafied society? A presentation of multiple legal and conceptual approaches. Philosophy & Technology, Volume (35), doi: <https://doi.org/10.1007/s13347-022-00497-4>
- Tuytens, Pieter. (2018). The political economy of private pension provision. doi: <https://core.ac.uk/download/187718083.pdf>
- Dumay, John AM,G, James, Lucas, Adam. (2024). The Australian public sector and the PwC affair: A social systems perspective. Global Access Partners Pty Ltd, doi: <https://core.ac.uk/download/617057411.pdf>
- Rieke A, David G Robinson, Bogen M. (2018). Public Scrutiny of Automated Decisions: Early Lessons and Emerging Methods. Upturn, doi: <https://core.ac.uk/download/480180406.pdf>
- Alqutbah A, (2017). Assessing police privatisation in the United Arab Emirates. doi: <https://core.ac.uk/download/573851116.pdf>
- Tithe an Oireachtais Houses of the Oireachtas. (2022). Report on pre-legislative scrutiny of the general scheme of the gambling regulation Bill. Houses of the Oireachtas, doi: <https://core.ac.uk/download/528177379.pdf>
- Tomasic, Roman, Xiong, Ping. (2017). Mapping the Legal Landscape: Chinese State-Owned Companies in Australia. 'Victoria University of Wellington Library', doi: <https://core.ac.uk/download/560329068.pdf>
- Martino, Florentine. (2019). Investigating regulatory frameworks dealing with the marketing of alcohol in Australia. Deakin University, Faculty of Health, School of Psychology, doi: <http://dro.deakin.edu.au/eserv/DU:30131011/martino-investigatingregulatory-2018.pdf>

Phomsoupha, Xaypaseuth. (2017). The Impact of Three-Dimensional Organizational Change on Laos Electrification. 'IUScholarWorks', doi: <https://core.ac.uk/download/147838074.pdf>

Agaimwonyi, Alyssa, Eberhardt, Judith, Kabuye, John, Ling, et al. (2023). COVID-19 Booster Vaccine Acceptance in Ethnic Minority Individuals in the United Kingdom: a mixed-methods study using Protection Motivation Theory. doi: <https://core.ac.uk/download/599586167.pdf>

Aresu, S, Hooghiemstra, R, Melis, A, (2022). Integration of CSR Criteria Into Executive Compensation Contracts: A Cross-Country Analysis. Journal of Management. doi: <https://core.ac.uk/download/590920095.pdf> or doi: <https://journals.sagepub.com/doi/10.1177/01492063221110200>

OECD (2023), Framework for the Evaluation of SME and Entrepreneurship Policies and Programmes 2023, OECD Studies on SMEs and Entrepreneurship, OECD Publishing, Paris, <https://doi.org/10.1787/a4c818d1-en>.

OECD. (2023). Professionalising the public procurement workforce. Public governance policy papers, doi: <https://doi.org/10.1787/e2eda150-en>

Kotelnikova, Zoya, Radaev, Vadim. (2022). The Ambivalence of Power in the Twenty-First Century Economy. 'UCL Press', doi: <https://core.ac.uk/download/524973534.pdf>

Trigg, Lisa. (2018). Improving the quality of residential care for older people: a study of government approaches in England and Australia. doi: <https://core.ac.uk/download/160748762.pdf>

Akonumbo, Atangcho N. (2022). Intellectual property, trade, human rights and access to medicines in Africa: A Reader. Pretoria University Law Press (PULP), doi: <https://core.ac.uk/download/520262982.pdf>

MOHAMMED AHMED,SHAWKY. (2023). Mitigating Greenwashing: The Role of Audit Committees and Internal Audits in ESG Reporting Assurance. doi: <https://core.ac.uk/download/572522435.pdf>

Coelho, Gabriela de Sousa e Figueiredo. (2022). the ambiguities within concept, culture and evaluation. doi: <https://core.ac.uk/download/553622096.pdf>

Callaghan C, Maroun W, Merino A, (2024). Framework for academic success: Roles and responsibilities of both students and lecturers. AOSIS Publishing, doi: <https://core.ac.uk/download/603356438.pdf>

Le, Thy M. (2024). Sustainability in Focus: Exploring ESG performance and Financial Performance in SMEs vs large firms in the United Kingdom. Norwegian University of Life Sciences, doi: <https://core.ac.uk/download/617932759.pdf>

Heinrich, Clara. (2024). Beyond formal politics: the epistemic facet of business power. doi: <https://core.ac.uk/download/639037103.pdf>

Wilson, Daniel L. (2020). Can Regulatory Reform Reverse the Decline of Public Markets in Canada? Assessing the Factors Impacting Decisions by Corporate Leaders to Avoid Canadian Public Listings. Scholarship@Western, doi: <https://core.ac.uk/download/304375409.pdf>

Appendix 8

Question 8

Are Australian regulatory settings and oversight fit for purpose to support efficient capital raising and confidence in private markets? If not, what could be improved?

I. Introduction

The regulatory framework surrounding capital markets in Australia serves as a critical backbone for fostering investor confidence and ensuring efficient capital raising. Historically, these regulatory settings have evolved to address emerging challenges and market dynamics; however, questions regarding their adequacy persist. A fundamental concern is whether these regulations sufficiently promote transparency and accountability, as inadequate mechanisms can lead to information asymmetry and diminished investor trust. For example, although new guidance released in November 2024 by ASIC reforms seek to enhance corporate governance through improved disclosure and engagement, the effectiveness of such changes remains contentious. Indeed, with the United Kingdom as a case study, (North, G, 2018) underscores the vulnerability of superficial reforms yielding only marginal benefits in governance standards. Moreover, the overall market structure invites inefficiencies and inequities, as highlighted in (Meagher, G, et al. 2022), which critiques the fragmented nature of services under current market conditions. Therefore, a comprehensive evaluation of these regulatory frameworks is helpful to ascertain their suitability for contemporary challenges.

A. Overview of the importance of capital raising in private markets

Capital raising in private markets is a fundamental component that supports businesses in accessing essential funding for growth and innovation. These markets provide alternative pathways for companies to secure investment outside traditional public offerings, creating opportunities both for entrepreneurs and for investors alike. In Australia, the efficiency and effectiveness of capital raising are significantly influenced by regulatory frameworks and oversight mechanisms. Robust regulation can promote investor confidence by ensuring transparency and accountability, allowing for the mobilisation of private capital crucial for economic expansion. However, the current regulatory settings may not entirely fulfill this role. Improvements in regulatory practices, such as adopting more agile and risk-based approaches, could mitigate challenges encountered both by investors and by businesses seeking capital. Enhanced regulatory frameworks could ultimately optimise capital flows, thereby making private markets a more attractive avenue for raising funds and contributing to broader economic dynamism (Th Yürer et al., 2023).

B. Brief description of current Australian regulatory settings

The current Australian regulatory framework for capital markets is largely anchored by the Australian Securities and Investments Commission (ASIC) and the Corporations Act 2001, which provide essential guidelines for company operations, securities issuance, and investor protection. Although these regulations seek to foster transparency and promote efficient capital raising, they are often criticised for being overly complex and burdensome, particularly for small to medium-sized enterprises. Moreover, the dynamic nature of financial markets necessitates agile regulatory adaptations; however, the existing frameworks tend to lag market innovations. As evidenced by ongoing discussions around the efficacy of current regulations, improvements could involve simplifying compliance processes and introducing more tailored oversight mechanisms for diverse business models, consequently enhancing investor confidence while addressing the unique challenges of private market financing (OECD, 2023). Such reforms could ultimately create a more conducive environment for capital formation and economic growth.

C. Outlining the analysis of regulatory effectiveness and potential improvements

An effective regulatory framework is crucial for fostering investor confidence and promoting efficient capital raising in Australian private markets. This landscape necessitates an evaluation of current regulatory practices to identify strengths and weaknesses. For instance, the integration of digital tools within national regulatory agencies can enhance consumer engagement and streamline the regulatory process, thereby improving transparency and accountability (Koop et al., 2023). By embracing digital transformation, regulators can create platforms that facilitate better communication and decision-making, addressing the gap in adoption of consumer-oriented practices. Furthermore, examining the self-defined aspirations of regulators reveals key attributes of excellence, such as efficiency, education, and proportionality, that could guide necessary reforms (Corbett et al., 2018). Such an approach ensures that regulatory strategies are not only reflective of best practices but also adaptable to the dynamic nature of private market funding, ultimately reinforcing investor confidence in the Australian economic landscape.

II. Current Regulatory Framework in Australia

The current regulatory framework in Australia serves as a pivotal element in determining the efficacy of capital raising within private markets. A complex interplay of agencies, such as the ASIC and the Australian Prudential Regulation Authority (APRA), establishes standards intended to ensure market integrity and investor confidence. However, analyses indicate that these frameworks could benefit from greater agility and alignment with evolving market dynamics, particularly concerning their responsiveness to technological advancements and innovative funding

mechanisms. According to (Th Yürer et al., 2023), implementing risk-based approaches can enhance regulatory practices, making them more effective in addressing contemporary challenges encountered by capital markets. That is, the current framework, while foundational, lacks the nimbleness required to foster robust growth in private capital markets effectively.

A. Key legislation governing private capital markets

The legislative framework governing private capital markets in Australia has a critical role in shaping the efficiency and integrity of capital raising activities. Key legislation, such as the Corporations Act 2001, provides essential guidelines for fundraising practices, ensuring proper disclosure and protecting investors from fraud. However, despite its robustness, the regulatory environment often encounters scrutiny regarding its adaptability to evolving market conditions. This scrutiny calls into question whether the existing oversight mechanisms are adequately equipped to reinforce confidence in private markets, particularly when juxtaposed against the dynamic nature of financial innovations. Moreover, while the focus has predominantly been on financial regulations, there is a growing consensus that a holistic approach, which may incorporate principles of better regulation, as suggested in (Thürer, Y et al., 2023), could enhance the effectiveness of legislative measures. Consequently, addressing these gaps could promote more efficient capital raising and reinforce confidence in the integrity of private capital markets.

B. Role of regulatory bodies such as ASIC and APRA

The regulatory landscape in Australia, shaped significantly by bodies such as the ASIC and APRA, is crucial for maintaining market integrity and protecting consumers. ASIC's approach to responsive regulation, emphasising negotiation over coercion, has encountered scrutiny regarding its efficacy in upholding accountability within the financial sector, particularly as it prioritises negotiated settlements over more stringent judicial measures (O'Brien et al., 2022). This approach raises questions about whether existing frameworks sufficiently empower regulators to mitigate risks and to strengthen public confidence in private markets. Moreover, APRA's role in ensuring financial stability and promoting competition must also be continuously assessed, as the alignment of interests between service providers and consumers remains a challenge (Lempere et al., 2019). To enhance the current regulatory environment, a re-evaluation of strategies and frameworks would be very beneficial, aiming to create a system that effectively supports efficient capital raising while instilling greater confidence among stakeholders.

C. Assessment of the existing compliance requirements for private companies

The compliance requirements for private companies in Australia have a critical role in shaping the regulatory landscape that influences capital raising and the overall confidence in private markets. Current frameworks often impose significant administrative burdens that may stifle innovation and deter investment, particularly among smaller firms. For example, many private companies are subject to the same rigorous reporting standards as their publicly listed counterparts, despite their distinct operational structures and capital needs. This one-size-fits-all approach can inadvertently constrain growth prospects by diverting valuable resources toward compliance rather than strategic development. Moreover, a lack of clarity regarding the necessity of certain disclosures could lead to inefficiencies in the market, reducing both investor interest and investor confidence. To enhance the environment for private sector capital raising, it is imperative to streamline these compliance demands and tailor them to the unique characteristics of private companies without compromising accountability (Th Yürer et al., 2023).

III. Effectiveness of Regulatory Oversight

The effectiveness of regulatory oversight is essential in determining the confidence of investors in Australia's private markets, particularly regarding efficient capital raising. Effective regulatory frameworks not only promote transparency but also establish trust among stakeholders, thus alleviating information asymmetries that often hinder investment. However, current Australian regulatory settings have come under scrutiny for their perceived rigidity and lack of responsiveness to evolving market dynamics. For example, while good regulatory practices suggest a need for agile and risk-based approaches to regulation, they are often under-implemented, leading to inefficiencies in the regulatory process (Th Yürer et al., 2023). Furthermore, regulatory bodies must cultivate a more inclusive and outcome-driven environment that actively engages market participants in developing regulations, thereby fostering a collaborative atmosphere that enhances legitimacy and accountability. Ultimately, enhancing the effectiveness of regulatory oversight could significantly increase confidence in private markets and promote more effective capital raising efforts.

A. Analysis of the impact of regulations on capital raising efficiency

Regulatory frameworks have a pivotal role in shaping the efficiency of capital raising in Australia's private markets. By establishing clear guidelines and compliance protocols, regulations can either facilitate or impede the ability of businesses to attract investment. For example, overly stringent regulations may deter potential investors, thereby limiting access to necessary funds, particularly for startups and small enterprises. Conversely, a more agile regulatory approach could enhance capital raising by reducing bureaucratic hurdles and increasing investor confidence. This scenario is underscored by the argument that regulatory

policies should promote an inclusive and cooperative environment conducive to innovation and investment. Such an environment is critical, as it can significantly influence market confidence and investment flows, crucial elements for sustained economic growth. Therefore, the exploration of regulatory enhancements becomes vital to ensure that the frameworks in place sufficiently support efficient capital raising without compromising market integrity or investor protection. (Th Yürer et al., 2023) (Calvin K et al., 2023)

B. Examination of investor confidence in the current regulatory environment

Investor confidence in the Australian regulatory environment is paramount for the effectiveness of capital raising in private markets. A clear understanding of regulatory frameworks can instil trust among investors, thereby fostering a conducive atmosphere for market participation. However, existing regulations often fail to adapt to the rapid changes in the financial landscape, creating anxiety around compliance and the potential for investment losses. As outlined in frameworks assessing regulatory practices, improvement could be realised through the implementation of agile approaches that prioritise risk management and responsive governance (Th Yürer et al., 2023). Furthermore, the lack of transparent communication between regulatory bodies and investors undermines the perceived stability of the market, as evidenced by other nations that leveraged high-trust relationships to enhance public confidence (OECD, 2023). Therefore, for Australia to increase investor confidence, it is essential to reform these regulatory standards, ensuring they remain both relevant and effective in supporting capital formation.

C. Case studies highlighting successes and failures in regulatory oversight

The examination of regulatory oversight in Australia reveals stark contrasts through various case studies, illustrating both successes and failures in maintaining investor confidence and enhancing capital raising within private markets. For example, the implementation of robust regulatory practices has enabled sectors such as telecommunications to thrive, as it encourages transparent reporting and compliance, thereby gaining investor trust. Conversely, the collapse of certain financial entities highlights significant failures in oversight, where inadequate regulatory responses allowed for unchecked practices, leading to substantial investor losses. These dichotomous case studies underline the necessity for Australian regulatory settings to evolve, ensuring they adapt and respond effectively to emerging market dynamics. As suggested in (Th Yürer et al., 2023), better regulatory practices, including risk-based approaches, should be prioritised to enhance overall market confidence and efficiency. Furthermore, the need for coherent regulations that integrate feedback from industry participants can mitigate risks and bolster the effectiveness of capital markets.

IV. Challenges and Limitations of Existing Regulations

The regulatory landscape governing Australian private markets encounters significant challenges that undermine the effectiveness of capital raising efforts and investor confidence. One primary limitation is the rigidity of existing regulations, which often fail to accommodate the dynamic nature of private market transactions. This rigidity can create barriers for smaller entities seeking to raise capital, as they are subject to the same stringent requirements as larger corporations, thereby stifling innovation and growth. Additionally, the fragmentation within regulatory frameworks can lead to ambiguity, resulting in inconsistent application and interpretation of rules across various sectors. Such discrepancies diminish trust among investors, who may perceive regulatory environments as uncertain or unwelcoming. These overarching limitations may contribute to a cautious approach from potential investors, which could be ameliorated through targeted reforms aimed at streamlining regulations and enhancing clarity. Moreover, reducing legal barriers can catalyse more robust infrastructure investment, further emphasizing the need for comprehensive regulatory improvements.

A. Identification of gaps in the current regulatory framework

In analysing the current regulatory framework governing Australian capital markets, distinct gaps emerge that compromise both efficiency in capital raising and investor confidence. For example, the lack of agility in regulatory responses to market innovations can stifle competition and limit opportunities for emerging enterprises. Additionally, the conditions under which information is disseminated to investors often lack clarity, leading to misinformation and hesitance in financial commitments. Furthermore, the regulatory oversight provided does not sufficiently adapt to the evolving landscape of private markets, as evidenced by the challenges highlighted in a recent policy paper addressing regulatory practices; it emphasizes the importance of risk-based approaches and international cooperation in crafting regulations that align with market dynamics (Th Yürer et al., 2023). This regulatory condition calls into question the adequacy of existing frameworks and underscores the need for reforms that prioritise coherence and adaptability, ultimately laying the groundwork for a more robust regulatory environment (Calvin K et al., 2023).

B. Discussion of the burden of compliance on small and medium enterprises

Small and medium enterprises (SMEs) in Australia confront significant burdens related to compliance with regulatory frameworks, which can stifle their capacity for efficient capital raising. The complexity and volume of regulations often overwhelm these businesses, diverting essential resources away from core operations and innovation. SMEs typically lack the financial and administrative capacity to navigate intricate legislative landscapes, resulting in potential penalties or missed opportunities for growth. Moreover, extensive compliance

obligations can lead to hesitation among investors who may question the viability of investing in ventures encumbered by regulatory challenges. This risk complicates the environment for capital attraction and diminishes overall confidence in private markets. Addressing these issues, OECD reports highlight the need for streamlined regulations to alleviate pressure on SMEs and enhance investor confidence in Australian markets, emphasising the need for reforms that balance regulatory oversight with the operational needs of these enterprises (OECD, 2023).

C. Evaluation of the responsiveness of regulations to market changes

The responsiveness of regulatory frameworks to market changes is pivotal in assessing the effectiveness of Australia's regulatory settings in supporting efficient capital raising. Current Australian regulations often lag fast-evolving market conditions, ultimately hindering investor confidence and capital mobility. For example, studies indicate that overly stringent regulations can stifle innovation and limit access to necessary funding for burgeoning enterprises, thus impacting overall economic growth. Additionally, this disconnect between regulatory practices and market realities could undermine the competitiveness of Australian private markets on a global scale. Without timely adjustments to regulatory frameworks, the capital raising environment may become increasingly opaque, discouraging potential investors. Indeed, such discrepancies can lead to unfavourable conditions that diminish the intended protective nature of regulations and erode market trust. Therefore, a critical re-evaluation and reform of these frameworks is essential to create a more responsive regulatory landscape that aligns with contemporary market dynamics.

V. Recommendations for Improvement

To enhance the efficacy of Australian regulatory settings for private market capital raising, a series of targeted improvements should be considered. First, regulators should adopt agile regulatory practices that prioritise a balance between oversight and market flexibility, allowing for more innovative financing solutions. This flexibility could include streamlining the approval processes for private placements, thus reducing the time and complexity associated with compliance. Second, fostering greater international regulatory cooperation can provide insights into successful practices, particularly as global markets become increasingly interconnected. The implementation of risk-based approaches is crucial to ensure that regulation does not stifle growth or deter investment. A coherent strategy that integrates these elements would not only improve market efficiency but also bolster investor confidence in the integrity of Australian private markets. Such recommendations align with the need for a dynamic regulatory framework that is responsive to evolving market conditions (Th Yürer et al., 2023).

A. Proposals for streamlining regulatory processes to enhance efficiency

The current Australian regulatory framework presents opportunities for enhancement, particularly in its approach to supporting capital raising for private markets. Proposals aimed at streamlining regulatory processes could significantly improve efficiency, thereby creating a more conducive environment for investment. For example, a targeted regulatory approach that prioritises sectors with high export potential could bolster the performance of small and medium-sized enterprises (SMEs) seeking to expand internationally, as suggested in (Blackburn et al., 2018). Moreover, leveraging the insights from influential entities can lead to a more cohesive understanding of the challenges and opportunities related to regulatory compliance, especially in areas such as governance and risk management, as highlighted in (Bruno et al., 2024). By reevaluating the complexity of existing regulations and ensuring that they align with market needs, Australia can enhance the confidence of investors in its private markets and therefore promote efficient capital raising.

B. Suggestions for increasing transparency and accountability in private markets

To enhance transparency and accountability in private markets, Australian regulatory settings must focus on implementing robust disclosure requirements and independent audits. By mandating more comprehensive financial disclosures, investors can gain clearer insights into the performance and risks associated with private entities, providing for informed decision-making. Additionally, establishing a culture of transparency requires the establishment of effective oversight bodies equipped to enforce these regulations rigorously. For example, drawing on insights from international regulatory practices, Australia can benefit from adopting risk-based approaches that prioritise markets demonstrating the highest potential for mismanagement or opacity (Th Yürer et al., 2023). Furthermore, the integration of technological solutions, such as blockchain for transaction reporting, could significantly improve accountability and traceability in private markets, thereby enhancing investor confidence. Ultimately, these measures would not only strengthen the integrity of private markets but also ensure they align with the broader objectives of effective capital raising in Australia.

C. Consideration of alternative regulatory models from other jurisdictions

In the pursuit of refining Australia's regulatory framework more adequately to support capital raising and improve confidence in private markets, it is essential to consider alternative models utilised in other jurisdictions. For example, New Zealand's regulatory approach, characterised by a high-trust relationship between citizens and public institutions, underscores the importance of public

trust as a foundational element in effective governance (OECD, 2023). This approach fosters a collaborative atmosphere that can enhance regulatory responsiveness and adaptability. Additionally, examining the regulatory sandboxes implemented in countries such as Singapore provides insights into creating flexible environments that encourage innovation while ensuring consumer protection (Igbinenikaro E et al., 2024). By analysing these international frameworks, Australian policymakers might uncover strategies to harmonise efficiency and oversight, consequently facilitating a more conducive atmosphere for capital raising and ultimately addressing the shortfalls within the domestic regulatory system. Such a multifaceted assessment can lay the groundwork for meaningful reforms tailored to the unique Australian context.

VI. Conclusion

The evaluation of Australian regulatory settings reveals significant shortcomings that hinder efficient capital raising and undermine confidence in private markets. The existing frameworks often privilege private communications among corporate executives and favoured institutional investors, which can conceal the accountability necessary for a transparent market environment (North et al., 2018). Moreover, the lack of robust engagement mechanisms limits broader stakeholder participation in governance discussions, ultimately stalling meaningful progress in capital market integrity. To address these issues, it is imperative to enhance policy interventions targeting small and medium enterprises (SMEs), as a proactive strategy to foster a more dynamic economic landscape (Blackburn et al., 2018). By refining communication protocols, promoting inclusivity in governance, and providing tailored support for SMEs, Australia can create a more resilient and transparent investment climate. Thus, systemic improvements that emphasise accountability and stakeholder engagement are essential for developing a sustainable and trustworthy capital market.

A. Summary of key findings regarding the effectiveness of Australian regulatory settings

An examination of Australian regulatory settings reveals both strengths and weaknesses in their capacity to facilitate efficient capital raising and foster confidence in private markets. One critical finding indicates that although the existing regulatory framework supports a degree of investor protection, it may hinder innovative financial products introduction due to excessive complexity and compliance burdens. Moreover, the regulatory environment's responsiveness to market changes appears slow, limiting opportunities for agile adaptations that align with evolving economic landscapes. Notably, regulatory practices must increasingly incorporate risk-based and agile approaches effectively to balance oversight with market needs, as highlighted in discussions regarding better regulatory instruments (Th Yürer et al., 2023). Furthermore, enhancing international regulatory cooperation is vital, as it can lead to a more cohesive

approach that supports macroeconomic stability and market integrity, thereby reinforcing investor confidence. This necessitates a comprehensive reassessment of current frameworks more effectively to support and to promote capital raising initiatives.

B. Reflection on the importance of adapting regulations to support capital raising

Adapting regulations is crucial for creating an environment conducive to capital raising, particularly in the context of Australian private markets. Effective regulatory frameworks can enhance investor confidence by ensuring transparency and protecting stakeholders, thereby attracting more capital. Notably, the shortcomings in existing regulatory practices exemplify the need for systematic reforms. For instance, the analysis of the Australian university sector highlights how regulatory inefficiencies and lack of accountability have hindered progress in creating safe and effective environments for investment. Such observations can extend to the commercial port sector, where the challenges encountered have similarly revealed gaps in oversight which impact both sustainability and operational efficiencies (Henry et al., 2023). The absence of robust regulatory mechanisms can lead to a reliance on self-regulation, often resulting in superficial compliance rather than substantive progress, as observed in various sectors (Black et al., 2022). Therefore, a proactive approach in adapting regulations is vital for stimulating effective capital raising in Australia.

C. The future of private market regulation in Australia

In evaluating the future of private market regulation in Australia, it is evident that the existing frameworks must transition from a prescriptive focus on administrative processes to a more substantive approach that prioritises actual outcomes for stakeholders. Drawing on insights from regulatory scholarship, it appears that the current regulatory climate is heavily influenced by managerialism, often neglecting the efficacy of interventions in improving investor confidence and capital raising capabilities (Alston et al., 2018). Instead of celebrating procedural compliance as a victory, regulators need to foster an environment that promotes meaningful dialogues among stakeholders, creating pathways for genuine engagement and dispute resolution. Furthermore, literature addressing digital finance highlights the necessity for reforms that are adaptable to emerging market complexities, asserting that Australian regulations must evolve to remain relevant and effective (Avgouleas, E et al. 2022). That is, the advancement of private market regulation in Australia hinges on a commitment to proactive, outcome-focused reforms that benefit the broader economic landscape.

References

- Koop, Christel, Pivavarava, Alena. (2023). The adoption of digital practices by economic regulators: mapping digital pathways for consumer e-participation. 'Blavatnik School of Government, University of Oxford', doi: <https://core.ac.uk/download/573839479.pdf>
- Corbett, Angus, Finkel, Adam M, Walters, Daniel E. (2018). Planning for Excellence: Insights from an International Review of Regulators' Strategic Plans. DigitalCommons@Pace, doi: <https://core.ac.uk/download/212892679.pdf>
- OECD (2023), Drivers of Trust in Public Institutions in New Zealand, Building Trust in Public Institutions, OECD Publishing, Paris, <https://doi.org/10.1787/948accf8-en>.
- North, Gill. (2018). Are Corporate Governance Code Disclosure and Engagement Principles Effective Vehicles for Corporate Accountability? The United Kingdom as a Case Study. 'Deakin University', doi: <https://core.ac.uk/download/479053035.pdf>
- Meagher, G, Stebbing, A, Perche, D. (Eds) (2022). Designing Social Service Markets. 'ANU Press', doi: <https://core.ac.uk/download/541444282.pdf>
- Alston, Anner, Barrientos, Bartley, Bartley, Ben-Ner, Berger, et al. (2018). Transnational labor regulation, reification and commodification: A critical review. doi: <https://core.ac.uk/download/288430867.pdf>
- Avgouleas, E, Marjosola, H (Eds). (2022). Digital Finance in Europe: Law, Regulation, and Governance. 'Walter de Gruyter GmbH', doi: <https://core.ac.uk/download/520262523.pdf>
- Lempere, Solomon. (2019). Consumer protection in the Kenyan financial sector: A case for a Twin Peaks model of financial regulation. 'University of the Western Cape Library Service', doi: <https://core.ac.uk/download/289120754.pdf>
- O'Brien, Justin P. (2022). Where Regulation Ends: Enforceable Undertakings, the Australian Securities and Investments Commission and the Perils of Unresponsiveness. The University of Sydney Business School, doi: <https://core.ac.uk/download/559247639.pdf>
- OECD (2023), Improving the Landscape for Sustainable Infrastructure Financing, OECD Publishing, Paris, <https://doi.org/10.1787/bc2757cd-en>.
- Blackburn, Robert, Do, Hang, Tanewski, George. (2018). Internationalisation: Global Issues. Institute of Public Accountants, doi: <https://core.ac.uk/download/323057709.pdf>
- Bruno, Mattia, Skoglund, Kevin. (2024). Analyzing the themes of Artificial Intelligence as framed by the Big Four accounting firms: A Document Analysis. doi: <https://core.ac.uk/download/620658381.pdf>
- Th Yürer, Blanc F, Ottimofiore G, Morales AC, Amaral M, Hern Gández, Marianna B Karttunen, et al. (2023). Better regulation for the green transition. Public governance policy papers, doi: <https://doi.org/10.1787/c91a04bc-en>
- Calvin K, Dasgupta D, Krinner G, Mukherji A, Thorne P, Christopher H Trisos, José Romero, et al. (2023). IPCC, 2023: Climate Change 2023: Synthesis Report. Contribution of Working Groups I, II and III to the Sixth Assessment Report of the Intergovernmental Panel on Climate Change [Core Writing Team, H. Lee and J. Romero (eds.)]. IPCC, Geneva, Switzerland. doi: <https://doi.org/10.59327/ipcc/ar6-9789291691647>

Henry, Allison. (2023). Regulatory responses to addressing and preventing sexual assault and harassment in Australian university settings. UNSW, Sydney, doi:

<https://unsworks.unsw.edu.au/bitstreams/84ec1967-5477-4355-a49d-71e8613e9862/download>

Black, John, Roso, Violeta. (2022). Container Ports Post-Privatisation – Analysis of the Roles of the Public and Private Sectors at Port Botany, Sydney. 'Elsevier BV', doi:

<https://core.ac.uk/download/521283986.pdf>

Igbinenikaro E, Adewusi AO. (2024). FINANCIAL LAW: POLICY FRAMEWORKS FOR REGULATING FINTECH INNOVATIONS: ENSURING CONSUMER PROTECTION WHILE FOSTERING INNOVATION. Finance & Accounting Research Journal, Volume (6), 515-530, 515-530. doi: <https://doi.org/10.51594/farj.v6i4.991>

Appendix 9

Question 9

Have we identified the key risks for investors from private markets? Which issues and risks should ASIC focus on as a priority? Please explain your views.

I. Introduction

Understanding the regulatory landscape of private markets is critical in assessing the role of the Australian Securities and Investments Commission (ASIC) in safeguarding investor interests. As investors increasingly seek opportunities in less regulated environments, there arises a distinct need for ASIC to delineate the risks inherent in these markets. This analysis will explore whether ASIC has efficaciously identified significant risks, such as market illiquidity and the potential for fraud, that could impact investors financial well-being. Furthermore, as indicated in recent studies, international trends show a growing demand among retail investors for responsible investments, which ASIC must incorporate into its regulatory framework (MacMaster et al., 2018). That is, an examination of these factors is essential to understanding ASICs overarching regulatory efficacy.

A. Overview of ASIC's role in regulating financial markets

ASIC has a pivotal role in regulating financial markets, primarily directed toward promoting investor confidence and ensuring market integrity. By establishing a comprehensive regulatory framework, ASIC seeks to balance the protection of consumers with the encouragement of innovation and competition within the financial sector. This balance is essential, as highlighted by the increasing complexity in financial instruments and the emergence of technological innovations, which pose new regulatory challenges. As financial technology evolves, ASIC must adapt its strategies to mitigate associated risks effectively, responding to phenomena like robo-advising and cryptocurrencies that potentially disrupt traditional market operations (Brummer et al., 2019). Furthermore, the need for enhanced disclosures and appropriate advisor training becomes imperative to safeguard retail investors, particularly amidst concerns over the credibility of responsible investment products (MacMaster et al., 2018). By prioritising these issues, ASIC can strengthen its oversight and reinforce investor trust in private markets.

B. Importance of private markets for investors

Private markets serve a critical function for investors, offering opportunities that are often absent in traditional public markets. These markets allow for direct investment in assets ranging from real estate to private equity, which can yield higher returns and diversification benefits. Moreover, private investments are typically less correlated with market fluctuations, which enhances portfolio

resilience against volatility. However, ASIC must recognise that the influx of some private initiatives imposes unique risks, as noted in recent discussions around private environmental governance (PEG) initiatives (Vandenberg et al., 2022). The varied quality of disclosures related to these investments can lead to significant information asymmetry, highlighting a gap that ASIC needs to address (Vandenberg et al., 2022). Furthermore, ethical discrepancies and conflicts of interest have emerged in financial advising, undermining investor trust (Cull et al., 2020). Regulatory reform aimed at bolstering transparency in private markets is essential for sustainable investment (Lempere et al., 2019).

C. ASIC's identification of risks

A critical aspect of analysing ASIC is understanding whether it effectively identifies and prioritises the key risks encountered by investors in private markets, including the asset valuation practices applied by private entities. The evolution of investor needs, particularly considering responsible investment trends, suggests a pressing demand for ASIC to enhance its risk identification processes. As noted, retail investors increasingly prioritise responsible investment options but often encounter barriers such as incomplete disclosures and insufficient training of financial advisers ((MacMaster et al., 2018)). Furthermore, the intertwining of traditional services with emerging fintech solutions requires a nuanced regulatory approach, as current frameworks may inadequately address the unique risks posed by these financial innovations (Rupeika-Apoga et al., 2020). Effective prioritisation of these issues is imperative for ASIC to reinforce faith and efficacy in its regulatory role (Cull et al., 2020).

D. Assessing whether ASIC has effectively identified key risks and what should be prioritized

In evaluating ASIC's effectiveness in identifying key risks for investors in private markets, the complex interplay between emerging technologies and regulatory frameworks must be scrutinised. One significant concern lies in the realm of digital investments, where mechanisms like robo-advisors offer efficiency but exhibit limitations in providing personalised service and managing inherent biases in algorithmic decision-making, potentially leaving investors vulnerable (Eichler K S et al., 2024). Moreover, the rise of crypto assets introduces additional legal uncertainties that regulators must address to safeguard market participants; understanding the legal classification of these assets and their transfer processes is crucial (Follak, K 2020). Furthermore, the increasing prevalence of digital transactions necessitates robust consumer protection measures, especially given reports of scams within the token market that undermine investor confidence (Matytsin, D 2022). That is, ASIC should prioritise the integration of clear legal frameworks alongside investor education initiatives to ensure effective oversight and protection in a rapidly evolving financial landscape (O. Afanasieva et al., 2020, p. 61-76).

II. Current Landscape of Private Markets in Australia

The landscape of private markets in Australia is undergoing significant transformation, driven by technological advancements and evolving investor preferences. As competition intensifies, these markets are becoming increasingly attractive for institutional and retail investors alike. However, the lack of a specific regulatory framework for FinTech and private market operations presents notable challenges. Many existing regulations aim to protect consumers but often fail adequately to safeguard investors from risks inherent in private markets, such as conflicted remuneration and inadequate disclosure practices, which have historically undermined investor confidence (Cull et al., 2020). Moreover, the ASIC must prioritise addressing these risks by enhancing transparency and enabling improved regulatory practices, as observed in other jurisdictions like South Africa, where regulatory frameworks are adapting to support innovation while protecting investors (Didenko et al., 2018). In recognising these complexities, ASIC can better navigate the balance between financial stability and innovation, ultimately establishing a more robust private market environment in Australia.

A. Definition and characteristics of private markets

Private markets, characterised by their limited access and liquidity compared to public markets, encompass a wide range of investment vehicles such as private equity, venture capital, infrastructure, and real estate funds. These markets often serve as a viable avenue for institutional and high-net-worth investors seeking diversifying opportunities outside the traditional stock exchange framework. Given the increasing popularity of private markets, particularly among retail investors, it becomes crucial to recognise the associated risks that can affect investment outcomes, including the material risks associated with inaccurate or inflated asset valuations. As highlighted in recent studies, inadequate disclosures and a lack of educated advisors in responsible investment sectors have led to significant informational asymmetries, complicating investors' decision-making processes (MacMaster et al., 2018).

B. Growth trends and investor interest in private markets

The surge in growth trends and heightened investor interest in private markets necessitate vigilant regulatory oversight, particularly from ASIC. As private investment vehicles expand, driven by diminishing returns in public markets and a rising demand for alternative investments, the associated risks also proliferate. For example, a notable concern arises from the reliance on increasingly complex financial products that may obscure critical information, which can mislead investors regarding potential risks and rewards (MacMaster et al., 2018). These dynamics reflect the importance of ASIC prioritising effective regulatory frameworks that can enhance transparency while mitigating systemic financial risks that have emerged from the increasing prevalence of unregulated private market investments, within which, among other practices, asset valuation

methods and methodologies can be fundamentally flawed (Wrangles et al., 2023).

C. Regulatory framework governing private markets

In the evolving landscape of private markets, the regulatory framework is critical in safeguarding investors while promoting market integrity. ASIC confronts the challenge of balancing these dual objectives amidst the complexities of diverse financial products. As retail investors increasingly seek alternative investment opportunities, there is a pressing need for enhanced material disclosures that illuminate potential risks, as highlighted in (MacMaster et al., 2018). Furthermore, the limited specificity within existing legislation concerning FinTech illustrates the necessity for ASIC to establish clear guidelines that recognise the unique characteristics of private market instruments, aligning with the findings of (Rupeika-Apoga et al., 2020). A comparative analysis of international regulatory practices reveals that while advancements have been made, ASIC must prioritise comprehensive education and reform of financial advisory standards to mitigate historical pitfalls associated with unethical practices, as discussed in (Cull et al., 2020). Moreover, addressing information asymmetry in cross-border listings is essential to reinforce continuous disclosure compliance, as observed in the challenges encountered by Chinese companies listed in Australia (Guo et al., 2022).

D. Comparison of private markets to public markets

The distinction between private markets and public markets significantly impacts investor risk and regulatory oversight, particularly with ASIC's mandate. Private markets, often characterised by less transparency and limited access to information, present unique challenges for investors compared to the more regulated environment of public markets. In recent analyses, the integration of technologies such as AI and machine learning into financial services has begun to bridge some gaps in information asymmetry, yet concerns remain regarding ethical implications and regulatory responses (Nguyen DK et al., 2022). Furthermore, the rise of digital currencies and innovative financial instruments can complicate the risk landscape, potentially leading ASIC to prioritise the monitoring of these developments, particularly given the rapid growth of retail central bank digital currencies (Sun T et al., 2022). ASIC must address the nuanced risks inherent in private markets, including valuation and sustainability concerns associated with emerging technologies such as non-fungible tokens and their environmental impact (Truby J et al., 2022).

III. Key Risks Identified by ASIC for Investors in Private Markets

ASIC has identified several key risks that investors in private markets encounter, underscoring the need for vigilant oversight and regulatory action. Central to these concerns is the lack of transparency inherent in private markets, which can obscure

critical information that investors require to make informed decisions (Nguyen DK et al., 2022). Furthermore, ASIC has highlighted the growing reliance on digital financial innovations, such as blockchain and smart contracts, which, despite their potential benefits, also pose significant challenges, including security, scalability, and trustworthiness (Kirli D et al., 2022). Additionally, financial literacy remains a pivotal issue, with many investors lacking the necessary knowledge to navigate complex products effectively, as evidenced by comparative analyses with financially literate nations (Faulkner A, 2021). Consequently, ASIC must prioritise addressing these vulnerabilities to ensure a more stable and equitable investment landscape in private markets, including a thorough review of asset valuation practices. The ongoing evaluation of these risks is crucial for reinforcing investor confidence and market integrity.

A. Lack of transparency and information asymmetry

A pronounced lack of transparency and information asymmetry significantly hinders ASIC's ability to mitigate risks for investors in private markets. This deficiency not only complicates investors' efforts to assess the viability of their investments but also contributes to increased uncertainty surrounding the performance and credibility of financial instruments available in these markets. As argued, insufficiently standardised criteria and incomplete disclosures plague responsible funds, thereby undermining investor trust and limiting access to verified information for affluent investors (MacMaster et al., 2018). Furthermore, in an era where blockchain technology holds potential for enhancing transparency and securing transactions, its limited application in private markets constrains the move towards more resolute structures of accountability (Huang et al., 2024). For ASIC effectively to prioritise investor protections, addressing these transparency issues and facilitating a more informed investment climate is essential to counteract the prevailing risks (Constancio et al., 2019).

B. Valuation challenges and illiquidity risks

Valuation challenges and illiquidity risks represent significant barriers for investors navigating private markets, an area of increasing concern for the ASIC. A particular issue arises when venture capitalists engage in strategic mispricing during financing rounds, leading to inflated valuations that do not accurately reflect a firm's performance or potential (Turner et al., 2022). Such practices create a misleading narrative for investors, obscuring the true worth of their investments and increasing the risk of capital loss in the event of market correction. Furthermore, as financial disclosures evolve, the demand for enhanced transparency regarding both financial data and non-financial performance data is crucial ((Wang et al., 2023)). The ongoing integration of digital finance into traditional frameworks also complicates risk assessment due to disparate regulatory landscapes (Avgouleas, E, et al., 2022)). To address these complexities, ASIC must prioritise establishing robust monitoring mechanisms

that enhance valuation accuracy and mitigate the illiquidity risks inherent in private market investments (Faisalal A et al., 2019).

C. Regulatory compliance and legal risks

The regulatory landscape governing private markets in Australia necessitates a robust approach to compliance and legal risk management, particularly as investors increasingly gravitate toward innovative financial technologies. ASIC must prioritise regulatory frameworks that accommodate the unique characteristics of Fintech without compromising investor protection. As highlighted, many jurisdictions lack specific legislation tailored to Fintech entities, leading to inconsistent compliance measures that can undermine investor confidence (Rupeika-Apoga et al., 2020). By establishing clearer guidance on these legal risks, ASIC can foster a more cohesive regulatory environment that promotes transparency while effectively mitigating potential pitfalls for investors in the rapidly evolving private markets (Arner et al., 2018).

D. Market volatility and economic downturn impacts

Market volatility and economic downturns significantly impact private market investors, necessitating ASIC to prioritise risk identification strategies. As market dynamics fluctuate, retail investors, particularly those investors who are less affluent, encounter challenges related to access and understanding of investments. Notably, evidence indicates that many financial products fail to disclose risks adequately, exacerbating investors vulnerability in turbulent times (MacMaster et al., 2018). Meanwhile, products such interest-only mortgages may exacerbate systemic financial risks within the housing market, amplifying economic instability (Wrangles et al., 2023). Furthermore, the complexities associated with credit assessment processes leave investors at a disadvantage due to their financial literacy requirements, therefore limiting informed decision-making (Martin et al., 2021). In an interconnected global economy, where international trade finance intersects with local financial markets, understanding and managing these risks through appropriate regulatory frameworks becomes critical for sustaining investor confidence (Kaur K et al., 2024).

IV. Issues and Risks ASIC Should Prioritise

In assessing the efficacy of ASIC in mitigating risks in private markets, several pressing issues emerge that merit prioritisation. One major concern is the increasing prevalence of greenwashing, where firms misrepresent their environmental performance to attract investors, thus jeopardising market integrity. The establishment of a clear definition for greenwashing, as identified in recent research, would enable ASIC to refine its enforcement strategies and enhance transparency in this area (Danilova-Jensen et al., 2024). Moreover, the integration of technological advancements, such as blockchain, could bolster regulatory frameworks by ensuring secure digital transactions, as advised by various stakeholders (Philo, K 2023).

Furthermore, ASIC's approach should reflect lessons learned from foreign markets, where leniency in enforcement has been linked to heightened fraud risks, necessitating a shift towards more vigilant monitoring and preventive policies (Guseva et al., 2018). These measures are essential for fostering a more robust and trustworthy investment environment.

A. Enhancing investor education and awareness

In the context of addressing the complexities of private markets, enhancing investor education and awareness emerges as a fundamental priority for ASIC. As outlined in recent studies, retail investors often lack sufficient financial literacy, which can lead to misguided investment decisions, particularly in high-risk domains such as Initial Public Offerings (IPOs) (Kowsalya, S, 2025). Evidence suggests that a robust understanding of financial markets significantly influences investment choices, with factors such as risk tolerance and market conditions having critical roles (Srivastav SK et al., 2025). Moreover, the proliferation of Systematic Investment Plans (SIPs) demonstrates the need for accessible investment avenues that encourage disciplined savings, which can be particularly advantageous for retail investors navigating the complexities of mutual funds (Prashant P Naik et al., 2024). ASIC's commitment to fostering financial education can have a pivotal role in mitigating risks and promoting informed decision-making, contributing to a more resilient and equitable investment landscape in Australia ((Paksoy M et al., 2024)).

B. Improving transparency and disclosure requirements

The enhancement of transparency and disclosure requirements is critical for addressing the prevalent risks investors confront in private markets, particularly as outlined by ASIC. Currently, gaps in disclosure frameworks, such as those illuminated by the varying levels of private environmental governance (PEG) disclosures among firms, indicate the need for reform ((Vandenberg et al., 2022)). ASIC's prioritisation of rigorous and uniform transparency standards could significantly mitigate risks and increase investor confidence. Moreover, the complexities observed in the disclosure practices of Chinese listed companies, where non-compliance has led to delistings, highlight the necessity for robust continuous disclosure mechanisms that reflect both market integrity and investor protection (Guo et al., 2022). Addressing these deficiencies in disclosure practices could allow for more standardised and enforceable regulations, therefore improving the overall effectiveness of financial advisories and transparency in investment opportunities (Cull et al., 2020). Adopting these improvements will assist in rebuilding trust in the private market sector.

C. Addressing the challenges of valuation methodologies and methods

Valuation methodologies and methods serve as critical tools for ASIC in navigating the private markets complexities; however, significant challenges

persist. The absence of historical data and inherent uncertainties associated with startups complicate the valuation process, as noted in concerns over risk and growth trajectories (Kalinsky E et al., 2023). Furthermore, the incorporation of environmental, social, and governance (ESG) factors presents its own set of difficulties, particularly in gauging their influence on market performance during periods of turbulence (H Nguyen et al., 2024). ASIC should prioritise the development of comprehensive frameworks and educational resources that equip valuers to address these multifaceted risks, thereby enhancing the accuracy and reliability of valuation outcomes in private markets.

D. Strengthening enforcement mechanisms and compliance checks

In the context of enhancing investor protection within private markets, ASIC's focus on strengthening enforcement mechanisms and compliance checks cannot be overstated. The effectiveness of regulatory frameworks hinges on the ability of enforcement agencies to impose compliance and accountability among market participants. A recent examination of corporate governance reveals that mechanisms for continuous disclosure and adherence to compliance protocols are often inadequately managed, leading to significant risks for investors, particularly in the realm of Chinese cross-border listings (Guo et al., 2022). Furthermore, the alignment of executive compensation with compliance commitments remains a critical area for scrutiny; stock-based incentives can lead to myopic strategic decisions that neglect long-term compliance benefits (Armour et al., 2020) (Armour et al., 2019). ASIC should prioritise not only the rigorous assessment of compliance programs but also consider reforming the standards for directors' liability in compliance failures, ultimately promoting greater corporate accountability and transparency (Min G et al., 2020).

V. Conclusion

ASIC must prioritise the identification and mitigation of key risks affecting investors in private markets, as these sectors exhibit unique vulnerabilities. The rising complexity of investment products and the opacity in private market transactions necessitate enhanced regulatory frameworks that address these challenges. Additionally, as financial institutions navigate emerging disruptions, they must adopt innovative strategies that emphasise sustainability and long-term growth while managing immediate risks. By focusing on data reliability and corporate transition strategies, ASIC can bolster investor confidence and promote market stability (Perez, A (Ed), 2022). Furthermore, the integration of geostatistical methods to assess price behaviour amid varying risks, such as ownership and country-risk, may provide essential insights for investors (Bell et al., 2019). ASIC's proactive engagement will more adequately equip investors to navigate the complexities of private markets.

A. Summary of key findings regarding ASIC's risk identification

ASIC has made significant and important in identifying key risks that investors confront within private markets, yet challenges persist that warrant attention. A notable finding is the expansive nature of risks, particularly in the context of evolving financial technologies and competitive pressures from new market entrants, as addressed in contemporary literature on banking challenges (Bell et al., 2019). Furthermore, ASIC's examinations of private market transactions have revealed that factors such as ownership complexities and associated country risks can significantly influence asset pricing (Perez, A (Ed), 2022). Inevitably, this interplay highlights the larger systemic issue of investor protection in environments vulnerable to practices such as asset valuation inflation, and greenwashing, which ASIC must guard against to ensure a more transparent market (Danilova-Jensen et al., 2024).

B. Implications for investors in private markets

The implications of ASIC's findings on the risks confronting investors in private markets are particularly profound, as these markets often lack the transparency associated with public offerings. Without rigorous oversight, investors may be vulnerable to a range of inappropriate practices where firms misrepresent initiatives to gain competitive advantage (Danilova-Jensen et al., 2024). This misrepresentation not only undermines investor trust but also exacerbates systemic risks within the broader financial system (Bastin et al., 2024). Furthermore, the evolving landscape of competitive financial technologies presents both challenges and opportunities, necessitating that ASIC prioritise regulatory adaptations that support innovation while safeguarding investor interests (Perez, A (Ed), 2022). By addressing these multifaceted risks, ASIC can enhance investor confidence and ensure that private markets align more closely with articulated and viable investment goals.

C. Recommendations for ASIC's future focus

A critical recommendation for ASICs future focus involves the enhancement of its regulatory framework to address the evolving landscape of risks associated with private markets. As technology, particularly blockchain and AI, becomes increasingly prevalent, ASIC must prioritise the integration of these advancements into its oversight functions to ensure the integrity of financial information and to protect investors ((Vandenbergh et al., 2022)). Currently, there exists significant variability in how firms disclose risks linked to PEG initiatives, warranting clearer regulatory expectations to promote consistency and transparency across the sector (Philo, K 2023). By addressing these areas and adopting a proactive stance towards emerging technologies and environmental challenges, ASIC can better equip itself to safeguard investors and deepen its understanding of the private market dynamics that could pose unforeseen risks.

References

- H Nguyen, Nguyen HT. (2024). Do the ESG factors truly enhance real estate companies' valuation and performance in uncertain times. *Journal of Property Investment & Finance*, doi: <https://www.semanticscholar.org/paper/819fe8956b9ffb9e10bd2b45a8714733be4a265d>
- Kalinsky E, Evtushenko V. (2023). FEATURES OF VALUATION OF STARTUP PROJECTS IN ENTREPRENEURIAL ACTIVITY. *Herald of Khmelnytskyi National University. Economic sciences*, doi: <https://www.semanticscholar.org/paper/c217c614b7451026f2833fca1d5bbaff82a55be1>
- MacMaster, Keith. (2018). Responsible Investing: Access Denied. *Schulich Law Scholars*, doi: <https://core.ac.uk/download/524986223.pdf>
- Rupeika-Apoga, Ramona, Thalassinou, Eleftherios I. (2020). Ideas for a regulatory definition of FinTech. Eleftherios Thalassinou, doi: <https://core.ac.uk/download/322748662.pdf>
- Cull, Michelle (R12261), Kavalamthara, Peter J (R20133), Skultety, Csilla (R19889). (2020). Financial Planning Education and Regulatory Requirements: A Cross Country Comparison between Australia, Canada, United Kingdom and United States of America. Penrith, N.S.W., Western Sydney University, doi: <https://core.ac.uk/download/351838256.pdf>
- Guo, Qi. (2022). What Lessons can the Luckin Coffee Scandal Offer to Australia-China Cross-Border Listed Companies' Supervision? Problems and Reform Suggestions in China. 'Columbia University Libraries/Information Services', doi: <https://core.ac.uk/download/548684552.pdf>
- Dr. S Kowsalya. (2025). Analysis of Retail Investors Attitude Towards IPO Investments With Special Reference to Coimbatore City. *International Journal for Research in Applied Science and Engineering Technology*, doi: <https://www.semanticscholar.org/paper/462eb9a538f13c0c89b83e73e81530ca25dd4f1a>
- Srivastav SK J,K Jain. (2025). An Empirical Study of the Factors Affecting Investment Choice Decisions of Academic Professionals. *International Journal of Scientific Research in Science and Technology*, doi: <https://www.semanticscholar.org/paper/bcedfc6b26793117232ee524d722c50631f66c13>
- Prashant P Naik G,R. (2024). An Analysis on Investor's Investment Pattern on Mutual Fund by Using Sip with Special Reference to Motilal Oswal PVT. LTD Honnavar Karnataka. *INTERNATIONAL JOURNAL OF SCIENTIFIC RESEARCH IN ENGINEERING AND MANAGEMENT*, doi: <https://www.semanticscholar.org/paper/d8e6fd8608a48031258972769862b285ca4f44ce>
- Paksoy M, Paksoy AAM, Ahmedova A. (2024). THE ROLE OF ENTREPRENEURSHIP IN ECONOMIC DEVELOPMENT AND PROBLEMS OF UNIVERSITY YOUTH IN THE FIELD OF ENTREPRENEURSHIP. *PAHTEI-Proceedings of Azerbaijan High Technical Educational Institutions*, doi: <https://www.semanticscholar.org/paper/557e1a9999048666127aaead2754c2f5157869>
- Eichler KS, Schwab E. (2024). Evaluating robo-advisors through behavioral finance: a critical review of technology potential, rationality, and investor expectations. *Frontiers in*

Behavioral Economics, doi:

<https://www.semanticscholar.org/paper/dabd573a5fa8f044057bedf5cb5f73761fd3dd7b>

D Matytsin. (2022). Risk of non-fulfillment of obligations by participants of investment deals: preventive civil law mechanisms for the protection of rights. Journal of Law and Administration, doi:

<https://www.semanticscholar.org/paper/d2bd702e642aa9cc12c4d04c2732e14f046615d5>

K Follak. (2020). Crypto Assets under Private Law and Supervisory Regulation: European Perspectives. Volume (68), 712-723, 712-723. doi:

<https://www.semanticscholar.org/paper/23307ff43283a13dc6f91815988a76d3b51f88da>

O. Afanasieva, Pokora Y. (2020). THE FORMATION OF INNOVATION POLICY OF THE SEAPORT. 61-76. doi:

<https://www.semanticscholar.org/paper/a15a6bab1b51bcebb8370ffb05adccc0efee9a8c>

Cano, Michel, (2024). Green Finance instruments: Challenges and Risks. doi:

<https://core.ac.uk/download/636340412.pdf>

Anđelinović, Mihovil. (2024). RAZVOJ ODRŽIVIH ULAGANJA U AZIJSKIM ZEMLJAMA.

University of Zagreb Faculty of Economics and Business, doi:

<https://core.ac.uk/download/613208898.pdf>

Lockman, Martin. (2023). Modelling Climate Litigation Risk for (Re)Insurers. 'Center for Open Science', doi: <https://core.ac.uk/download/578307543.pdf>

Houghton, Keith, Jubb, Christine, Kend, Michael, Ng, et al. (2020). The Future of Audit. 'OAPEN Foundation', doi: <https://core.ac.uk/download/478143285.pdf>

Philo, K. G. (2023). A Critical Investigation into Identifying Key Focus Areas for the Implementation of Blockchain Technology in the Mining Industry. 'University of Pretoria - Department of Philosophy', doi: <https://core.ac.uk/download/587094674.pdf>

Arner, Douglas, Buckley, Ross, Zetsche, Andreas D. (2018). The Distributed Liability of Distributed Ledgers: The Legal Risks of Blockchain. doi:

<https://core.ac.uk/download/287734839.pdf>

Wrangles, Paul S. (2023). Risky business: A Minskyan analysis of the development of interest-only mortgage lending in Australia. Faculty of Arts and Social Sciences, School of Social and Political Sciences, doi: <https://core.ac.uk/download/590715617.pdf>

Guo, Belle. (2022). Continuous Disclosure of Chinese Cross-border Listed Companies in Australia: Challenges and Proposals. UNSW, Sydney, doi:

<https://unsworks.unsw.edu.au/bitstreams/70535597-3081-4535-800a-a3d6c0707562/download>

Armour, John, Gordon, Jeffrey N, Min, Geeyoung. (2020). Taking Compliance Seriously. 'Center for Open Science', doi: <https://core.ac.uk/download/478556751.pdf>

Armour, John, Gordon, Jeffrey, Min, Geeyoung. (2019). Taking Compliance Seriously. Yale Law School Legal Scholarship Repository, doi: <https://core.ac.uk/download/275780007.pdf>

Min G, Gordon J, Armour J. (2020). Taking Compliance Seriously. 'Modern Language Association', doi: <https://core.ac.uk/download/534871516.pdf>

Lempere, Solomon. (2019). Consumer protection in the Kenyan financial sector: A case for a Twin Peaks model of financial regulation. 'University of the Western Cape Library Service', doi: <https://core.ac.uk/download/289120754.pdf>

Didenko, Anton. (2018). Regulating FinTech: Lessons from Africa. Digital USD, doi: <https://core.ac.uk/download/160257568.pdf>

Brummer, Chris, Yadav, Yesha. (2019). Fintech and the Innovation Trilemma. Scholarship@Vanderbilt Law, doi: <https://core.ac.uk/download/230474806.pdf>

Huang, Butian, Liu, Erwu, Liu, Zhenguang, Tang, et al. (2024). Blockchain for Finance: A Survey. doi: <http://arxiv.org/abs/2402.17219>

Constancio, Vitor, Lannoo, Karel, Thomadakis, Apostolos. (2019). Rebranding Capital Markets Union: A market finance action plan. CEPS-ECMI Task Force, June 2019. doi: <https://core.ac.uk/download/237017917.pdf>

Nguyen DK, Sermpinis G, Stasinakis C. (2022). Big data, artificial intelligence and machine learning: A transformative symbiosis in favour of financial technology. European Financial Management, Volume (29), 517-548, 517-548. doi: <https://doi.org/10.1111/eufm.12365>

Sun T, Kiff J, Bossu W, Che N, Griffoli TM, Davidovic S, Yoshinaga A, et al. (2022). Behind the Scenes of Central Bank Digital Currency. Fintech Notes, Volume (2022), 1-1, 1-1. doi: <https://doi.org/10.5089/9798400201219.063>

Kirli D, Couraud B, Robu V, Salgado-Bravo M, Norbu S, Andoni M, Antonopoulos I, et al. (2022). Smart contracts in energy systems: A systematic review of fundamental approaches and implementations. Renewable and Sustainable Energy Reviews, Volume (158), 112013-112013, 112013-112013. doi: <https://doi.org/10.1016/j.rser.2021.112013>

Danilova-Jensen, Evita, Nielsen, Martin, Rosdahl, Gylden Cærne, Schmidt, et al. (2024). Defining Greenwashing: A Concept Analysis. doi: <https://core.ac.uk/download/630943035.pdf>

Perez, A (2022). Sustainability, Digital Transformation and Fintech: The New Challenges of the Banking Industry. 'MDPI AG', doi: <https://core.ac.uk/download/520263925.pdf>

Duncan, Anne. (2019). Business strategy and biodiversity - an exploration based on Australian case studies. doi: <https://core.ac.uk/download/265597212.pdf>

ADB OECD. (2020). Leveraging Technology and Innovation for Disaster Risk Management and Financing. Asian Development Bank (ADB) and Organisation for Economic Co-operation and Development (OECD), doi: <https://core.ac.uk/download/592041356.pdf>

Guseva, Yuliya. (2018). The SEC and Foreign Private Issuers: A Path to Optimal Public Enforcement. Digital Commons @ Boston College Law School, doi: <https://core.ac.uk/download/200222489.pdf>

Bell, Alexander J. (2019). Risk Adjusted Evaluation of Mineral Assets Using Transaction Based Statistical Models. Curtin University, doi: <https://core.ac.uk/download/220107432.pdf>

Turner, Nicholas. (2022). Essays in Valuation. UNSW, Sydney, doi: <https://unsworks.unsw.edu.au/bitstreams/690003f5-a359-4b76-92e0-a9992f727ebc/download>

Avgouleas, E, Marjosola, H (Eds). (2022). Digital Finance in Europe: Law, Regulation, and Governance. 'Walter de Gruyter GmbH', doi: <https://core.ac.uk/download/520262523.pdf>

Wang, Ruizhe. (2023). Economic Consequences of an Enhanced Corporate Reporting Framework: The UK's move to Strategic Reporting. The University of Sydney Business School, doi: <https://core.ac.uk/download/565916960.pdf>

Faisalal A, Yudi. (2019). Fatwa shopping as modernising Islamic finance law. 'American Psychological Association (APA)', doi: <https://core.ac.uk/download/351834553.pdf>

Martin, Monica. (2021). An Improved Model for Assessing the Viability of Small developers During Lending Applications. Curtin University, doi: <https://core.ac.uk/download/534131568.pdf>

Kaur K, Dr. (2024). International Trade and Finance, Part 3. Conestoga Open Learning, doi: <https://core.ac.uk/download/641572465.pdf>

Faulkner A. (2021). Financial Literacy around the World: What We Can Learn from the National Strategies and Contexts of the Top Ten Most Financially Literate Nations. The Reference Librarian, Volume (63), 1-28, 1-28. doi: <https://doi.org/10.1080/02763877.2021.2009955>

Appendix 10

Question 10

What role do incentives play in risks, how are these managed in practice by private market participants and are regulatory settings and current practices appropriate?

I. Introduction

In examining the influence of financial incentives on the creation of financial risks, it is essential to acknowledge the complexities introduced by private market participants, particularly within the Australian context. Financial incentives, although designed and intended to encourage growth and competitiveness, often lead to heightened risk-taking behaviours that can destabilise both individual finances and broader economic systems. This dynamic is exemplified in the collapse of Storm Financial, where the intertwining of emotional well-being and financial loss revealed profound vulnerabilities linked to self-sufficiency in retirement (Bruhn et al., 2019). Furthermore, the emergence of regulatory sandboxes illustrates an innovative approach taken by ASIC to mitigate these risks while fostering technological advancements in financial markets (Alaassar et al., 2021). Within this framework, the appropriateness of existing regulatory settings becomes a critical focus, as they must evolve in response to the intricate relationship among financial incentives, market behaviour, and institutional trust to safeguard the interests of everyday consumers.

A. Definition of financial incentives

Financial incentives are strategic tools employed by organisations to motivate specific behaviours or actions among employees, consumers, and investors, fundamentally influencing decision-making processes in various market environments. These incentives can manifest as monetary rewards, bonuses, and stock options that are designed to align the interests of stakeholders with organisational objectives. However, the nature of financial incentives often creates financially compromised outcomes, wherein aggressive pursuit of profit can lead to risk-taking behaviours that may compromise long-term stability. As evidenced in various industries, the interplay between financial incentives and risk management has significant implications for regulatory bodies such as ASIC that strive to ensure market integrity. Consequently, understanding how these incentives shape operational decisions is crucial in evaluating the current regulatory framework and its effectiveness in mitigating potential financial risks while fostering a competitive marketplace, particularly in the context of emerging technologies as noted in (Wang T-C et al., 2022) and (Nguyen DK et al., 2022).

B. Overview of financial risks in markets

Financial risks in markets are multifaceted and often stem from a combination of interconnected factors, including market dynamics, regulatory frameworks, and participant behaviours. The growing reliance on private market participants for risk management introduces variability in how financial risks are perceived and mitigated. Innovations such as regulatory sandboxes reflect an evolving approach to balancing risk and innovation, allowing new financial technologies to be tested while ensuring compliance with existing regulations (Alaassar et al., 2021). However, these novel frameworks can also lead to heightened risks when participants operate under incomplete information or lack financial literacy, as illustrated by the collapse of entities such as Storm Financial (Bruhn et al., 2019). This potential for heightened risk underscores the critical need for robust regulatory settings that not only facilitate innovation but also protect market integrity, thereby creating an environment where risks are adequately disclosed and managed. Such regulatory efforts are essential for maintaining trust and ensuring the stability of financial markets.

C. Importance of private market participants

The involvement of private market participants is crucial in shaping the dynamics of financial markets, particularly concerning the risks associated with financial incentives. These participants, including banks and private lenders, influence market behaviour through their product offerings and lending criteria, which can inadvertently amplify systemic risks. For example, the rise of interest-only mortgages in Australia exemplifies how financial products can encourage risk-taking among borrowers, ultimately contributing to unsustainable price increases in the housing market (Wrangles et al., 2023). The interplay between private market participants and regulatory frameworks, such as the introduction of regulatory sandboxes, also underscores the importance of guiding innovation while mitigating risk. These sandboxes enable new financial technology ventures to test their products in a controlled environment, fostering innovation within a structured regulatory approach, thereby enhancing financial stability in the long run (Alaassar et al., 2021). Understanding the role of private market participants is vital in evaluating the appropriateness of regulatory settings like those settings enforced by ASIC.

D. Role of ASIC in regulating financial markets

ASIC has a pivotal role in regulating financial markets, ensuring transparency, integrity, and investor protection amid the complex dynamics of financial incentives. By employing a robust regulatory framework, ASIC not only monitors market participants but also enforces compliance through penalties and corrective measures, which serves to deter malpractices and mitigate risks inherent in private market management. ASIC's approach aligns with international standards, fostering a level playing field that encourages investor

confidence while addressing the challenges posed by financial incentives that can lead to systemic risks. Furthermore, focusing on the adaptability of regulatory settings, ASIC leverages technological advancements, such as advanced analytical tools, to enhance surveillance and monitoring processes ((Oso OB et al., 2025), (André Demarco E, 2024)). This integration of technology reflects a proactive stance in addressing the evolving nature of financial markets, ultimately reinforcing the framework needed to manage financial risks effectively while promoting ethical conduct among market participants.

E. Incentives and Financial Risk

In examining the interplay between financial incentives and the emergence of financial risks, it is essential to consider the regulatory framework shaping these dynamics, particularly through the lens of ASICs settings. Although financial incentives can motivate innovation and competitiveness, they often lead to conflicts of interest that magnify risks within the marketplace. Private market participants, driven by profit margins, may prioritise short-term gains over long-term stability, leading to detrimental financial behaviours. As highlighted in (Favoretto D, 2024), the legal challenges surrounding investor protection emphasise the need for robust regulatory mechanisms that align market participants incentives with broader economic stability. Furthermore, the initiatives outlined in (József Györkös et al., 2023) showcase how collaborative regulatory models can enhance protection frameworks, ensuring that financial incentives do not disproportionately contribute to systemic risks. There is a critical role of regulatory oversight in managing the dual forces of innovation and of risk in financial markets.

II. Understanding Financial Incentives

The interplay between financial incentives and risk management is critical in navigating the complexities inherent in financial markets. Financial incentives, frequently structured to optimise performance, can inadvertently cultivate a culture of risk-taking that undermines long-term stability. This behaviour is particularly evident in private market participants, who may prioritise short-term gains over sustainable practices, leading to escalated financial risks. Effective management of these risks necessitates a thorough understanding of how incentives shape decision-making processes within organisations. Furthermore, regulatory frameworks like those established by ASIC must adapt to ensure that they address the changing landscape influenced by advancements in technology. For example, the integration of big data and AI can enhance risk assessment, but it also introduces ethical considerations and regulatory challenges that require scrutiny (Nguyen DK et al., 2022). Therefore, understanding financial incentives is paramount in balancing risk and reward in today's multifaceted financial environment (Wang T-C et al., 2022).

A. Types of financial incentives in the market

Financial incentives are pivotal in shaping market behaviours and driving risk-taking among participants, particularly within the housing sector. Various types of incentives, such as tax breaks and interest-only mortgage products, can significantly influence borrower's decisions, often leading to increased financial exposure. Interest-only mortgages, for instance, allow borrowers to focus solely on interest payments for an initial period, enticing them into the market and fostering a potential for unsustainable debt levels. As (Wrangles et al., 2023) suggests, these mortgage products have contributed to systemic financial risks in Australia's economy, prompting a call for regulatory reform in addressing such vulnerabilities. In turn, innovative approaches such as regulatory sandboxes have emerged to manage financial risks while promoting technological advancement. As (Alaassar et al., 2021) highlights, these environments facilitate responsible innovation by enabling financial market participants to test cutting-edge solutions under supervised conditions, balancing the need for financial growth with regulatory oversight.

B. Psychological factors influencing financial decision-making

The intersection of psychological factors and financial decision-making reveals significant implications for market stability and individual wellbeing. Many individuals often exhibit emotional responses, such as fear or overconfidence, which can skew their financial choices and exacerbate risks within private market systems. For instance, younger users of buy-now-pay-later (BNPL) services frequently engage in less responsible financial behaviours due to their relative inexperience and impulsivity, rendering them more susceptible to financial distress, as evidenced by (Do et al., 2023). Furthermore, the ramifications of significant financial losses extend beyond mere monetary depletion, profoundly affecting individuals' mental health and their trust in financial institutions, as indicated in the qualitative analysis of financial victims following the collapse of Storm Financial (Bruhn et al., 2019). Such psychological dimensions underscore the need for regulatory frameworks, such as those frameworks proposed by ASIC, to address not only the financial aspects of decision-making but also the underlying psychological vulnerabilities that influence consumers behaviours.

C. Historical context of financial incentives and risks

The historical context of financial incentives reveals a complex interplay between regulatory frameworks and market practices that have shaped the current financial landscape. During the past few decades, the financial advisory profession has grappled with issues of conflicted remuneration and unethical practices, which have undermined the profession's reputation and exposed consumers to significant financial risks. This reality has prompted various regulatory reforms aimed at enhancing transparency and accountability within

the sector. Educational and regulatory measures, particularly in Australia and other Western nations, have sought to establish a fiduciary duty and codify professional standards, thereby improving the quality of financial advice, an effort echoed in discussions of international trade finance where financial risks, such as currency and non-payment risks, are similarly addressed through robust frameworks (Cull et al., 2020) (Kaur K et al., 2024). Understanding this historical context is helpful for assessing the effectiveness ASIC and the evolving role of private market participants in managing financial risk.

D. Case studies illustrating financial incentives leading to risks

The examination of case studies reveals that financial incentives, while essential for encouraging investment, often introduce significant risks when not managed appropriately. For instance, in the renewable energy sector, the introduction of policy instruments like feed-in tariffs has succeeded in attracting private investment by providing price stability and long-term contracts; however, these same incentives have at times led to market distortions and over-reliance on specific technologies, increasing financial exposure for investors (Onyshko S et al., 2024). Similarly, the case of emerging markets demonstrates how tax breaks and subsidies can encourage green finance, yet they also exacerbate financial risks due to regulatory volatility and market uncertainties (Okeke NI et al., 2024). These examples underscore the critical interplay between financial incentives and risks, pointing to the necessity for a robust regulatory framework that not only encourages investment but also safeguards financial integrity within the market. A well-rounded approach is important for mitigating risks associated with financial incentives in a rapidly evolving economic landscape.

E. The relationship between incentives and market behaviour

The interplay between financial incentives and market behaviour is a critical aspect of understanding the dynamics present within the Australian financial landscape. Financial incentives, designed to promote growth and engagement within markets, can inadvertently foster significant risks, particularly when individual behaviour is driven by short-term gain rather than long-term stability. For instance, the rise of interest-only mortgage products has illustrated how incentives can shape borrower behaviour, leading to increased financial risks across the housing market as noted in previous discourses (Wrangles et al., 2023). Furthermore, the implications of sudden financial loss, as observed in case studies such as Storm Financial, reveal a profound impact on individuals emotional and social well-being, which is exacerbated by a loss of trust in financial institutions (Bruhn et al., 2019). This loss of trust emphasises the need for regulatory frameworks that not only address incentives but also maintain the integrity of market behaviour and protect consumers from unnecessary risks.

III. The Role of Private Market Participants

The involvement of private market participants is pivotal in shaping the landscape of financial risks, particularly in the Australian context. These entities, motivated by financial incentives, can both exacerbate risks and mitigate risks associated with financial products, such as interest-only mortgages that have contributed to housing market volatility. As noted, “Interest-only mortgages enable borrowers to pay ‘interest-only’ (and no principal) on a loan for a set period of time” (Wrangles et al., 2023). This mechanism, while facilitating access to housing ownership, also reflects a systemic risk, as borrowers may become over-leveraged, particularly when coupled with inadequate financial literacy and advice. The reliance on self-sufficiency in financial planning, especially during retirement, further underscores the vulnerability of individuals when private market participants fail to provide transparent and accountable services.

A. Definition and examples of private market participants

Private market participants have a crucial role in the financial system, defined broadly as individuals or entities that engage in financial transactions outside the purview of government oversight. Examples include private equity firms, venture capitalists, and hedge funds, all of which operate under varying strategies that hinge on financial incentives. For instance, venture capitalists invest in startups, aiming for high returns in exchange for bearing considerable risk, thereby driving innovation and economic growth. However, this environment is fraught with potential conflicts of interest, as noted in discussions about investment advisory services that highlight the legal tools necessary for retail investor protection ((Favoretto et al., 2024)). Additionally, the complexity of financial products often leads to consumer confusion, underscoring the importance of clearly understandable insurance contracts as a means of fostering informed decision-making among participants (Cude et al., 2023). This interplay between market participants and regulatory frameworks necessitates ongoing analysis of their effectiveness within the context of financial risk management.

B. Impact of private participants on market stability

The involvement of private market participants significantly influences market stability, often driven by the financial incentives that motivate their actions. When profit-seeking entities prioritise short-term gains, they may engage in speculative behaviours that can lead to increased volatility and potential market destabilisation. For example, the emergence of blockchain technology has been accompanied by diverse consensus algorithms and a proliferation of projects that diverge from foundational principles, creating complexity in the financial system (Bellaj B et al., 2024). This complexity can amplify risks, as participants may act on misleading perceptions of stability or undervalue the systemic implications of their trades. Moreover, the choice of consensus mechanisms can impact efficiency and security, raising concerns about scalability and broader adoption

(Hussein Z et al., 2023). The actions of private participants, shaped by financial incentives, require vigilant regulatory oversight, such as that provided by ASIC, to mitigate risks and enhance overall market stability.

C. Strategies employed by private participants to manage risks

In the realm of risk management, private participants often adopt multifaceted strategies to navigate the uncertainties inherent in financial markets. One prominent approach is the implementation of regulatory sandboxes, which provide a controlled environment for testing innovative solutions without the immediate burden of comprehensive regulatory compliance. This mechanism not only encourages experimentation but also encourages dialogue between innovators and regulators, ultimately enhancing financial stability and market dynamism (Alaassar et al., 2021). Additionally, private entities are increasingly recognising the importance of robust sustainability disclosures to align with evolving investor expectations and regulatory frameworks. Such enhanced reporting practices have been linked to improved capital-market benefits, including lower capital costs and heightened liquidity, suggesting that transparency can significantly mitigate perceived risks among market participants (Wang et al., 2023). These actions illustrate how proactive risk management can be intricately woven into the broader tapestry of financial incentive structures.

D. Ethical considerations in the actions of private market participants

The ethical considerations surrounding the actions of private market participants are paramount, particularly regarding the impact of financial incentives on decision-making and risk management. The collapse of Storm Financial serves as a compelling case study, illustrating how a lack of ethical oversight can result in devastating consequences for investors who experience significant financial loss, thereby compromising their emotional and social well-being (Bruhn et al., 2019). Furthermore, the complexity of credit assessment processes contributes to the ethical dilemmas encountered by borrowers, as they often require a high degree of financial literacy, placing them at a disadvantage against more informed market participants (Martin et al., 2021). This information asymmetry not only undermines trust in financial institutions but also exacerbates the risks associated with self-sufficiency in retirement planning. Therefore, a robust ethical framework must guide the actions of private market participants to foster transparency and to protect consumer rights within the financial landscape.

E. The influence of competition on risk-taking behaviour

Competition significantly influences risk-taking behaviour among financial market participants, particularly in the context of regulatory frameworks. As market actors strive for a competitive edge, the temptation to adopt high-risk strategies often increases, particularly when financial incentives are substantially

linked to short-term performance indicators. The proliferation of products like interest-only mortgages exemplifies this trend, where lenders may opt for offerings that maximise profit despite the associated financial risks (Wrangles et al., 2023). In such a landscape, the role of regulators such as ASIC becomes crucial to mediate these risks effectively. However, ASIC's reliance on responsive regulation and negotiation over coercive measures raises critical concerns about its efficacy in curbing excessive risk-taking behaviours (O'Brien et al., 2022). The interplay between competitive pressures and regulatory responses highlights the necessity for a balanced approach to mitigate financial risks while promoting a robust competitive environment.

IV. Financial Risks Associated with Incentives

The interplay between financial incentives and the emergence of financial risks is particularly evident in the realm of mortgage products, especially in the context of Australia's housing market. Financial incentives, such as those incentives embedded in interest-only mortgages, create an environment where borrowers can engage in speculative behaviour, potentially exacerbating financial instability. This form of behaviour is particularly problematic as these products allow consumers to defer principal payments, thereby amplifying the likelihood of default during adverse economic conditions, increasing systemic risk across the economy (Wrangles et al., 2023). Moreover, the lack of stringent regulatory frameworks, such as those frameworks overseen by ASIC, fails adequately to address the complexities of these financial instruments. This regulatory shortcoming undermines transparency in capital markets; consequently, as observed in the Strategic Reporting framework studies, improved quality of disclosures can significantly mitigate these risks by fostering credibility and reducing managerial opacity in financial reporting (Wang et al., 2023). There is a need for regulatory reforms to align financial incentives with sustainable economic practices.

A. Types of financial risks generated by incentives

Incentives play a pivotal role in shaping financial behaviour, yet they simultaneously generate various financial risks that can disrupt market stability. One significant risk is moral hazard, where individuals or institutions may engage in riskier behaviour, believing they are insulated from potential losses due to the incentive structures in place. For instance, excessive reliance on performance-based bonuses can lead financial managers to prioritise short-term gains over long-term sustainability, resulting in detrimental practices that jeopardise financial health. Additionally, the emergence of regulatory sandboxes, as highlighted by research into innovation facilitators, reflects a shift towards enabling opportunity-based regulation aimed at fostering financial innovation while managing associated risks (Alaassar A et al., 2022). This regulatory evolution underscores the necessity for a balanced approach, ensuring that incentives do not encourage behaviours that undermine market integrity. The

interplay between incentives and risk necessitates vigilant oversight from regulatory bodies such as ASIC to safeguard against systemic vulnerabilities (Nguyen DK et al., 2022, p. 517-548).

B. Analysis of systemic risks in financial markets

Systemic risks in financial markets are exacerbated by the interplay between financial incentives and regulatory frameworks, necessitating a critical examination of how these factors influence market stability. Private market participants often gravitate towards high-yield investment opportunities, which can lead to excessive risk-taking and the potential for widespread financial instability. This propensity for risk is particularly evident in sectors like affordable housing, where strategic planning and investment analysis are crucial for ensuring project viability, yet often overshadowed by the attraction of quick profits. As highlighted by (Alizadeh P, 2024, p. 1-5), without adequate governmental support to mitigate risks and promote sustainable investments, the likelihood of systemic failures increases. Furthermore, as demonstrated in the findings of (Adewale A et al., 2024), the integration of robust regulatory mechanisms by agencies such as ASIC is essential both to incentivise prudent financial practices and to safeguard against the adverse effects of unregulated market behaviour. A balanced approach to financial incentives is vital for fostering resilience in financial markets.

C. The role of leverage in amplifying financial risks

Leverage serves as a twofold position in financial markets, significantly amplifying both potential gains and inherent risks. When private market participants utilise leverage, they borrow capital to increase their investment exposure; this practice can lead to disproportionate losses if market conditions shift unfavourably. The Australian financial landscape illustrates this phenomenon, particularly in the context of interest-only mortgages, which have garnered criticism for facilitating excessive risk-taking among borrowers (Wrangles et al., 2023). The case of Storm Financial further underscores how reliance on leverage can precipitate profound financial distress, eroding trust among stakeholders and exacerbating individual vulnerabilities (Bruhn et al., 2019). These scenarios reveal a critical need for regulatory frameworks, such as those frameworks established by ASIC, to address the systematic risks introduced by leverage in financial products. By scrutinising these instruments, regulators can more adequately safeguard against the exacerbation of financial crises stemming from mismanaged leverage in the pursuit of profit.

D. Consequences of misaligned incentives on market integrity

In examining the consequences of misaligned incentives on market integrity, it becomes evident that these disparities can lead to significant financial risks and undermine public trust in market mechanisms. When private market participants

prioritise short-term gains over long-term stability, as observed in regulatory environments influenced by incentive structures, the result is often an erosion of ethical standards and compliance. This notion is further emphasised by the Australian venture capital landscape, where incentives such as tax breaks for early-stage investors can inadvertently promote a culture of risk-taking that neglects due diligence in favour of immediate profit (Graw et al., 2019). Such misalignments evoke concerns regarding the legitimacy of market-based regulation, which, if left unchecked, may establish a system prioritising technocratic expertise over democratic accountability (Attenborough et al., 2020). The systemic integrity of financial markets hinges on aligning incentives that promote sustainable practices with regulatory frameworks that ensure accountability.

E. Historical examples of financial crises linked to incentives

Financial crises often stem from structural incentives embedded within market frameworks, which can lead to risky behaviour among financial participants. A pertinent historical example is the influx of interest-only mortgage products in Australia, which enabled borrowers to prioritise short-term affordability over long-term sustainability, contributing to inflated housing prices and systemic financial risks (Wrangles et al., 2023). This phenomenon highlights how poorly designed financial incentives can create a precarious economic environment, where risk underestimation becomes prevalent among both lenders and borrowers. Additionally, the adoption of International Financial Reporting Standards (IFRS) did not enhance the accounting quality in Australia during the financial crisis, primarily due to the already robust domestic regulations in place (Alappatt et al., 2020). The interplay of these dynamic market incentives with regulatory frameworks, such as those governed by ASIC, underscores the necessity for vigilant policy intervention to mitigate emerging financial risks linked to these incentives.

V. ASIC Regulatory Settings and Their Effectiveness

The effectiveness of ASIC regulatory settings becomes increasingly relevant when analysing their interplay with financial incentives that create risks in the market. As private market participants navigate regulatory frameworks, the capacity for these settings to adapt to dynamic market conditions is important for mitigating financial instability. For example, changes observed in the Ukrainian financial market highlighted an urgent regulatory response due to a 152% decline in profitability and a substantial increase in non-performing loans, underscoring the need for adaptive regulation during crises (Kononova I et al., 2025). Similarly, the emergence of cryptocurrencies has raised significant concerns, necessitating a regulatory framework that addresses the complexities of energy-intensive versus eco-friendly investments. Establishing clear guidelines for sustainable financial products is essential not only for stability but also for supporting market participants in making

strategic investment decisions, which points to the critical role of ASIC in fostering a resilient financial environment (Mnif E et al., 2025).

A. Overview of ASIC's regulatory framework

ASIC has a critical role in regulating financial markets, ensuring the integrity and transparency necessary to safeguard consumer interests. The agency's framework encompasses a range of measures aimed at addressing financial misconduct, particularly focusing on issues such as conflicted remuneration and compliance shortcomings that have historically tarnished the reputation of financial advisers. ASIC's efforts include mandating heightened standards of disclosure and imposing a fiduciary duty on financial advisers, which aligns with global trends toward more rigorous regulatory environments in countries such as the United States and the United Kingdom (Cull et al., 2020). Additionally, ASIC has embraced innovative regulatory tools like the regulatory sandbox, allowing for a controlled environment where financial technology can be tested while minimising systemic risks (Alaassar et al., 2021). The evolving regulatory landscape points toward a more proactive approach to managing financial risks grounded both in consumer protection and in market innovation.

B. Assessment of ASIC's approach to managing financial risks

ASIC's approach to managing financial risks has garnered considerable attention, particularly in relation to its regulatory environment, which directly influences private market participants. ASIC aims to foster market integrity and protect investors through robust regulatory frameworks that enhance transparency and accountability. However, critiques have surfaced regarding the efficacy of these measures in mitigating inherent financial risks, especially as they pertain to incentives that drive market behaviour. For example, ASIC's frameworks necessitate a delicate balance between promoting investment attractiveness and ensuring responsible risk management. This duality reflects challenges similar to those challenges in the European Union context, where regulatory clarity is pivotal for reducing investment risks, as discussed in (S Luchkovska, 2025). Furthermore, linking policy incentives to effective risk management strategies, as highlighted in (Okeke NI et al., 2024), could bolster ASIC's regulatory settings and enhance the overall resilience of Australia's financial landscape.

C. Critiques of ASIC's regulatory effectiveness

Critiques of ASIC's regulatory effectiveness often highlight the difficulties in keeping pace with rapid financial innovations, particularly with the rise of FinTech. As financial technologies reshape traditional banking practices, ASIC confronts increasing pressure to ensure comprehensive regulatory frameworks that

safeguard against the inherent risks these advancements present, including operational and cyber risks (Jović et al., 2022). Furthermore, the commission's response to issues such as conflicted remuneration and corporate misconduct has been scrutinised, with many arguing that ASIC has not effectively curbed unethical practices in the financial advising sector (Cull et al., 2020). This perceived inadequacy suggests that ASIC's regulatory settings may be misaligned with the dynamic nature of the market, therefore raising questions about ASIC's capacity to enable a financial environment that is both innovative and secure. As financial incentives drive market behaviour, a more robust and adaptable regulatory framework is essential for mitigating the emerging risks associated with evolving financial landscapes.

D. Comparison of ASIC's regulations with international standards

In examining the regulatory landscape of ASIC in comparison to international standards, it becomes clear that key differences and similarities exist, influencing the management of financial risks associated with private market participants. ASIC's regulations, focused on enhancing transparency and accountability, align with global best practices aimed at protecting consumers and maintaining market integrity. As noted in (Cull et al., 2020), various countries have implemented unique regulatory frameworks that prioritise aspects such as fiduciary duties and remuneration structures, which reflects a broader ambition to establish trust in financial advisory services. By assessing the educational and regulatory requirements across nations, including these differentiations, and recognising the significant and important progress made by ASIC, the ongoing evolution of international standards necessitates a collaborative approach to harmonise regulatory efforts. This interplay between ASIC's regulations and international norms has a crucial role in mitigating financial risks and reinforcing the appropriateness of ASIC's regulatory settings.

E. Recommendations for improving ASIC's regulatory settings

To enhance ASIC's regulatory settings, a multi-faceted approach is essential, particularly considering the prevalent financial incentives that often prioritise institutional interest over client interests. Improving transparency in financial advice is crucial, as existing business models frequently lead to practices that disregard consumer welfare, resulting in conflicts of interest that compromise the quality of advice provided to clients (Richards, D W et al., 2023). Furthermore, implementing stricter oversight mechanisms aligned with OECD guidelines can facilitate a more effective regulatory framework that incentivises accountability among financial advisers and market participants (OECD, 2023). By focusing on best interest practices that genuinely prioritise consumer needs, ASIC can mitigate systemic risks inherent in the current financial landscape. Ultimately, revising regulatory settings to create a culture of integrity and compliance will

reinforce trust in financial markets and ensure that consumer protection remains paramount in the provision of financial services.

VI. Conclusion

The interplay between financial incentives and the management of financial risks underscores the critical role of appropriate regulatory settings, particularly those settings established by ASIC. As private market participants navigate the complex landscape of investment opportunities, the potential for substantial risks, exacerbated by misaligned incentives, becomes evident. Regulatory frameworks must adapt to these dynamics to ensure market stability and to protect consumers. The successful implementation of strategic planning and investment analysis in affordable housing projects illustrates how tailored financial incentives can drive positive outcomes while addressing systemic challenges (Adewale A et al., 2024). A balanced approach combining financial innovation with stringent regulatory oversight is essential for creating sustainable market practices.

A. Summary of key findings

The examination of financial incentives within private market participation reveals significant implications for regulatory frameworks, particularly those activities overseen by ASIC. Central to the findings is the observation that conflicted remuneration structures have historically undermined the financial advisory profession, as evidenced by practices that erode consumer trust and result in detrimental financial outcomes for clients (Cull et al., 2020). Furthermore, the case study of Storm Financial illustrates the severe impacts of financial loss on individual well-being, highlighting not only the economic consequences but also the emotional and social ramifications that accompany such experiences (Bruhn et al., 2019). These insights underscore the critical need for reforms in regulation and education to restore integrity and professionalism within the financial advising sector.

B. Reflection on the interplay between incentives and risks

The relationship between financial incentives and the associated risks presents a complex landscape for regulatory bodies such as ASIC, particularly as private market participants navigate profit motives alongside ethical considerations. Financial incentives can drive innovation and competition, leading to improved market efficiencies; however, they may also encourage behaviours that prioritise short-term gains over long-term stability, ultimately undermining consumer trust and industry integrity. For example, as noted, “conflicted remuneration, corporate collapse, lack of disclosure and a range of unethical practices have served to undermine the reputation of financial advisers” (Cull et al., 2020). This form of conduct highlights the need for stringent regulatory frameworks that not only demand transparency but also align incentives with ethical conduct. Moreover, with the advent of financial technologies, firms encounter new

operational risks, compelling them to adjust their risk management approaches, as rapid innovations can precipitate unforeseen vulnerabilities within the financial landscape (Jović et al., 2022). Striking a balance between fostering innovation and mitigating risks remains a pivotal challenge in the regulation of financial markets.

C. Importance of effective regulation in mitigating risks

Effective regulation is paramount for mitigating financial risks, particularly in environments characterised by complex financial instruments and behaviours driven by private market participants. As financial institutions engage in practices influenced by incentives that may lead to adverse outcomes, regulatory frameworks have a critical role in safeguarding both the economy and consumers. For instance, public interest theories of regulation underscore the necessity for governmental oversight to prevent systemic risks and ensure transparency, as highlighted in the frameworks governing Islamic finance where Sharia compliance intersects with modern risk management strategies (Faisal A et al., 2019). Additionally, the stipulation of fiduciary responsibilities for financial advisors, which is gaining attention and application globally, serves to align adviser incentives with the interests of clients and enhance accountability (Cull et al., 2020). Such regulatory measures are essential not only for maintaining financial stability but also for reconstructing the public's trust in financial institutions amidst a history of unethical practices and market failures.

D. Future implications for private market participants

As private market participants navigate an increasingly complex financial landscape, the implications of evolving regulatory frameworks and financial incentives are profound. The recent examination of the Australian financial advice sector highlights the risk that certain business models prioritise institutional interests over the best interests of clients, which not only undermines trust but also exacerbates financial risks for all stakeholders involved (David W Richards et al., 2023). Furthermore, regulatory bodies such as ASIC must adapt their approaches to ensure that financial incentives align with genuine risk management and ethical practices. The OECD Corporate Governance Factbook emphasises the importance of good corporate governance, outlining how jurisdictions can enhance market structures through transparency and accountability (OECD, 2023). Consequently, private market participants must remain vigilant, adapting their practices in response to changing regulations and societal expectations, ultimately creating a more resilient financial system that prioritises stability, sustainability, and ethical investment practices.

E. The balance between incentives and regulation

The ongoing interplay between incentives and regulation is critical in shaping the landscape of the financial sector, particularly when considering the balance

necessary to mitigate financial risks. Incentives often motivate market participants to pursue aggressive strategies, potentially leading to precarious situations, as evidenced by historical conduct that calls into question the integrity of financial advice (Cull et al., 2020). However, regulatory frameworks, such as those frameworks established by ASIC, serve as necessary counterbalances designed to curtail excesses while fostering an environment conducive to innovation within the financial services industry. By adapting to emerging financial instruments regulatory bodies can safeguard consumer interests without stifling evolution in financial practices. The ongoing challenge resides in crafting regulation that effectively aligns market incentives with ethical financial behaviour, ensuring both stability and growth while protecting consumers from adverse outcomes inherent in the pursuit of profit.

References

- S Luchkovska. (2025). Financial and legal provision of investment activities under EU legislation. *Uzhhorod National University Herald. Series: Law*, doi: <https://www.semanticscholar.org/paper/684520c0eb228e61c4830c781d21ecc0ebafefc1>
- Okeke NI, Bakare OA, Achumie GO. (2024). Integrating policy incentives and risk management for effective green finance in emerging markets. *International Journal of Frontiers in Science and Technology Research*, doi: <https://www.semanticscholar.org/paper/aaadc5f885a25390adf40169a3b397b30b26d5d6>
- Onyshko S, Chaplygin O. (2024). FINANCIAL TOOLS FOR PROMOTING PRIVATE INVESTMENTS IN RENEWABLE ENERGY. *Intellect XXI*, doi: <https://www.semanticscholar.org/paper/483b8c17d5149a9b859890e8f0acfc4ec14842fc>
- Alizadeh P. (2024). Public Policies to Unlock Private Investment in Green Energy Projects (The Case of Iran as a Resource-Rich Country). 2024 9th International Conference on Technology and Energy Management (ICTEM), 1-5. doi: <https://www.semanticscholar.org/paper/c6221832d58a5fb186d8990099fd60341c30b113>
- Adewale A, Akinsulire AA, Okwandu AC, Iwuanyanwu O. (2024). Strategic planning and investment analysis for affordable housing: Enhancing viability and growth. *Magna Scientia Advanced Research and Reviews*, doi: <https://www.semanticscholar.org/paper/63827dd9c513579713cb563650d2a91590e87303>
- Kononova I, Baranov A, Aksyonova O, Anzin R. (2025). Financial Market Regulation and Monetary Policy on Financial Stress Management in the National Economy. *Economics Ecology Socium*, doi: <https://www.semanticscholar.org/paper/ef66f4f082b0ff0989ccb734699d4fcd70d1dc0d>
- Mnif E, Zghidi N, Jarboui A. (2025). Evaluating the effectiveness of green bonds and clean cryptocurrencies as hedging tools in volatile financial environments. *Management of Environmental Quality: An International Journal*, doi: <https://www.semanticscholar.org/paper/2ba141307a12f66031376647e265a2324b1a5c57>
- Nguyen DK, Sermpinis G, Stasinakis C. (2022). Big data, artificial intelligence and machine learning: A transformative symbiosis in favour of financial technology. *European Financial Management*, Volume (29), 517-548, 517-548. doi: <https://doi.org/10.1111/eufm.12365>
- Alaassar A, Anne-Mention L, Helge T. (2022). Facilitating innovation in FinTech: a review and research agenda. *Review of Managerial Science*, Volume (17), 33-66, 33-66. doi: <https://doi.org/10.1007/s11846-022-00531-x>
- OECD (2023), *OECD Corporate Governance Factbook 2023*, OECD Publishing, Paris, <https://doi.org/10.1787/6d912314-en>.
- Wang T-C, Vincent M Wang, Vega-Corredor MC, Hoermann S, Watkins A, Tomintz M, Vega-Corredor MC, et al. (2022). Telehealth and Telemedicine - The Far-Reaching Medicine for Everyone and Everywhere. *Biomedical engineering*, doi: <https://doi.org/10.5772/intechopen.100663>

- Bruhn, Grant A. (2019). What happens when it all goes wrong? A study into the impacts of personal financial shocks. doi: <https://core.ac.uk/download/188039513.pdf>
- Martin, Monica. (2021). An Improved Model for Assessing the Viability of Small developers During Lending Applications. Curtin University, doi: <https://core.ac.uk/download/534131568.pdf>
- Cull, Michelle (R12261), Kavalamthara, Peter J (R20133), Skultety, Csilla (R19889). (2020). Financial Planning Education and Regulatory Requirements: A Cross Country Comparison between Australia, Canada, United Kingdom and United States of America. Penrith, N.S.W., Western Sydney University, doi: <https://core.ac.uk/download/351838256.pdf>
- Jović, Željko, Nikolić, Ivan. (2022). The Darker Side of Fintech: the Emergence of New Risks. 'Walter de Gruyter GmbH', doi: <https://core.ac.uk/download/548243727.pdf>
- Alaassar, Ahmad. (2021). A Phenomenon-driven Exploration of Regulatory Sandboxes in FinTech Entrepreneurial Ecosystems. 'Springer Science and Business Media LLC', doi: <https://core.ac.uk/download/478072124.pdf>
- Wang, Ruizhe. (2023). Economic Consequences of an Enhanced Corporate Reporting Framework: The UK's move to Strategic Reporting. The University of Sydney Business School, doi: <https://core.ac.uk/download/565916960.pdf>
- Do, Anh, Gengatharen, Denise, Gengatharen, Rasiah, Powell, et al. (2023). The relationship between responsible financial behaviours and financial wellbeing: The case of buy-now-pay-later. Edith Cowan University, Research Online, Perth, Western Australia, doi: <https://core.ac.uk/download/576837326.pdf>
- Wrangles, Paul S. (2023). Risky business: A Minskyan analysis of the development of interest-only mortgage lending in Australia. Faculty of Arts and Social Sciences, School of Social and Political Sciences, doi: <https://core.ac.uk/download/590715617.pdf>
- Faisalal A, Yudi. (2019). Fatwa shopping as modernising Islamic finance law. 'American Psychological Association (APA)', doi: <https://core.ac.uk/download/351834553.pdf>
- Cude, Brenda J, Logue, Kyle, Schwarcz, Daniel. (2023). The Value of Understandable Consumer Insurance Contracts. Scholarship Repository, doi: <https://core.ac.uk/download/621640165.pdf>
- Favoretto, Daniel. (2024). Conflict of interests in high-tech investment advisory. EIZ Publishing, doi: <https://core.ac.uk/download/611957059.pdf>
- Graw, Stephen. (2019). Using taxation to encourage innovation: the Australian experiments. Tax Research Network, doi: <https://core.ac.uk/download/303790542.pdf>
- Attenborough D,. (2020). The Political Legitimacy of Company Law and Regulation. 'Reykjavik University School of Law', doi: <https://core.ac.uk/download/578095563.pdf>
- Kaur K, Dr.. (2024). International Trade and Finance, Part 3. Conestoga Open Learning, doi: <https://core.ac.uk/download/641572465.pdf>
- Oso OB, Alli OI A, Babarinde, Ibeh AI. (2025). Blended Financing Models for Healthcare Development: Unlocking Capital for Sustainable Infrastructure in Frontier Markets.

International Journal of Management and Organizational Research, doi:

<https://www.semanticscholar.org/paper/38cb4245ce60870bfefb6a2a66b739f35b49174b>

André Demarco E. (2024). Innovation in self-regulatory organisations in the Brazilian capital markets: The BSM Market Supervision case. Journal of Securities Operations & Custody, doi:

<https://www.semanticscholar.org/paper/9b7a5426f27483c876f68dc1bd3abab6cf2e6e4b>

O'Brien, Justin P. (2022). Where Regulation Ends: Enforceable Undertakings, the Australian Securities and Investments Commission and the Perils of Unresponsiveness. The University of Sydney Business School, doi: <https://core.ac.uk/download/559247639.pdf>

Alappatt, Mathew T. (2020). Impact of Adoption of International Financial Reporting Standards and Financial Crisis on Accounting Quality of Australian Listed Companies. Curtin University, doi: <https://core.ac.uk/download/343477092.pdf>

Даніїл Петренко. (2024). ПЕРСПЕКТИВИ ПРИЄДНАННЯ УКРАЇНСЬКИХ СПОТОВИХ РИНКІВ ЕЛЕКТРИЧНОЇ ЕНЕРГІЇ ДО MARKET COUPLING. Herald of Khmelnytskyi National University. Economic sciences, doi:

<https://www.semanticscholar.org/paper/e04df006b7faa0189e005e6183a2c8d5311403e1>

Favoretto D. (2024). Conflict of interests in high-tech investment advisory. doi:

<https://doi.org/10.36862/eiz-ng004>

József Györkös, Blonder R, Delouis A, Javornik J, Petridis K. (2023). ATHENA Research Book, Volume 2. University of Maribor, University Press eBooks, doi:

<https://doi.org/10.18690/um.4.2023>

Richards, David W, Morton, E. (2023). Conceptualizing financial advice in Australia. Financial Services Review, Volume (28), 133-158, 133-158. doi:

<https://doi.org/10.61190/fsr.v28i2.3421>

Bellaj B, Ouaddah A E, Bertin, Noël Crespi, Mezrioui A. (2024). Drawing the Boundaries Between Blockchain and Blockchain-Like Systems: A Comprehensive Survey on Distributed Ledger Technologies. Proceedings of the IEEE, Volume (112), 247-299, 247-299. doi:

<https://doi.org/10.1109/jproc.2024.3386257>

Hussein Z, Salama M, Sahar A El-Rahman. (2023). Evolution of blockchain consensus algorithms: a review on the latest milestones of blockchain consensus algorithms. Cybersecurity, Volume (6), doi: <https://doi.org/10.1186/s42400-023-00163-y>

Appendix 11

Question 11

What is the size of current and likely future exposures of retail investors to private markets?

I. Introduction to Private Markets and Retail Investor Exposures in Australia

The increasing complexity of private markets in Australia necessitates a comprehensive understanding of retail investor exposures, particularly as these markets grow in significance within the broader financial landscape. Retail investors, traditionally more risk-averse, encounter heightened financial risks when engaging with private market investments, which often include unlisted equities, venture capital, and real estate. As the Reserve Bank of Australia (RBA) notes, the demand for alternative investments is partly driven by a protracted low-interest rate environment, pushing investors to seek higher returns that private markets can potentially offer. However, this pursuit comes with inherent challenges, such as limited liquidity and transparency. Moreover, the regulatory frameworks, especially those frameworks governing financial products including interest-only mortgages, play a crucial role in shaping the risk landscape (Wrangles et al., 2023). Future exposures of retail investors are increasingly influenced by these dynamics, underscoring the need for enhanced regulatory oversight to mitigate emerging risks.

II. Current Investment Amounts in Private Markets by Retail Investors

Understanding the current investment amounts in private markets by retail investors is important for analysing their financial behaviour and future exposure in Australia. Recent data from the Reserve Bank of Australia indicates a significant upward trend in retail participation in private equity and other alternative assets, reflecting a growing appetite for diversification beyond traditional investments. Notably, this shift can be attributed to increasing financial literacy among consumers, as many are becoming aware of the potential returns that private markets offer. However, as highlighted by a study on the comprehensibility of insurance contracts, there remains a pivotal gap in consumers' understanding of complex investment products, which can hinder informed decision-making in private markets (Cude et al., 2023). Additionally, the regulatory framework surrounding compulsory superannuation points to the necessity of effective communication strategies to ensure that retail investors fully engage with their investment opportunities and comprehend the associated risks (Clinton et al., 2023).

III. Future Projections of Retail Investor Exposures to Private Markets

As retail investors increasingly seek diversification beyond traditional assets, their exposure to private markets is set to expand significantly. This growth is largely driven

by innovative investment vehicles and platforms that facilitate access to private equity and real estate, traditionally reserved for institutional investors. The RBA and Australian ASIC most appropriately highlight that these trends have been, and are, magnified by a low-interest-rate environment, prompting investors to explore alternatives with potentially higher returns. Furthermore, the integration of advanced technologies in investment platforms provides enhanced risk assessment and user engagement, which can demystify complex private market investments for retail participants. These advancements parallel the insurance sectors approach to modelling emerging risks, illustrating a broader trend of adapting to contemporary challenges within investment systems (Lockman et al., 2023). The interplay of market forces and technological innovation is poised to reshape future retail investor landscapes in Australia (Adamu et al., 2023).

IV. Regulatory Implications and Market Dynamics Affecting Retail Investors

The regulatory landscape in Australia significantly influences retail investors, particularly as they navigate exposure to private markets. As highlighted by recent examinations of housing market dynamics, the prevalence of risk-laden mortgage products, such as interest-only mortgages, underscores the need for a more comprehensive regulatory framework that addresses financial instability (Wrangles et al., 2023). Such regulatory implications extend beyond traditional mortgage markets, as the emergence of non-traditional investments reshape investment landscapes. Retail investors inadvertently find themselves exposed to risks, prompting a necessity for regulatory bodies to enhance transparency and risk assessment protocols. Understanding these dynamics not only informs investment strategies but also highlights the critical role that regulation has in shaping the future of retail investor engagement in Australia's evolving private markets.

V. Conclusion

The likely future exposures of retail investors to private markets in Australia reveals significant financial implications and inherent risks necessitating careful consideration. As outlined by the Reserve Bank of Australia and ASIC, the movement toward private market investments reflects a broader trend of diversification among retail investors seeking higher returns amid low-interest rates. However, this shift also carries substantial risks, particularly those risks related to the accessibility and complexity of private investment products. The growing popularity of interest-only mortgage products further exacerbates these risks, facilitating greater speculation within the housing market, as highlighted in (Wrangles et al., 2023).

References

Adamu, Zulfikar, Cheung, Clara, Chi, Wen N, Jin, et al. (2023). A systematic review of digitalisation adoptions in construction safety education and training. doi:

<https://core.ac.uk/download/616673186.pdf>

Cude, Brenda J, Logue, Kyle, Schwarcz, Daniel. (2023). The Value of Understandable Consumer Insurance Contracts. Scholarship Repository, doi:

<https://core.ac.uk/download/621640165.pdf>

Clinton, Teresa. (2023). Superannuation in Australia: a mixed methods study into engagement of superannuants. 'Federation University Australia', doi:

<https://core.ac.uk/download/591749319.pdf>

Wrangles, Paul S. (2023). Risky business: A Minskyan analysis of the development of interest-only mortgage lending in Australia. Faculty of Arts and Social Sciences, School of Social and Political Sciences, doi: <https://core.ac.uk/download/590715617.pdf>

Appendix 12

Question 12

What additional benefits and risks arise from retail investor participation in private markets?

I. Introduction

The resurgence of retail investor participation in private markets has sparked significant debate among financial analysts and regulators regarding its implications. This shift, exemplified by events like the GameStop trading frenzy, underscores a transformation in capital market dynamics, where retail investors increasingly challenge the traditional dominance of institutional players. Critics often express concern over the potential risks associated with this democratisation of investing, including the need for greater protection for retail investors navigating complex market landscapes (Fisch et al., 2022). However, it is essential also to recognise the benefits that retail participation introduces, such as enhanced market inclusivity and the potential for increased corporate accountability. As retail investors engage with innovative financial products, understanding the delicate balance between their benefits and the inherent risks will be vital for fostering a sustainable investment system (CANO et al., 2024).

A. Definition of retail investors and private markets

The definition of retail investors is essential to understanding their participation within private markets, particularly as new policy changes iterate the landscape. Retail investors, typically individual investors who buy and sell securities for personal accounts rather than for others, have garnered increased interest due to an evolving investment climate that prioritises accessibility. The emergence of commission-free trading and app-based platforms has democratised access to capital markets, allowing retail investors to engage more actively. However, the potential risks of such participation must also be acknowledged, as highlighted by recent regulatory discussions aimed at enhancing investor protections while navigating the complexities of private market investments. In this context, updated regulations addressing the exemption framework and fiduciary responsibilities reflect an effort to integrate retail participants within the expanding system of private capital while ensuring their interests are safeguarded (Alon-Beck et al., 2020). There is a requirement to balance the benefits inherent in retail investment engagement with the risks posed by inadequate information disclosure and market volatility (Fisch et al., 2022).

B. Overview of the growing trend of retail investor participation

The increasing participation of retail investors within capital markets marks a significant shift that has garnered both enthusiasm and concern among financial regulators and market analysts. This trend, highlighted by events such as the GameStop trading frenzy, illustrates the impact of technology and social media in democratising access to investing, enabling individuals to engage directly with the markets (Fisch et al., 2022). Although this participation fosters a sense of ownership and accountability among retail investors, such participation raises questions about the associated risks, particularly regarding the potential for uninformed trading decisions and market volatility. Furthermore, current regulatory frameworks are adapting to accommodate the influx of retail investors, as evidenced by Securities and Exchange Commission (SEC) rules aimed at facilitating capital formation while balancing investor protections ((Alon-Beck et al., 2020)). The growing involvement of retail investors presents unique opportunities for innovation and engagement in private markets, but it simultaneously underscores the necessity for effective consumer education and regulatory oversight to mitigate inherent risks.

C. Purpose and significance of analysing benefits and risks

The analysis of benefits and risks associated with retail investor participation in private markets is crucial for a comprehensive understanding of the evolving financial landscape. As retail investors increasingly engage with these markets, it becomes essential to explore both the advantages, such as increased access to diverse investment opportunities and enhanced portfolio diversification, and the potential risks, including susceptibility to misinformation and emotional decision-making. The impact of social media on investment choices exemplifies this duality; while it facilitates immediate access to financial insights, it can also propagate misinformation and herd behaviour, undermining rational investment strategies (Agrawal R et al., 2025). This critical evaluation encourages investors to be vigilant and discerning, ensuring that their decision-making processes are informed by a blend of social media insights and traditional financial analysis. Recognizing these dynamics creates more informed participation, reducing potential pitfalls in the pursuit of investment gains (Agrawal R et al., 2025).

II. Benefits of Retail Investor Participation

The resurgence of retail investor participation in private markets heralds significant benefits, particularly in the democratisation of capital access and the enhancement of market accountability. As evidenced by the GameStop trading frenzy, retail investors are increasingly engaging with markets historically dominated by institutional players, fostering a new form of citizen capitalism that aligns individual interests with broader economic productivity (Fisch et al., 2022). This participation not only empowers ordinary citizens but also challenges the monopoly of institutional

intermediaries, potentially leading to more responsive corporate governance. Furthermore, the growth of innovative financial technologies facilitates an informed retail investor base, enhancing financial literacy and market engagement (CANO et al., 2024). As retail investors become more involved, they contribute to a more robust and diverse marketplace, prompting companies to prioritise stakeholder interests and thereby enabling a more ethical investment environment that aligns with societal values.

A. Increased access to diverse investment opportunities

The recent surge in retail investor participation has significantly broadened access to diverse investment opportunities, particularly within private markets, which were once primarily dominated by institutional players. Innovations such as app-based trading platforms and social media have democratised investment strategies, enabling individuals to engage actively with capital markets. This transformation can potentially enhance economic growth by linking everyday investors to emerging businesses, providing for a sense of individual ownership and accountability in the corporate sphere. However, the phenomenon is not without concerns; critics argue that greater access may expose retail investors to substantial risks, particularly without adequate regulatory safeguards. Notably, investment strategies centered on Environmental, Social, and Governance (ESG) criteria illustrate the disconnect between retail demand and available opportunities, underscoring the need for a balanced approach in creating inclusive investment practices that align supply with the evolving investor landscape (Fisch et al., 2022) (Roux et al., 2023).

B. Potential for higher returns compared to traditional markets

The potential for higher returns in private markets presents a compelling incentive for retail investors seeking alternatives to traditional investment avenues. Although conventional equity markets are often governed by established institutions, private markets, which include venture capital and private equity, offer opportunities for significant growth and superior returns, albeit accompanied by increased risks. Emerging green finance instruments, such as green bonds, illustrate this promise by mobilising capital for sustainable projects with potentially higher yields, despite their nascent market maturity and associated challenges (CANO et al., 2024). The transformative possibilities of retail investor participation are underscored by events like the GameStop trading frenzy, which not only democratised access to capital markets but also showcased how retail investors can drive significant market movements (Fisch et al., 2022). Although the allure of greater returns is evident, investors must carefully navigate the complexities and inherent risks of engaging in these dynamic private market environments.

C. Enhanced market liquidity through broader participation

The increasing participation of retail investors in private markets has contributed significantly to enhanced market liquidity, a phenomenon underscored by advancements in technology and social media. This democratisation of capital markets allows individual investors, traditionally sidelined, to engage more actively, thereby increasing trading volumes and price efficiency. The GameStop trading surge exemplifies how collective retail action can disrupt established market patterns, creating volatility that both highlights risks and underscores the potential for greater liquidity (Fisch et al., 2022). The dynamic nature of retail trading encourages a diverse range of market participants, diluting the concentration of power held by institutional investors, and fostering an environment in which information flows more readily among investors (Chiu H-Y et al., 2021). However, while broader participation can stabilise markets through increased liquidity, it also necessitates a critical examination of the risks involved, including market manipulation and uninformed investment decisions, ensuring that the benefits do not come at the cost of financial stability.

III. Risks Associated with Retail Investor Participation

The resurgence of retail investor participation in private markets, while democratising access and fostering citizen capitalism, is fraught with significant risks that warrant scrutiny. A notable concern is the potential for uninformed investment decisions, as evidenced by the GameStop trading frenzy, which illustrated how hype-driven trading can lead to substantial financial losses for inexperienced investors, raising the need for effective regulatory measures to promote informed participation (Fisch et al., 2022). Additionally, the nascent nature of certain financial markets, such as green finance instruments, presents inherent volatility and liquidity risks. The lack of standardisation and transparency in defining investments can confuse retail investors, further complicating their decision-making and increasing susceptibility to loss (CANO et al., 2024). As such, without appropriate education on market dynamics and risks, retail investors may inadvertently engage in activities that undermine their financial well-being, highlighting the necessity for robust frameworks to enhance investor literacy and protection.

A. Lack of transparency in private market investments

The lack of transparency in private market investments poses significant challenges that can adversely affect retail investors' participation. Unlike public markets, where information is readily accessible, private investments often suffer from opaque structures and insufficient data disclosure, making it difficult for individuals to assess risks accurately. This issue is exacerbated by the presence of high costs for verification and certification, coupled with the absence of standardised criteria, as highlighted in (CANO et al., 2024). Additionally, the complexities surrounding impact measurement confound investor decision-making and trust. Furthermore, while the recent surge of retail investor activity, as

observed during the GameStop trading frenzy, showcases a shift towards more democratised market participation, it also raises questions regarding the preparedness of investors in navigating such opaque environments (Fisch et al., 2022). Ultimately, creating enhanced transparency and regulatory frameworks is critical to ensure that retail investors can confidently engage with private markets without disproportionate risks.

B. Higher susceptibility to fraud and scams

As retail investors increasingly venture into private markets, their higher susceptibility to fraud and scams becomes a significant concern. With limited access to robust regulatory mechanisms and information asymmetry prevalent in these markets, inexperienced investors may find themselves targets of deceptive schemes. The rise of digital currencies has amplified this issue, with research highlighting 29 distinct types of cryptocurrency fraud, including Ponzi schemes and pump-and-dump tactics, that exploit novice investors (Akartuna et al., 2022). Furthermore, the aftermath of financial crises, such as the Global Financial Crisis, reveals how regulatory frameworks can lag in adequately protecting consumers, leaving them vulnerable to evolving threats ((Jacoby et al., 2019)). Without proper consumer education and regulatory oversight, retail investors may not only encounter financial losses but also undermine the broader integrity of private market participation. Acknowledging and addressing these risks is important for fostering a more secure investment environment.

C. Limited regulatory protections for retail investors

The limited regulatory protections for retail investors profoundly shape their participation in private markets, raising critical questions about both benefits and risks. Historically, in the United States, the Securities Act of 1933 established a framework aimed at safeguarding investors; however, recent legislative changes and regulatory exemptions have eroded these protections significantly, with the Securities and Exchange Commission (SEC) and the United States Congress encouraging a shift towards less regulated avenues such as Special Purpose Acquisition Companies (SPACs) mergers and direct listings (Seligman et al., 2022). This decline in oversight not only weakens the safeguards that once restored confidence in the capital markets but also exposes retail investors to heightened risks without adequate remedies. Concurrently, the democratisation of investing, as catalysed by technology and social media, provides new channels for retail participation, yet this environment has created concerns regarding their vulnerability to market volatility and the necessity for informed decision-making (Fisch et al., 2022). Enhancing regulatory frameworks while fostering innovation is essential for empowering retail investors in the evolving landscape of private markets.

IV. Impact on Market Dynamics

The entry of retail investors into private markets significantly alters market dynamics, presenting both opportunities and challenges. By democratising access to investment opportunities, retail participation fosters increased engagement from a broader demographic, potentially invigorating market activity and bolstering liquidity. This shift can diminish the dominance of institutional players, thereby increasing competitive pricing and enhancing transparency in private markets. However, as evidenced by the GameStop trading frenzy, the influx of retail investors raises legitimate concerns regarding market volatility and the potential for speculative bubbles (Fisch et al., 2022). Moreover, the nascent state of green finance, characterised by high certification costs and inconsistent regulations, complicates the landscape further, as retail investors may lack the necessary knowledge to navigate these intricacies safely (CANO et al., 2024). As such, while retail engagement can enhance market dynamism, it is imperative to strike a balance between encouraging participation and ensuring investor education and protection.

A. Influence of retail investors on pricing and valuation

The participation of retail investors in private markets significantly impacts pricing and valuation dynamics, often leading to deviations from traditional valuation principles upheld by institutional investors. Retail investors typically exhibit a behaviour driven by sentiment and market speculation, thus leading to inflated valuations during periods of heightened enthusiasm. This trend mirrors findings in other sectors, such as the assessment of food systems, where the valuation of impacts necessitates robust participation and cooperation among various actors to achieve transparency and accuracy (Czarnecki et al., 2018). Furthermore, the emergence of retail involvement in private equity, particularly through leveraged buyouts, underscores the importance of understanding value drivers unique to such investments (Hernández et al., 2024). However, this involvement introduces risks, such as mispricing assets due to emotional biases rather than fundamental analysis, which can destabilise market equilibrium and ultimately undermine trust in the valuation process.

B. Changes in investment strategies among institutional investors

The evolution of investment strategies among institutional investors has been substantially influenced by the rising participation of retail investors in private markets, prompting a re-evaluation of traditional approaches. Historically dominated by large institutions, the capital landscape has witnessed shifts toward models that embrace increased transparency and adaptability, largely in response to the demands of retail investors seeking direct engagement. As the GameStop trading saga illustrated, retail investors can disrupt market norms, spurring institutional players to consider more democratised investment practices (Fisch et al., 2022). This recalibration also highlights a growing awareness of Environmental, Social, and Governance (ESG) factors as key

considerations for institutional investors, reflecting a shift in strategy shaped by the motivations and ethical concerns of retail participants (Olander et al., 2024). Consequently, the institutional focus has transitioned from merely maximising financial returns to balancing risk with stakeholder interests, showcasing the transformative impact of retail participation in shaping investment landscapes.

C. Potential for increased volatility in private markets

The increasing participation of retail investors in private markets has the potential to elevate market volatility significantly. Retail investors, empowered by technology and social media platforms, can create sudden and unpredictable price movements, as evidenced by incidents such as the GameStop trading frenzy, which raised concerns about the stability of capital markets dominated by institutional players (Fisch et al., 2022). Moreover, the inherent illiquidity of private markets exacerbates these fluctuations, as transactions can be infrequent and heavily influenced by the emotional decisions of a less experienced investor base (CANO et al., 2024). Consequently, while retail participation can democratise access to investment opportunities, it simultaneously poses substantial risks of increased volatility, particularly if these investors react disproportionately to market trends or misinformation. The potential benefits must be weighed against these volatility risks to ensure a balanced approach to retail investment in private markets.

V. Conclusion

The participation of retail investors in private markets presents a twofold dynamic characterised both by significant benefits and by inherent risks. Retail investors, motivated by technological advancements such as app-based trading platforms, can democratise access to capital markets, thereby increasing engagement and accountability of businesses to broader societal interests. This potential for citizen capitalism is contrasted by concerns over informed decision-making, as highlighted by the GameStop phenomenon, where irrational investing behaviour raised concerns about the volatility introduced by uninformed entrants (Fisch et al., 2022). Furthermore, as observed in the realm of green finance, the lack of market maturity and standardisation can deter retail participation due to perceived complexities and risks associated with emerging products (CANO et al., 2024). Consequently, fostering a regulatory environment that enhances investor education, oversight, and encourages informed participation could mitigate risks while maximizing the advantages of retail investor involvement in private markets.

A. Summary of key benefits and risks

The participation of retail investors in private markets presents both considerable benefits and notable risks that warrant careful examination. One significant benefit is the democratisation of investment opportunities, allowing broader access to high-growth potential ventures previously exclusive to institutional

players. This expanded access can lead to increased capital flow into innovative startups, thereby fostering economic growth and job creation. However, the risks associated with this participation are substantial; many retail investors lack the necessary expertise to navigate the complexities of private market investments, leading to potential financial losses. Key challenges include market maturity and illiquidity, together with high certification costs and a lack of standardisation in investment criteria, as highlighted by issues in green finance (CANO et al., 2024). Moreover, regulatory inconsistencies and the potential for heightened market volatility further complicate investor engagement, emphasizing the need for enhanced regulation and education to mitigate these risks (Gabor et al., 2021).

B. Implications for future retail investor participation

The increasing engagement of retail investors in private markets presents both promising opportunities and significant challenges for the investment landscape. As witnessed during events like the GameStop trading frenzy, retail investment can catalyse democratisation of financial markets, empowering individuals to play a substantial role within capital markets, thereby contributing to a more equitable economy (Fisch et al., 2022). However, this surge in participation necessitates critical attention to the infrastructure that supports it, including the need for enhanced financial literacy to mitigate potential risks associated with uninformed investing. As retail investor activity evolves, it becomes imperative to develop robust regulatory frameworks and educational initiatives that ensure informed, responsible investment practices while fostering an inclusive economic environment.

C. Balancing opportunities and challenges in private markets

In discussing retail investor participation in private markets, it is important to acknowledge the dual nature of opportunities and challenges that arise. While retail investors can access unique investment avenues, enhancing portfolio diversification and potential returns, they must also navigate significant risks associated with lack of regulation and due diligence. As noted in recent literature, understanding these dynamics requires a balanced perspective that considers both the benefits of community engagement and the ethical implications of investment decisions (Shneor, R et al. (Eds), 2020). Furthermore, effective business and policy models can mitigate some inherent challenges, such as limited incentives and cost recoverability, thereby fostering a more sustainable investment environment in private markets. This dual exploration highlights that the successful integration of retail investors not only involves capitalising on emerging opportunities but also addressing operational hurdles that could inhibit participation and lead to adverse financial outcomes (Warren et al., 2019).

References

- Fisch, Jill E. (2022). GameStop and the Reemergence of the Retail Investor. Penn Law: Legal Scholarship Repository, doi: <https://core.ac.uk/download/519804459.pdf>
- Cano, Michel, (2024). Green Finance instruments: Challenges and Risks. doi: <https://core.ac.uk/download/636340412.pdf>
- Seligman, Joel, Tuch, Andrew F. (2022). The Further Erosion of Investor Protection: Expanded Exemptions, SPAC Mergers, and Direct Listings. Washington University Open Scholarship, doi: <https://core.ac.uk/download/567727279.pdf>
- Alon-Beck, Anat. (2020). Alternative Venture Capital: The New Unicorn Investors. Case Western Reserve University School of Law Scholarly Commons, doi: <https://core.ac.uk/download/423918007.pdf>
- Gabor, Evan S, Greene, Edward F, Kang, Mijin J, Katharani-Khan, et al. (2021). The Need for a Comprehensive Approach to Capital Markets Regulation. 'Columbia University Libraries/Information Services', doi: <https://core.ac.uk/download/532861799.pdf>
- Shneor, R, Zhao, Liang, Flaten, Bjorn-Tore. (2020). Advances in Crowdfunding: Research and Practice. Springer International Publishing AG, doi: <https://core.ac.uk/download/617170552.pdf>
- Warren P, (2019). Business and policy models to incentivise utilities to engage with demand-side management. 'American Institute of Mathematical Sciences (AIMS)', doi: <https://core.ac.uk/download/323201882.pdf>
- Akartuna EA, Davies T, Hetzel FJ, Johnson, et al. (2022). Cryptocurrencies and future financial crime. doi: <https://core.ac.uk/download/519716817.pdf>
- Jacoby, Melissa B. (2019). Consumer Protection after a Global Financial Crisis. Carolina Law Scholarship Repository, doi: <https://core.ac.uk/download/289248228.pdf>
- Chiu H-Y, Iris. (2021). Social Disruptions in Securities Markets - What Regulatory Response Do We Need? UR Scholarship Repository, doi: <https://core.ac.uk/download/639306458.pdf>
- Roux, Andre. (2023). Coproduction inside the investment nexus; a retail investor perspective of demand and supply of responsible investment opportunities in South Africa. Faculty of Commerce, doi: <https://core.ac.uk/download/590323455.pdf>
- Olander, Mia. (2024). Understanding Retail Investor Behaviour in Sustainable Investing. doi: <https://core.ac.uk/download/638718782.pdf>
- Czarnezki, Jason J. (2018). Life Cycle Costing and Food Systems: Concepts, Trends, and Challenges of Impact Valuation. DigitalCommons@Pace, doi: <https://core.ac.uk/download/212892719.pdf>
- Hernández, Miguel. (2024). How Private Equity Funds create value through LBOs: a case study analysis of Golden Goose's buyout by Permira. Universitat Politècnica de Catalunya, doi: <https://core.ac.uk/download/638746844.pdf>

Agrawal R, Mishra S, Mathur P and Arora S. (2025). A STUDY OF THE IMPACT OF SOCIAL MEDIA ON PERSONAL INVESTMENTS. Uphills Publishers LLC, United States, doi: <https://core.ac.uk/download/640070689.pdf>

Appendix 13

Question 13

Do current financial services laws provide sufficient protections for retail investors investing in private assets? (for example, general licensee obligations, design and distribution obligations, disclosure obligations, prohibitions against misleading or deceptive conduct, and superannuation trustee obligations).

I. Introduction

The landscape of financial services regulation in Australia presents a complex interplay of laws designed to protect retail investors, particularly in the realm of private assets. As retail investment options expand, evaluating the adequacy of current protections becomes increasingly critical. Key components under scrutiny include general licensee obligations, which ensure that financial service providers adhere to standards of integrity and competency, and design and distribution obligations that mandate a focus on consumer needs. Transparency through disclosure obligations aims to empower investors, while prohibitions against misleading or deceptive conduct are pivotal in maintaining market integrity. Additionally, superannuation trustee obligations are intended to stand as a safeguard for retirement savings, although their effectiveness can vary. As research highlights the necessity for comprehensible consumer contracts in financial services, it raises essential questions about the sufficiency of existing legal frameworks in creating investor confidence and protecting their interests (Cude et al., 2023), (Marano, P, 2022).

A. Overview of financial services laws in Australia

The landscape of financial services laws in Australia is shaped by a variety of regulatory frameworks aimed at protecting retail investors. Among these frameworks, general licensee obligations are foundational, mandating financial service providers to act in the best interests of their clients. Additionally, design and distribution obligations focus on ensuring that financial products are suitable for their intended audiences, enhancing investor protection. Disclosure obligations require transparency, compelling providers to furnish investors with sufficient information to make informed decisions. Moreover, the prohibitions against misleading or deceptive conduct serve to safeguard consumers from fraudulent practices, while superannuation trustee obligations reinforce fiduciary duties towards members' interests. Nevertheless, the interplay of these regulations raises questions about their effectiveness. As noted in discussions around the comprehension of insurance policies, the challenge persists in ensuring that investors fully understand their rights and protections, thus highlighting the need for continuous evaluation and reform of these laws (Cude et al., 2023) (Marano, P, 2022).

B. Importance of protecting retail investors

The protection of retail investors is crucial in creating a fair and an equitable financial market, especially given their often-limited knowledge and experience compared to institutional investors. Retail investors rely heavily on the integrity of financial services laws to safeguard their interests when engaging with complex private assets. Current regulations, including general licensee obligations and design and distribution mandates, are designed to ensure clarity and transparency in investment products. However, the efficacy of these protections is often undermined by insufficient disclosure and the prevalence of misleading practices, which can leave retail investors vulnerable to significant financial losses. As highlighted in discussions surrounding insurance law, the comprehension of contractual terms is essential for consumer protection; thus, enhancing this clarity within the financial services sector is paramount (Cude et al., 2023). Furthermore, the intersection of corporate governance and investor protections needs to be adeptly managed to uphold the integrity of the financial markets.

C. Evaluation of the adequacy of current laws in safeguarding retail investors in private assets.

The effectiveness of current financial services laws in protecting retail investors in private assets hinges significantly on the enforcement of design and distribution obligations. These requirements compel financial service providers to ensure that their products are targeted toward appropriate consumer segments, thereby aiming to mitigate the risks faced by less savvy investors. However, despite these regulations, the complexity inherent in private asset investments, including appropriate and justifiable unlisted asset valuation methods, often dilutes their intended protective effects. Investors may still encounter insufficient clarity regarding risk exposure and potential returns, leading to misguided decisions. Furthermore, the pervasive issue of misleading or deceptive conduct can undermine the integrity of retail investment environments, exacerbated by a lack of robust oversight mechanisms. The analysis of global frameworks, such as the analysis provided in (Gregory S Rowland et al., 2021), highlights the need for stringent compliance measures, while reports contrasting local conditions with international efforts in sustainable finance, such as (Edwards DM et al., 2019), reinforced the necessity for Australia to bolster its regulatory landscape to enhance investor protections.

II. General Licensee Obligations

In examining the efficacy of general licensee obligations within the context of Australian financial services laws, it becomes evident that these obligations have a pivotal role in enhancing protections for retail investors. Licensees are mandated to

act in the best interests of their clients, ensuring that financial advice is not only suitable but also aligned with their clients' objectives and risk profiles. This duty extends to comprehensive due diligence of financial products, particularly those related to private assets, which can present unique risks and complexities for retail investors. Additionally, the regulatory framework emphasises the importance of transparent disclosure of relevant information, which further empowers investors to make informed decisions (Financial System Inquiry Australia, 1997). However, despite these provisions, challenges remain regarding the consistent enforcement of these obligations, and the potential for conflicts of interest continues to undermine their effectiveness, requiring ongoing scrutiny and reform to enhance investor protections.

A. Definition and purpose of general licensee obligations

General licensee obligations serve as foundational elements in the regulatory framework governing financial services, aimed explicitly at protecting retail investors from potential malpractices. These obligations require licensees to act honestly, transparently, and in the best interests of their clients, thereby creating a fair market environment. By mandating compliance with specific conduct standards, general licensee obligations directly contribute to the reduction of misleading and deceptive practices, which can jeopardise investor trust and market integrity. Furthermore, they complement design and distribution obligations, enhancing the suitability of financial products for retail investors. Although these obligations have made significant progress in promoting investor protection, their efficacy remains contingent upon robust enforcement mechanisms and ongoing regulatory oversight. The interplay between these various obligations highlights the necessity for a cohesive framework that not only ensures clarity in consumer contracts but also addresses systemic risks inherent in financial markets (Cude, B et al., 2023) (Tumusiime, T, 2021).

B. Assessment of compliance and enforcement mechanisms

An effective assessment of compliance and enforcement mechanisms is critical to ensuring that current financial services laws in Australia provide adequate protections for retail investors in private assets. The implementation of general licensee obligations and design and distribution obligations have a pivotal role in safeguarding investor interests. These frameworks require licensees to act in the best interests of their clients and ensure that financial products are designed with the target market in mind, consequently mitigating risks related to unsuitable investment advice. Furthermore, the incorporation of disclosure obligations calls for transparency, enabling investors to make informed decisions. However, the efficacy of these mechanisms is undermined when enforcement against misleading or deceptive conduct is limited, as evidenced by ongoing challenges in holding financial entities accountable for malfeasance (Ervin et al., 2023). A comprehensive review and enhancement of enforcement strategies are

necessary to bolster investor protections amidst evolving financial landscapes (Chak et al., 2024).

C. Impact on retail investor protection in private asset investments

The landscape of retail investor protection in private asset investments is critically shaped by existing financial services laws in Australia, particularly through the lens of disclosure obligations. These regulations mandate that retail investors are provided with clear and comprehensible information regarding the risks and terms associated with private asset investments. However, the complexity and specialisation inherent in these financial products often hinder investors' understanding, exacerbating the risk of inappropriate investment. This behaviour is revealed in studies which highlight that consumers frequently struggle to comprehend their investment terms, revealing significant gaps in effective communication within the financial services sector (Cude et al., 2023). Furthermore, as various legal cultures converge in the examination of regulatory frameworks, it becomes evident that aligning these obligations with investors' needs is paramount for enhancing protection (Marano, P et al (Eds), 2022). Therefore, while the current laws offer a foundation, they require ongoing refinement to ensure that retail investors are adequately safeguarded in an increasingly complex market.

III. Design and Distribution Obligations

Design and Distribution Obligations (DDOs) represent a pivotal regulatory framework intended to enhance the protection of retail investors in Australia, particularly when they engage with private assets. By mandating that financial products be designed with the target markets' needs in mind, DDOs seek to ensure that investors are not misled about the suitability of products offered to them. This requirement is particularly important with private assets, where the risk of complexity and potential for misrepresentation are significantly heightened compared to more straightforward investment vehicles. However, while DDOs provide a structured approach to aligning products with investor demographics, their effectiveness is contingent upon strict enforcement and adherence by financial service providers. Without adequate compliance monitoring and robust penalties for violations, as indicated by the increasing concerns surrounding misleading conduct in the sector, the potential for investor protection remains compromised, invoking scepticism regarding the overall sufficiency of existing financial services laws in Australia (ADB, 2022).

A. Explanation of design and distribution obligations

In the context of Australia's financial services laws, design and distribution obligations (DDOs) serve as critical frameworks intended to ensure that financial products are effectively tailored to meet the needs of retail investors, particularly for those engaging with private assets. The DDOs mandate that issuers and distributors undertake thorough assessments to ascertain that their offerings

align with the target markets characteristics, which in theory should mitigate the risks of investors acquiring unsuitable products. However, the effectiveness of these obligations can be undermined by insufficient reporting requirements and vague enforcement mechanisms, as highlighted in discussions surrounding regulatory designs in similar contexts, such as modern slavery reporting laws (Cude et al., 2023). Furthermore, the DDOs do not operate in isolation; they intersect with general licensee obligations and disclosure mandates, which collectively challenge financial institutions to uphold ethical standards and consumer protections (Fourie et al., 2021). Although DDOs represent a helpful advancement, their practical efficacy necessitates scrutiny and potential regulatory enhancement.

B. Analysis of effectiveness in targeting retail investor needs

The effectiveness of current financial services laws in Australia in targeting retail investor needs can be critically assessed through their foundational principles concerning transparency and accountability. One significant aspect is the design and distribution obligations, which are intended to ensure financial products are suited to the target market's needs, thereby promoting informed investment choices. The Product Disclosure Statement (PDS) development reflects this intent, which emphasises clarity regarding risks and benefits associated with investment products. However, the existence of misleading or deceptive conduct undermines these provisions, suggesting a gap in enforcement that leaves retail investors vulnerable. Furthermore, while contributions from diverse legal frameworks enrich the understanding of insurance and corporate law intersections, the focus remains on ensuring that retail investors receive adequate protections in private asset investments, as demonstrated in the discussions of (Marano P et al., 2022). These factors collectively underscore the complexities in achieving effective regulatory protections for retail investors.

C. Challenges faced in implementation and adherence

The implementation and adherence to financial services laws in Australia encounter significant challenges that undermine the protection of retail investors in private assets. One of the critical issues is the complexity of the regulatory framework, which includes diverse obligations such as general licensee responsibilities, design and distribution obligations, and disclosure mandates. This complexity can lead to misunderstandings among financial service providers, resulting in unintentional non-compliance. Furthermore, the efficacy of prohibitions against misleading or deceptive conduct often depends on the robustness of enforcement mechanisms, which may not always be adequately applied. In an evolving financial landscape, the need for a dedicated regulatory agency focused on consumer protection is evident, as the current Twin Peaks model may lack the necessary oversight for safeguarding retail investors effectively (Pamela F Hanrahan, 2019).

IV. Disclosure Obligations and Prohibitions Against Misleading or Deceptive Conduct

The critical landscape of disclosure obligations and prohibitions against misleading or deceptive conduct serves as a cornerstone in the regulatory framework designed to protect retail investors in Australia, particularly in the realm of private assets. These obligations require financial service providers to furnish clear and comprehensive information, thereby fostering an environment of transparency that is essential for informed investment decisions. The historical context underscores a consistent attempt to mitigate unethical practices that have tarnished the reputation of financial advisers, highlighting the importance of robust regulatory interventions (Cull et al., 2020). Furthermore, the interplay between disclosure requirements and the prohibition of misleading conduct reinforces a fiduciary responsibility owed by financial advisers to their clients. This regulatory rigor aligns with international trends aimed at elevating financial planning to a recognised profession, ensuring that retail investors are shielded against exploitative behaviours and inadequately disclosed risks in private asset investments (Newell et al., 2020).

A. Overview of disclosure obligations for financial products

In the landscape of financial services in Australia, disclosure obligations play a pivotal role in safeguarding retail investors. These obligations require financial products to provide clear, concise, and relevant information, thereby empowering investors to make informed decisions. The Product Disclosure Statement (PDS), for example, serves as a critical instrument, summarising vital aspects of investment products, including structure, strategy, and inherent risks, as outlined in the PDS by Equity Trustees Limited. This approach ensures transparency, allowing investors to grasp the implications of their choices. However, despite these frameworks, the Hayne Royal Commission revealed systemic issues, such as misconduct and conflicts of interest, that undermine the effectiveness of disclosure (Black, A 2020). The challenge lies in reconciling rigorous disclosure with the realities of complex financial products, ensuring that such information not only exists but is also comprehensible and accessible to retail investors amidst a rapidly evolving market landscape.

B. Examination of the role of prohibitions against misleading conduct

The prohibitions against misleading conduct in Australian financial services law have a critical role in safeguarding retail investors, particularly in the complex realm of private assets. These legal frameworks are designed to ensure transparency and ethical behaviour within the financial advisory industry, reducing the potential for deceptive practices that previously adversely impacted the sector's reputation (Cull et al., 2020). By holding financial advisers accountable for misleading statements, these prohibitions aim to foster trust and

to encourage informed decision-making among clients. Moreover, as evidenced by ongoing regulatory reforms, effective compliance with these obligations is crucial for elevating the professionalism of financial advice (Cude et al., 2023). However, the practical efficacy of these measures remains contingent upon rigorous enforcement and a commitment from financial institutions to prioritise consumer protection. Although the prohibitions against misleading conduct are vital, their effectiveness depends on a comprehensive regulatory approach that encompasses education, compliance, and accountability within the financial services industry.

C. Evaluation of the effectiveness of these obligations in protecting investors

The effectiveness of current financial services laws in Australia hinges significantly on the interplay between various obligations designed to protect retail investors. General licensee obligations and design and distribution obligations aim to ensure that financial products are tailored to the needs of the target audience, promoting transparency and accountability among providers. However, their implementation confronts challenges, particularly regarding compliance and enforcement. Disclosure obligations are particularly crucial as they are intended to equip investors with essential information to make informed decisions; yet, as highlighted in existing literature, many consumers struggle to comprehend insurance contracts effectively, which undermines these protections (Cude et al., 2023). Furthermore, superannuation trustee obligations require fiduciary responsibility, reinforcing the expectation that trustees prioritise beneficiaries' interests, thus aligning with a modern approach to investor protection that, among many other factors, incorporates a fundamental duty of care to have accurate valuations of assets (Klineberg et al., 2024). These obligations form a robust framework; however, their efficacy is contingent upon rigorous enforcement and ongoing reform to address existing limitations, particularly as applied to unlisted asset valuations.

V. Conclusion

Although current financial services laws in Australia establish a framework intended to protect retail investors, significant gaps remain, particularly in the context of private assets. The efficacy of general licensee obligations and design and distribution obligations often falls short, as evidenced by the lack of engagement and accessibility in Product Disclosure Statements, which, despite regulatory changes, continue inadequately to inform, for example, superannuation members about fees and costs (Ma K, 2022). Furthermore, the existing prohibition against misleading or deceptive conduct does not sufficiently deter malpractice within a system that prioritizes regulatory objectives over consumer protection (Pamela F Hanrahan, 2019). As the landscape of financial services evolves, the necessity for a more robust

consumer protection agency becomes apparent, advocating for an expanded regulatory architecture that genuinely prioritises the interests of retail investors while enhancing oversight and ensuring compliance.

A. Summary of key findings regarding investor protections

The review of current investor protections within Australia's financial services framework reveals both strengths and weaknesses that significantly impact retail investors in private assets. Observations indicate that while general licensee obligations and design and distribution obligations serve to mitigate risks for investors, their efficacy can be undermined by insufficient enforcement and varying interpretations across jurisdictions. The disclosure obligations provide a foundation for transparency; however, many investors still struggle to comprehend the complex financial products with which they engage, as illustrated by studies on consumer insurance contracts that highlight the difficulties individuals encounter in understanding terms and coverage (Cude et al., 2023). Furthermore, the prohibitions against misleading or deceptive conduct and superannuation trustee obligations add layers of protection yet often fall short in addressing consumer or stakeholder needs effectively, as suggested by comparative analyses that explore legal intersections in Australia and other jurisdictions (Marona, P, 2022). Although foundational protections exist, they must evolve to ensure adequate safeguarding of retail investors.

B. Recommendations for improving financial services laws

In evaluating the current financial services laws in Australia, several recommendations emerge to enhance the protection of retail investors in private assets. One fundamental improvement is the integration of a human rights-based approach within superannuation regulations, ensuring compliance with both fiduciary duties and broader human rights standards, as highlighted in (Klineberg et al., 2024). This approach not only addresses growing legal and regulatory risks but also aligns the interests of superannuation trustees with ethical considerations that resonate with consumers. Furthermore, enhancing the comprehensibility of financial products through clearer disclosure obligations can generate greater consumer understanding and empowerment, similar to the recommendations made in the context of insurance contracts in (Cude et al., 2023). By prioritising transparency and ethical governance, these measures could significantly increase investor confidence and ultimately lead to a more robust framework that adequately protects retail investors in the dynamic landscape of private asset investments.

C. The future of retail investor protections in Australia

As Australia navigates the complexities of retail investor protections, it becomes increasingly vital to assess the effectiveness of existing financial services laws in a rapidly evolving market. The efficacy of general licensee obligations, design and

distribution requirements, and disclosure duties will likely come under scrutiny as new financial products, particularly in private assets, emerge. These laws must adapt to protect investors from potential exploitation, especially in sectors characterised by opacity and high risk. Moreover, prohibitions against misleading or deceptive conduct are essential to preserving trust in the financial system. Future regulatory reforms should focus not only on compliance mechanisms but also on fostering a culture of transparency and accountability among financial providers. The ongoing development of frameworks, as highlighted in recent discussions around the U.S. public cryptocurrency funds (Gregory, S et al., 2021) and anti-money laundering challenges (Joel M Cohen, J M et al. (Eds), 2021), stresses the need for a proactive approach to ensure that retail investors are shielded from undue risks in an increasingly complex investment landscape.

References

- Cude, Brenda J, Logue, Kyle, Schwarcz, Daniel. (2023). The Value of Understandable Consumer Insurance Contracts. Scholarship Repository, doi: <https://core.ac.uk/download/621640165.pdf>
- Cull, Michelle (R12261), Kavalamthara, Peter J (R20133), Skultety, Csilla (R19889). (2020). Financial Planning Education and Regulatory Requirements: A Cross Country Comparison between Australia, Canada, United Kingdom and United States of America. Penrith, N.S.W., Western Sydney University, doi: <https://core.ac.uk/download/351838256.pdf>
- Newell, Lauren A. (2020). High Crimes: Liability for Directors of Retail Marijuana Corporations. DigitalCommons@ONU, doi: <https://core.ac.uk/download/478599270.pdf>
- Marano, P, Noussia, K, (Eds) (2022). The Governance of Insurance Undertakings Corporate Law and Insurance Regulation. 'Springer Science and Business Media LLC', doi: <https://core.ac.uk/download/520259907.pdf>
- Fourie, Jaco. (2021). Regulating modern slavery in global supply chains: exploring the design and effectiveness of national legislation. UNSW, Sydney, doi: <https://unsworks.unsw.edu.au/bitstreams/53844e3f-64a8-4bef-9c6b-959549a2e4ef/download>
- Tumusiime, T R, (2021). Assessment of national and international legal frameworks for ensuring socio-economic resilience and environmental protection in Uganda's petroleum industry. doi: <https://core.ac.uk/download/491366535.pdf>
- OECD (2022), Global Forum on Transparency and Exchange of Information for Tax Purposes: Cook Islands 2022 (Second Round, Phase 1): OECD Publishing, Paris, <https://doi.org/10.1787/3474f433-en>.
- Pamela F Hanrahan. (2019). Twin peaks after Hayne: tensions and trade-offs in regulatory architecture. Law and Financial Markets Review, Volume (13), 124-130, 124-130. doi: <https://doi.org/10.1080/17521440.2019.1622849>
- Ma K. (2022). Superannuation member disengagement and fund efficiency: the impact of the fees and costs section in superannuation fund product disclosure statements. doi: <https://doi.org/10.5204/thesis.eprints.235045>
- ADB, (2022). A Comparative Analysis of Tax Administration in Asia and the Pacific. doi: <https://doi.org/10.22617/tcs220183>
- Klineberg, April. (2024). A Human Rights-Based Approach to Superannuation. The University of Sydney Law School, doi: <https://core.ac.uk/download/613952044.pdf>
- Ervine, Craig. (2023). Business Law and Ethics Canadian Edition. Centre of Leadership Learning and Academic Excellence, Loyalist College, doi: <https://core.ac.uk/download/622361377.pdf>
- Chak, Clement CW. (2024). Comprehensive anti-tax haven legislation for Australia and New Zealand: international comparative studies and reform. doi: <https://core.ac.uk/download/640021048.pdf>

Gregory S Rowland, Trevor I Kiviat. (2021). Public Investment Funds 2021. Global Legal Group Ltd., Volume (Fourth Edition), doi: <https://www.iclg.com/practice-areas/public-investment-funds>

Joel M Cohen & Stephanie L Brooker (Editors C). (2021). Anti-Money Laundering 2021. Global Legal Group Limited, Volume (Fourth Edition), doi: www.iclg.com

Edwards DM, Kelly DS, Klettner DA, Brown DP. (2019). Unlocking Australia's Sustainable Finance Potential. University of Technology Sydney, doi: <https://isf.uts.edu.au/>

Lincoln Indicators. (2023). Lincoln U.S. Growth Fund Hedged Product Disclosure Statement. Equity Trustees Limited, doi: <https://www.eqt.com.au/~media/equitytrustees/files/instofunds/lincoln/lincoln-us-growth-fund-hedged-pds.pdf>

Black A. (2025). Misconduct in Banking and Financial Services: Some aspects of the Hayne Royal Commission. doi: https://supremecourt.nsw.gov.au/documents/Publications/Speeches/2020-Speeches/Black_2020.pdf

Financial System Inquiry (Australia). (1997) doi: http://books.google.com/books?id=NYSaAAAAIAAJ&dq=current+financial+services+laws+Australia+retail+investors+protections+general+licensee+obligations+efficacy+design+distribution+disclosure+misleading+conduct+superannuation+trustee+obligations&hl=&source=gbp_api

Appendix 14

Question 14

What additional transparency measures relating to any aspect of public or private markets would be desirable to support market integrity and better inform investors and regulators?

I. Introduction

In an increasingly globalised economy, ensuring market integrity remains paramount for fostering investor confidence. The complex interplay between regulatory frameworks and financial practices encourages the need for more robust transparency measures in Australia, particularly considering persistent challenges in investor information dissemination. As markets evolve, the demand for clearer communication and ethical standards intensifies, underscoring the need for frameworks that prioritise the interests of all stakeholders. A comprehensive understanding of these measures is vital for reinforcing a resilient investment climate that upholds the principles of fairness and equity in market operations.

A. Definition of market integrity and its importance

A vigorous marketplace operates on the foundational principle of market integrity, which encompasses the fairness, transparency, and ethical behaviour of participants engaged in trading and investment activities. This concept is vital as it cultivates investor confidence, ensuring that all market participants operate on an equal and verifiable basis, thereby promoting equitable opportunities for investment. Market integrity becomes even more essential in the Australian context, where regulatory frameworks must adapt to evolving market dynamics and investor expectations. As highlighted in recent analyses, integrity measures are crucial to prevent malpractices that could undermine the financial systems credibility and stability, emphasizing the importance of proactive oversight and effective compliance regimes (Hoekstra et al., 2022). Maintaining market integrity necessitates a concerted effort not only from regulatory bodies but also from individual organisations, which must define and adhere to consistent ethical standards to reinforce trust in the market (Duong et al., 2024).

B. Overview of current transparency measures in Australia

Australia's financial landscape operates under a range of existing transparency measures directed toward maintaining and reinforcing market integrity and safeguarding investor interests. These measures include comprehensive disclosure requirements mandated by the Corporations Act 2001, which compels listed companies to provide timely and accurate financial information to the market. Furthermore, ASIC has a crucial role in enforcing compliance and maintaining oversight. However, while these regulatory frameworks promote transparency, the effectiveness of such measures can be compromised by the

quality of information disclosed. For instance, studies indicate that insufficiently detailed non-financial reporting can lead to increased due diligence costs for investors, who often have challenges with, for example, greenwashing concerns, ultimately necessitating more stringent regulations for clarity and accountability (Babic et al., 2022). As this environment continues to evolve, enhanced transparency is essential to bridge existing gaps and to improve investor confidence in the Australian market (Ding et al., 2023).

C. Purpose and significance of enhancing transparency for investor information

The integrity of financial markets fundamentally relies on the transparency of information available to investors. By enhancing transparency measures, regulatory bodies can promote an environment in which investors feel informed and confident in their decision-making processes. Programs aimed at increasing investor awareness have shown significant promise in encouraging market participation and confidence, as evidenced by initiatives similar to those proposals outlined by the Securities and Exchange Board of India (SEBI) in their approach to investor education (Hayat et al., 2024). Moreover, the empirical evidence surrounding insider trading indicates that, while insiders possess non-public information, their trades can contribute to market efficiency when appropriately regulated; this underscores the necessity of transparent practices (Kapsocavadis et al., 2021). The promotion and current availability of transparent information not only empowers investors but also fortifies the overall stability of financial markets in Australia, facilitating trust and integrity essential for robust economic growth.

II. Regulatory Framework for Market Transparency

The landscape of market regulation necessitates a robust framework that guarantees transparency, ultimately fostering trust among investors and promoting market integrity. In Australia, mechanisms such as the Corporations Act and ongoing reforms initiated by ASIC serve as foundational elements of this regulatory architecture. These frameworks mandate timely and accurate disclosure of financial information, safeguarding against deceptive practices that could undermine investor confidence. Furthermore, the implementation of stringent reporting requirements encourages corporations to maintain high standards of accountability, as highlighted in recent research correlating disclosure levels with enhanced market performance. A focal point for these regulations is the commitment to improve information transparency, which, as demonstrated, leads to reduced forecast errors in financial analyses. Such an approach not only mitigates risks for investors but also reinforces the overall stability of the financial system, illustrating the critical role of regulatory frameworks in maintaining market integrity.

A. Overview of existing regulations governing market transparency

Within the sphere of market operations, the effectiveness of transparency regulations is paramount for ensuring integrity and maintaining investor confidence. Current frameworks in Australia, such as those established by ASIC and the Australian Stock Exchange (ASX), delineate a robust set of guidelines aimed at enhancing market transparency. These regulations require corporations to disclose relevant financial information, thereby enabling investors to make informed decisions and mitigating potential market manipulation. Despite these efforts, challenges persist regarding the quality and comparability of the disclosed information. For instance, instances of greenwashing and inconsistencies in sustainability reporting create barriers to transparency, as evidenced by studies that highlight investor dissatisfaction with report quality and the need for comprehensive legislation to address these discrepancies (Babic et al., 2022). Consequently, ongoing scrutiny and enhancement of these regulations are essential to cultivate a transparent and trustworthy market environment.

B. Role of the Australian Securities and Investments Commission (ASIC)

The regulatory environment surrounding financial markets in Australia is fundamentally shaped by ASIC, which has a pivotal role in upholding market integrity and ensuring transparency. ASIC's framework is designed to ensure that companies adhere to stringent continuous disclosure obligations, reinforcing investor confidence. A notable challenge is highlighted by the difficulties encountered by Chinese listed companies in complying with these requirements, which often lead to delistings due to non-compliance (Guo et al., 2022). Furthermore, the historical context of market manipulation in Australia evidences the ongoing need for rigorous oversight, as governments and stock exchanges have historically struggled against deceptive practices (Constable et al., 2022). By addressing these complexities, ASIC not only protects investors but also enhances the overall stability of the financial system, promoting a fair environment where market participants can operate without fear of manipulation or obfuscation.

C. Comparison with international transparency standards

A crucial aspect influencing market integrity in Australia involves aligning domestic practices with prominent international transparency standards. This alignment not only heightens investor confidence but also streamlines cross-border investment processes. For instance, the differences between International Financial Reporting Standards (IFRS) and United States Generally Accepted Accounting Principles (GAAP) highlight significant disparities that could impact the comparability of financial statements, as elucidated in industry studies that explore these variations in detail (Lindahl F et al., 2022). Ensuring that

Australian standards reflect rigorous international benchmarks can substantially mitigate these discrepancies, facilitating a more seamless interpretation of financial data by stakeholders. Moreover, as jurisdictions continue to implement frameworks like Emissions Trading Systems, the iterative design process exemplifies the dynamic nature of transparency measures that evolve to meet international expectations (Partnership ICA et al., 2021). Consequently, Australia's adherence to these standards can enhance its attractiveness as a destination for global investment, bolstering market integrity.

III. Information Disclosure Practices

In the pursuit of enhanced market integrity, companies must navigate complex information disclosure practices that directly influence investor trust and decision-making. When organisations articulate their financial and operational metrics transparently, they mitigate information asymmetries that often plague capital markets, fostering an environment of reliability for stakeholders. The heightened demand for transparent disclosures is particularly pertinent considering regulatory evolutions and stakeholder expectations; investors increasingly favour firms that demonstrate accountability through comprehensive reporting. Furthermore, the assurance of disclosed information, as highlighted in discussions surrounding voluntary disclosures, often enhances the perceived credibility of corporate communications. As such, the relationship between informative disclosure and market perceptions is foundational, as it not only guides investor behaviour but also signals a firm's commitment to ethical governance. This holistic approach toward information disclosure leverages the interplay between transparency and trust, thereby promoting a more robust investment landscape within Australia.

A. Importance of timely and accurate information disclosure

The integrity of financial markets fundamentally relies on the principles of timely and accurate information disclosure. This transparency is essential for maintaining and reinforcing investor confidence and ensuring fair market practices. In Australia, continuous disclosure requirements serve as a cornerstone of this framework, compelling publicly traded companies promptly to convey material information to their shareholders. Such practices are vital in mitigating the risks associated with information asymmetry, where certain market participants may possess advantages over others. Furthermore, the disparity observed in compliance among various companies, particularly in the case of Chinese listings, highlights significant governance challenges (Guo et al., 2022). Successful implementation of disclosure policies not only promotes equitable access to information but also strengthens market dynamics, as timely information allows investors to make informed decisions. A commitment to robust disclosure practices enhances market integrity, cultivating an environment conducive to sustainable economic growth (Beer et al., 2023).

B. Analysis of current disclosure requirements for public companies

The complexities surrounding the disclosure requirements for public companies reflect a critical intersection of governance and market integrity. In Australia, these requirements facilitate investor protection by mandating timely and relevant information dissemination, yet notable challenges persist in their implementation, particularly for foreign entities such as Chinese listed companies. As highlighted in recent analyses, compliance issues often stem from differing regulatory frameworks and governance cultures, which adversely affect transparency and, consequently, market confidence (Guo et al., 2022). Moreover, the concentration of share ownership, as evidenced in studies of Australia's largest publicly listed companies, underscores a potential misalignment between ownership and control, complicating accountability and oversight (Varzaly et al., 2023). To enhance transparency, reforms must address these disparities, creating an environment that not only upholds the principles of market integrity but also ensures that all investors have equitable access to crucial financial information, thereby supporting informed decision-making in the investment landscape.

C. Impact of disclosure practices on investor confidence and market stability

In the quest for market integrity and investor assurance, the role of disclosure practices cannot be overstated. Effective disclosures serve as a foundation for informed decision-making, reducing information asymmetry that often impairs investment judgment and compromises market stability. The evolving landscape of digital communication has further emphasised the necessity for timely and transparent disclosures; stakeholders now demand access to comprehensive information, which concurrently shapes investor sentiment and market dynamics. Notably, the COVID-19 pandemic highlighted the fragility of investor confidence as unexpected external shocks challenged traditional models of market behaviour. Enhanced auditing practices are essential in this discourse, facilitating not only compliance with regulations but also maintaining trust among investors. As organisations refine their disclosure strategies to encompass broader financial narratives, they contribute to a more resilient market system, minimising volatility and reinforcing investor commitment to long-term engagements in the capital markets (Beer et al., 2023) (Nainggolan et al., 2024).

IV. Technology and Transparency

In the contemporary marketplace, the integration of advanced technology has become indispensable for enabling transparency, thereby enhancing market integrity and investor confidence. This transformation is particularly evident in the adoption of sophisticated data analytics and blockchain technologies, which facilitate real-time tracking and verification of financial transactions. By implementing robust disclosure standards and automated reporting mechanisms, organisations can significantly

reduce information asymmetry, allowing investors to make informed decisions. Furthermore, the necessity for accountability extends beyond mere compliance; it demands a proactive approach to establishing benchmarks and regulatory frameworks that ensure the veracity of disclosed information. This assurance is essential as investors increasingly rely on transparent data for pricing assets and assessing risks associated with market volatility. The efficacy of these technology-driven measures is underscored by their role in promoting responsible corporate behaviour and bolstering stakeholder trust, which is paramount for sustaining market efficiency and integrity in Australia.

A. Role of technology in enhancing market transparency

In an era where information asymmetry poses significant challenges to market integrity, technology emerges as a vital mechanism for promoting and facilitating enhanced transparency. By leveraging advanced data analytics and blockchain solutions, financial markets can deliver real-time insights into transaction histories and market behaviours, thereby reducing the opportunity for manipulation. As evidenced by the quantitative analyses from varied sectors, the application of technology in ensuring transparency has produced notable advancements, promoting investor confidence and engagement. For instance, platforms akin to those applications studied in recent blockchain-driven analyses offer investors verifiable information crucial for informed decision-making, which directly influences market performance. Furthermore, trust can be cultivated through technological innovations that address information barriers, as observed in the context of crowdfunding channels that prioritise investor protection (Rhodovi et al., 2021). Integrating modern technologies is essential for safeguarding market integrity and ensuring that investors have access to reliable information.

B. Examination of digital platforms for real-time information sharing

The evolving landscape of financial markets necessitates an examination of digital platforms that facilitate real-time information sharing, a crucial aspect for maintaining market integrity in Australia. These platforms not only democratise access to market data but also enhance transparency, enabling investors to make informed decisions swiftly. The integration of real-time information dissemination mechanisms can significantly mitigate information asymmetries that often impair market efficiency. Furthermore, drawing insights from global discourse on digital finance, it becomes evident that regulatory frameworks must adapt to the unique challenges posed by these technologies. As highlighted in recent scholarly contributions, addressing these complexities requires robust proposals for reform within existing financial services' laws to safeguard investor interests and ensure a fair market equilibrium. This collective understanding underscores the imperative for Australia to reinforce its transparency measures to foster a reliable

investment environment and enhance stakeholder confidence (University for Business and Technology - UBT, 2022).

C. Challenges and opportunities presented by technological advancements

The rapid evolution of technology in recent years has created a dual landscape both of significant challenges and of promising opportunities, particularly within market systems. For example, innovations in digital communication and data analytics can enhance transparency and expedite access to critical investor information, ultimately enhancing market integrity. However, as highlighted in recent academic discourses, such as those emerging from conferences like the UBT Annual International Conference, there is a pressing need to confront the regulatory implications of these advancements to ensure they serve public interests effectively. Furthermore, the discussions at events such as the WMU Maritime Week 2024 underscore that while technological measures can improve operational efficiency and decision-making, they also necessitate stringent regulatory frameworks to mitigate the risks associated with information overload and potential security breaches. Navigating this intricate balance is essential for the stability and trustworthiness of the market.

V. Conclusion

The establishment of rigorous transparency measures within Australia's markets stands as an indispensable foundation for ensuring investor confidence and market integrity. Robust disclosures not only protect investors from potential malpractices but also enhance the overall efficiency of the financial system. Drawing parallels to existing frameworks such as the European insider trading regime, primarily governed by the Market Abuse Regulation (MAR) and the Criminal Sanctions for Market Abuse Directive (MAD 2014), which emphasises market efficiency over alternative considerations, it is crucial for Australia to recalibrate its regulatory approaches to address similar concerns surrounding insider trading and market abuses (Oudin et al., 2024). Furthermore, the safeguarding of legitimate expectations and transparency remains central to investor protection initiatives, echoing the sentiment that a well-defined right to regulate can invigorate market reforms (Holder et al., 2024). Advancing transparency measures is not merely an ethical obligation but a strategic imperative for enhancing Australia's standing as a trustworthy market for domestic and international investors.

A. Summary of key findings on transparency measures

The intricate relationship between regulatory frameworks and market integrity is underscored by the findings of various studies on transparency measures. One significant theme is the rise of compliance and regulatory technology, which emerged as a response to heightened scrutiny following financial crises. This emergence has facilitated a culture of transparency, where increased

surveillance and accountability have become essential in maintaining investor confidence; however, it simultaneously raises tensions as firms navigate the demands of compliance while optimizing their operational capabilities (Currie et al., 2024). Furthermore, effective investment screening processes have a crucial role in ensuring that only responsible investments are permitted within a nation's borders. By assessing potential risks at the early stages of investment assessments, these measures not only guide governmental decision-making but also foster good relationships among stakeholders, thereby contributing to an environment conducive to market integrity (Akwii et al., 2024). As such, these transparency measures are vital for safeguarding investors and optimising outcomes within the Australian market.

B. Recommendations for improving transparency in the Australian market

A robust framework for enhancing market transparency is essential for reinforcing investor trust and market integrity in Australia. One critical area for improvement lies in investor education initiatives, which should actively engage diverse demographics, particularly those individuals who may lack access to financial literacy resources. Implementing targeted educational programs that utilise digital tools can significantly enhance investor awareness and participation in the capital markets. The experiences of regulatory bodies, such as SEBI, underscore the effectiveness of adaptive strategies that tailor content to meet the unique needs of various investor segments (Hayat et al., 2024). Moreover, reinforcing auditor independence through stringent oversight measures and restrictions on non-audit services can further improve or reinforce transparency in financial reporting (Quick et al., 2024). These approaches have the potential to create a more informed investor base and, ultimately, a more resilient and trustworthy market environment in Australia.

C. The future of market integrity and investor information in Australia

In envisioning the trajectory of market integrity and investor information in Australia, it is evident that the emphasis on transparency must evolve to meet the dynamic demands of stakeholders. Future measures should prioritise the enhancement of disclosure practices that transcend surface-level compliance, ensuring they provide substantial, actionable insights for investors. Institutional investors increasingly require more comprehensive non-financial reporting to make informed decisions, exposing substantial gaps in current practices characterised by a lack of transparency and poor quality of reports (Babic et al., 2022). Furthermore, the reliance on high-quality disclosures must not only mitigate risks but also reflect firms' accountability to their investors (Ding et al., 2023). A multifaceted framework that embraces rigorous standards for reporting can engender higher investor confidence, ultimately fostering a more stable market environment. As Australia navigates these complexities, the commitment

to clarity and integrity will be paramount in shaping a resilient investment landscape.

References

- Duong, Chien. (2024). How Naturalness and Sustainability Affect Consumers Decision-Making Processes Toward Food Products? A Multi-Method Consumer Research. Curtin University, doi: <https://core.ac.uk/download/613908557.pdf>
- Hoekstra, Alain. (2022). Integrity management in public organizations: content & design. Erasmus University Rotterdam (EUR), doi: <https://core.ac.uk/download/567464786.pdf>
- Nainggolan, Anny Y, Vichsanzy, Falahariq. (2024). THE IMPACT OF MSCI ESG RATINGS ON STOCK MARKET BETA: A CASE STUDY OF DEVELOPED AND EMERGING MARKETS. Institut Penelitian Matematika, Komputer, Keperawatan, Pendidikan dan Ekonomi (IPM2KPE), doi: <https://core.ac.uk/download/639970900.pdf>
- Rhodovi, Isabel S. (2021). The dependence of successful social crowdfunding on investor trust: research on enhancing factors. doi: <https://core.ac.uk/download/570973187.pdf>
- Holder, Maxron. (2024). Defending Climate Action in Investor-State Dispute Settlement (ISDS): An Analysis of Fair and Equitable Treatment (FET) and the Right to Regulate in the Age of the Energy Transition. University of Edinburgh, doi: <https://core.ac.uk/download/631298201.pdf>
- Eckerle, Christin, Finner, Ann-Sophie, Terzidis, Orestis. (2024). Investor perspective on impact-driven startups – the prioritization of certainty. Emerald, doi: <https://core.ac.uk/download/624079713.pdf>
- Hayat, Mohsina. (2024). CRITICAL ANALYSIS OF INVESTOR EDUCATION PROGRAMS IN INDIA'S CAPITAL MARKET: FOCUS ON SEBI. EP FEB UNS, doi: <https://core.ac.uk/download/616528757.pdf>
- Kapsocavadis, Fotini K. (2021). Information content of insider trading in Germany - three empirical essays. doi: <https://core.ac.uk/download/613823010.pdf>
- Beer, Christian. (2023). Corporate disclosure and investor sentiment. doi: <https://core.ac.uk/download/613823663.pdf>
- Guo, Belle. (2022). Continuous Disclosure of Chinese Cross-border Listed Companies in Australia: Challenges and Proposals. UNSW, Sydney, doi: <https://unsworks.unsw.edu.au/bitstreams/70535597-3081-4535-800a-a3d6c0707562/download>
- Varzaly, Jenifer. (2023). Shareholder concentration and control in Australia. Taylor and Francis Group, doi: <https://core.ac.uk/download/578727700.pdf>
- Oudin, Paul. (2024). A theory of the European insider trading regime. doi: <https://core.ac.uk/download/616662929.pdf>
- Lindahl F, Schadewitz H. (2022). Financial reporting standards: Global or international? Carrollton, Georgia U.S.A., doi: <https://core.ac.uk/download/543605751.pdf>
- Partnership ICA, Partnership for Readiness M. (2021). Emissions Trading in Practice : A Handbook on Design and Implementation. 'World Bank', doi: <https://core.ac.uk/download/543472220.pdf>

Babic, Bojana, Stendebakken, Elise N. (2022). Norwegian Institutional Investors and Sustainability Reporting. 'University of Agder', doi: <https://core.ac.uk/download/542356545.pdf>

Quick, Reiner S,ánchez-Toledano, David D S,ánchez-Toledano, Joaquín Ignacio. (2024). Measures for enhancing auditor independence: perceptions of spanish non-professional investors and auditors. Elsevier, doi: <https://core.ac.uk/download/614636041.pdf>

Currie, Wendy L, Gozman, Daniel P, Seddon, Jonathan J M. (2024). Dialectic Tensions in the Financial Markets: A Longitudinal Study of pre- and Post-Crisis Regulatory Technology. AIS Electronic Library (AISeL), doi: <https://core.ac.uk/download/616568064.pdf>

Akwii, Esther, Bulman, Anna, Coleman, Jesse, Fiedler, et al. (2024). Screening for Responsible Investment in Agriculture and Food Systems: Guidance and Tools for Government Officials. Scholarship Archive, doi: <https://core.ac.uk/download/622355450.pdf>

Lin, Albert C. (2022). Making Net Zero Matter. Washington & Lee University School of Law Scholarly Commons, doi: <https://scholarlycommons.law.wlu.edu/cgi/viewcontent.cgi?article=4771&context=wlulr>

Constable, Phillip P. (2022). Battling the Dark Arts: Combating Stock Market Manipulation in Australia – From the Early Days of Share Trading to 1990. Curtin University, doi: <https://core.ac.uk/download/493127366.pdf>

University for Business and Technology - UBT. (2022). International Conference on Media. UBT Knowledge Center, doi: <https://core.ac.uk/download/578162027.pdf>

Avgouleas, E, Marjosola, H (Eds). (2022). Digital Finance in Europe: Law, Regulation, and Governance. 'Walter de Gruyter GmbH', doi: <https://core.ac.uk/download/520262523.pdf>

Chae, Chong-Ju, Kim, Tae-Eun, Moon, Seong-Hyeok, Pary, Hye Ri, Korea Maritime Institute. (2025). Maritime digitalization and decarbonization: a sustainable future. The Maritime Commons: Digital Repository of the World Maritime University, doi: <https://core.ac.uk/download/639359070.pdf>

University for Business and Technology - UBT. (2021). International Conference Management, Business and Economics. UBT Knowledge Center, doi: <https://core.ac.uk/download/555247366.pdf>

Appendix 15

Question 15

In the absence of greater transparency, what other tools are available to support market integrity and fair treatment of investors in private markets?

I. Introduction

In the intricate landscape of financial markets, ensuring stability and integrity is paramount both for economic vitality and for investor trust. Recent historical events have underscored the potential for financial mismanagement to precipitate widespread crises, necessitating robust measures that guarantee fair investor treatment in Australian private markets. Tools, other than transparency, can be leveraged to enhance market integrity. Fundamental to these efforts are principles of effective governance and regulatory frameworks that not only prevent malfeasance but actively promote ethical conduct within the industry. By examining the interplay between corporate governance practices and regulatory oversight, critical insights emerge on how to maintain investor confidence in a range of market conditions. Overall, navigating this complex terrain requires a nuanced understanding of diverse mechanisms that can uphold market standards and assure equitable treatment for all stakeholders involved (FACCHIN et al., 2024) (Gricevičs et al., 2024).

A. Overview of market integrity and investor treatment in Australian private markets

The efficacy of market integrity and investor treatment within Australian private markets is increasingly pivotal. A comprehensive analysis of these markets reveals a landscape where ethical considerations and regulatory frameworks strive to enhance investor confidence without an exaggerated or disproportionate reliance on transparency. For instance, the evolution of economies illustrates an essential component of market integrity, as economic improvement emphasises equitable treatment and responsible procurement practices that can engender trust among investors. The OECD's exploration of social procurement not only highlights the significance of inclusive market access but also points to wider challenges that these markets encounter, necessitating strategic policy interventions to foster integrity and fairness (OECD, 2023). Additionally, the diverse landscape of the world's economies presents unique opportunities for advancing ethical investment practices while also addressing the need for more robust frameworks to protect investor interests (OECD, 2023).

B. Importance of exploring alternative tools beyond transparency measures

In the evolving landscape of Australian private markets, reliance solely on transparency measures may prove insufficient for ensuring market integrity and equitable treatment of investors. This limitation necessitates the exploration of

alternative tools that can effectively address the complexities of private market engagements. For instance, implementing robust regulatory frameworks and enhancing investor education can serve as crucial adjuncts to transparency. These measures not only foster a deeper understanding of market dynamics among investors but also create an environment of trust and accountability. Furthermore, cultivating strong relationships between market participants and regulatory bodies can enhance oversight and promote ethical practices. The OECD underscores the importance of such multifaceted approaches, emphasising that reducing reliance on transparency alone is essential for fostering stable and fair markets (OECD, 2023). The pursuit of diverse strategies will be essential in safeguarding investor interests and maintaining the integrity of the Australian private market landscape.

II. Regulatory Frameworks

A robust regulatory framework is crucial for enhancing market integrity and ensuring fair treatment of investors in Australian private markets. The complexity of private equity investments necessitates a structure that mitigates risks associated with the presence of any opaque practices. Evidence suggests that strong institutional frameworks, especially those frameworks implemented in countries with stringent regulatory environments, yield better performance outcomes for firms engaging in private capital transactions, such as Private Investment in Public Entity (PIPEs), by reducing adverse selection and information asymmetry (Andriosopoulos et al., 2021). Furthermore, adopting emerging technologies, such as blockchain, can drive efficiency within the market. However, the effectiveness of such technologies hinges on the regulatory frameworks capacity to support their implementation and address associated challenges, akin to the experiences observed in other markets where innovation was curtailed due to inadequate regulations (Osemwengie et al., 2025).

A. Role of existing regulations in safeguarding investor interests

In the increasingly complex landscape of Australian private markets, the role of existing regulations becomes pivotal in fostering investor confidence and ensuring market integrity. Regulatory frameworks are designed to provide safeguards against potential malpractices by instituting transparency and accountability standards, thereby mitigating risks associated with information asymmetry. For instance, the stringent requirements for disclosure and reporting help investors make informed decisions, which is vital in markets that might be characterised by limited transparency. Moreover, regulations serve as a deterrent against fraudulent activities, thereby preserving the integrity of the investment landscape. This regulatory presence is particularly crucial in private markets, where investors may lack access to the comprehensive data typically available in public markets. The frameworks implemented by the relevant authorities continuously evolve to address emerging challenges and protect investors

interests proactively. This dynamic interplay between regulation and investor protection ultimately underpins the resilience of the market.

B. Potential for enhancing regulatory frameworks to improve market integrity

Regulatory frameworks play a crucial role in enabling market integrity, especially in environments characterised by limited transparency, of which Australia is not one. By enhancing these frameworks, regulators can develop robust mechanisms that not only ensure fairness for all market participants but also reinforce investor confidence. For instance, initiatives derived from studies on social procurement have highlighted the potential of procurement to create positive social dividends, which could be incorporated into regulatory strategies to enhance market access and equity (OECD, 2023). Moreover, the exploration of corporate governance metrics such as the OECD Corporate Governance Factbook provides a description of the necessary components of effective governance systems. These systems can facilitate accountability and oversight, especially concerning corporate behaviour in private markets, thereby supporting the broader aim of clarifying expectations and reducing information asymmetries (OECD, 2023). Innovative regulatory enhancements can cultivate an environment where market integrity flourishes.

III. Investor Education and Awareness

The complexities inherent in Australian private markets often lead to information asymmetries that can undermine investor confidence. In this context, enhancing Investor Education and Awareness becomes imperative for maintaining and reinforcing market integrity. By equipping investors with essential knowledge about market dynamics, risk assessment, and due diligence practices, one can mitigate the potential for exploitation by unscrupulous market participants. Effective educational initiatives not only promote informed decision-making but also empower investors to engage with available financial instruments responsibly. Furthermore, raising awareness about regulatory mechanisms and investor rights can serve to establish an equal position of knowledge for participants even in markets characterised by limited transparency. As highlighted in extensive studies, the lack of adequate investor education can lead to significant unmet needs, amplifying disparities in market participation and outcomes (Chen J et al., 2023). Addressing these educational gaps is vital for nurturing a fair investment environment in Australian private markets.

A. Importance of financial literacy for investors in private markets

Navigating the complexities of private markets necessitates a robust understanding of financial principles, underscoring the critical role of financial literacy among investors. In the absence of additional transparency measures, such as those measures that often characterise these markets, investors are

particularly vulnerable to misinformation and poorly informed decisions. Financial literacy empowers investors critically to assess opportunities, to understand risk-return profiles, and to evaluate the credibility of market information. This knowledge is essential not only for making informed investment choices but also for creating a fairer market environment, as it provides individuals with the tools to challenge or to question potentially exploitative practices. Enhancing financial literacy therefore stands as a fundamental strategy for ensuring equity and integrity in Australian private markets, aligning with broader efforts to protect investor interests (Radanliev P et al., 2024).

B. Strategies for improving investor awareness and understanding of risks

A critical component of maintaining market integrity and ensuring fair treatment of investors is enhancing investor education on risk awareness. Investors often engage with new financial products, yet many lack a comprehensive understanding of the inherent risks associated with these investments. To address this deficiency in information, implementing targeted educational initiatives can demystify complex financial instruments, making them more accessible and less intimidating. For instance, leveraging case studies from different markets can elucidate potential risks and outcomes, as evidenced in literature surrounding innovative financing models, such as crowdfunding (Shneor, R et al. (Eds), 2020). Furthermore, improving the transparency of risk disclosures, specifically within private markets, can play a pivotal role in bolstering investor confidence. A dual approach of education can provide valuable assistance in enhancing informed investment decisions in Australian private markets.

IV. Technology and Innovation

Innovations in technology have revolutionised the landscape of private market investments, offering platforms that enhance both market integrity and the fair treatment of investors. The rise of financial technology solutions, particularly in peer-to-peer lending, exemplifies this shift, as demonstrated by the impact of companies like PT Amarta Mikro Fintek, which expands access to capital for small and medium-sized enterprises (SMEs) in underserved regions. Such platforms facilitate direct connections between investors and borrowers, thereby mitigating traditional barriers associated with accessing capital, which often includes opaque underwriting processes and restrictive credit assessments (Suryani IP et al., 2023). These technological innovations not only promote inclusivity but also reinforce the underlying principles of market integrity.

A. Impact of technology on market operations and investor protection

In the evolving landscape of financial markets, the infusion of technology has significantly transformed operational dynamics and investor protection

mechanisms. Advances such as algorithmic trading and blockchain technology have markedly improved transaction efficiency, enabling faster and more transparent exchanges. However, these innovations also raise complex challenges regarding market integrity. Without adequate regulatory frameworks, the potential for market manipulation and insider trading escalates, jeopardising fair treatment of investors. In the context of Australian private markets, the adoption of robust technological solutions becomes essential in ensuring investor trust. Regulatory bodies can harness technological innovations while instituting safeguards to mitigate risks, thereby maintaining if not improving an environment conducive to fair competition and to protection of investor interests.

B. Use of blockchain and other technologies to enhance trust and security

The evolving landscape of investment transactions necessitates innovative approaches to maintain market integrity and protect investors in Australian private markets. By leveraging blockchain technology, stakeholders can significantly enhance both trust and security in these transactions. The decentralised and immutable nature of blockchain diminishes the risks of fraud and misrepresentation, creating a more transparent environment for investors. Moreover, smart contracts, automated agreements facilitated by blockchain, provide clarity and enforceability, ensuring that conditions are met without the need for intermediaries. This automation not only streamlines processes but also reduces costs associated with traditional enforcement mechanisms. As highlighted in recent studies, the synergy between blockchain technologies and legal frameworks can optimise investor protection, making investment more accessible and secure, thereby aligning with the overarching goals of market integrity and equitable treatment of investors (A Inshakova et al., 2024) (Nembe JK et al., 2024).

V. Conclusion

The integrity of Australian private markets demands innovative strategies beyond the traditional framework of transparency measures. To enhance the fair treatment of investors, stakeholders must recognise the potential of alternative tools, such as the integration of blockchain technology, which could provide a decentralised, transparent system that mitigates information asymmetries prevalent in these markets. Such a shift echoes the principles outlined in (Osemwengie et al., 2025), emphasising the necessity for a robust regulatory framework that can accommodate these advances. Furthermore, as suggested in (Akinkugbe et al., 2021), a comprehensive approach to equity in trade can reinforce the trust and stability required in private markets. A forward-looking strategy that embraces technological solutions and systemic reforms can assist in maintaining if not improving an equitable investment landscape that serves all market participants effectively.

A. Summary of key points discussed

Investors in Australian private markets face a myriad of challenges that necessitate the implementation of innovative tools to enhance market integrity and protect their interests. A significant element of this discourse is the adoption of strong screening processes that serve as a safeguard against unreliable investments, particularly in sectors prone to high risks and ethical concerns. Governments act as crucial gatekeepers, tasked with ensuring that investment practices align with national standards and benefit local communities, fostering a balanced relationship among investors, government entities, and affected stakeholders. Such measures not only facilitate informed decision-making at the early stages of investment but also reinforce investor confidence by ensuring that potential risks are identified and mitigated effectively (Akwii et al., 2024). Furthermore, improving the credibility of private markets can be achieved through concerted efforts toward regulatory consistency and investor education, which are paramount for maintaining fair treatment of all market participants (CANO et al., 2024).

B. Future implications for market integrity and investor treatment in Australia

The trajectory of technological advancement is poised significantly to reshape the landscape of market integrity and investor treatment in Australia. As investors increasingly seek transparency and security, regulatory frameworks must evolve to accommodate emerging technologies, such as blockchain, which serve as a critical tool for enhancing trust in transaction integrity. With the adaptability of frameworks being essential, Australia could learn from international experiences, particularly from jurisdictions implementing blockchain to streamline operations while protecting investors' interests. This focus on innovation is vital, particularly as market participants call for robust assurances against malpractices. Furthermore, the exploration of comprehensive regulatory mechanisms that ensure adequate protections without stifling innovation will be pivotal. Such developments will not only support the integrity of private markets but also create a more equitable environment for investors, ultimately enhancing their confidence in the Australian financial and economic landscape (Osemwengie et al., 2025).

References

- A Inshakova, A, Matytsin, D. (2024). Blockchain Technology as a Mechanism for Protecting Citizens' Rights in Remote Investment Transactions: Higher Education Market vs Labor Market. *Journal of Law and Administration*, doi: <https://www.semanticscholar.org/paper/6aea88425a4ecfc12b2ea05d5af11f7d8ba8241d>
- Nembe JK, Atadoga JO, Adelakun BO, Odeyemi O, Oguejiofor BB. (2024). LEGAL IMPLICATIONS OF BLOCKCHAIN TECHNOLOGY FOR TAX COMPLIANCE AND FINANCIAL REGULATION. *Finance & Accounting Research Journal*, doi: <https://www.semanticscholar.org/paper/9da8e610dd0adc22042cb7cfd0869d704217a81>
- OECD (2023), *OECD Corporate Governance Factbook 2023*, OECD Publishing, Paris, <https://doi.org/10.1787/6d912314-en>.
- Akwii, Esther, Bulman, Anna, Coleman, Jesse, Fiedler, et al. (2024). Screening for Responsible Investment in Agriculture and Food Systems: Guidance and Tools for Government Officials. *Scholarship Archive*, doi: <https://core.ac.uk/download/622355450.pdf>
- Akinkugbe, Olabisi D, Du, Kangping, Ferrando, Tomaso, Perrone, et al. (2021). Pathways to Just, Equitable and Sustainable Trade and Investment Regimes. *Schulich Law Scholars*, doi: <https://core.ac.uk/download/478607525.pdf>
- Osemwengie C,E, Osemwengie C,E. (2025). Legal and Regulatory Standards for the Adoption of Blockchain Technology in the Nigerian Capital Market. *University of East London*, doi: <https://core.ac.uk/download/647986135.pdf>
- Suryani IP, Suri AG, Shafira Z. (2023). How Fintech Peer to Peer Lending Affected MSMEs Financial Access: Case Study Amarth. In *Festasi*, Volume (19), 166-181, 166-181. doi: <https://doi.org/10.21107/infestasi.v19i2.22921>
- LYUBICH O BORTNIKOV,G. (2023). Monetary gold as a component of international reserves of central banks. *Finansi Ukraïni*, Volume (2023), 94-122, 94-122. doi: <https://doi.org/10.33763/finukr2023.10.094>
- OECD. (2023). Buying social with the social economy. *OECD local economic and employment development (LEED) working papers*, doi: <https://doi.org/10.1787/c24fccd0-en>
- OECD. (2023). What is the social and solidarity economy? A review of concepts. *OECD local economic and employment development (LEED) working papers*, doi: <https://doi.org/10.1787/dbc7878d-en>
- Andriosopoulos, Dimitris, Panetsidou, Styliani. (2021). A global analysis of Private Investments in Public Equity. doi: <https://core.ac.uk/download/362958548.pdf>
- Shneor, R, Zhao, Liang, Flaten, Bjorn-Tore. (2020). *Advances in Crowdfunding: Research and Practice*. Springer International Publishing AG, doi: <https://core.ac.uk/download/617170552.pdf>
- Radanliev P, Santos O, Brandon A-Jones, Joinson A. (2024). Ethics and responsible AI deployment. *Frontiers in Artificial Intelligence*, Volume (7), doi: <https://doi.org/10.3389/frai.2024.1377011>

Laurea, Tesi Di, (2024). Corporate Governance and Regulatory Responses in Financial Services: Analyzing Market Failures and Reform Initiatives. doi: <https://core.ac.uk/download/604159628.pdf>

Gricevičs, Žans Frančesko. (2024). Legal and regulatory frameworks shaping CSR in Europe. Riga Graduate School of Law, doi: <https://core.ac.uk/download/619421229.pdf>

Appendix 16



3 October 2023

██████████
Head of Investment Risk
Australian Prudential Regulation Authority
Level 12, 1 Martin Place
Sydney NSW 2000

Dear ██████████

Subject: Proposed op-ed

Unlisted asset valuations secretly penalise investors.

Australians need to believe that their Superannuation savings are safe. Can they?

Questions about the accuracy of unlisted asset valuations have been prominent this year. They should have been for several years.

The issue is best highlighted by the Q Super/ART write down to zero of an AUD \$850m office tower building in New York (USA) in early November 2023 that in June 2023 was valued at approximately (AUD) \$750m ⁽¹⁾. QSuper/ ART chose to write off the asset rather than contribute an additional USD \$399m to replace an existing loan. Although the write off may well be justified from a business perspective, what cannot be justified is the fact that the exact same economic/business risk was evident at June 30 2023, yet the 'independent valuer' chose only to write down the value of the asset by approximately 15% ⁽¹⁾ at that point in time.

The AFR alone has published over 40 articles on the subject of accurate asset valuations during the past few months. With a particular focus on commercial office property, valuation queries have been raised due to the impact of 'independent' assessments of value on the commercial properties. The higher interest rate environment combined with softening economic growth, and, most relevant to commercial real estate, structural changes of workforce arrangements such as the hybrid work model driving a likely long-term downward shift in office demand are key factors impacting valuations.

As you can see below, there is a significant difference between returns from listed commercial office property prices (AREITS) and returns from their unlisted peers during the past three and a half years. This difference continues in November 2023.

(1) Exact details of the write down of the asset at 30 June 2023 were not available and this note relies upon the ART CIO's general comments in the AFR on 3 July 2023 about write downs in the property portfolio of up to 15%.

Listed v unlisted office REITS* (%)



* Rebased to Jan 2020

SOURCE: S&P GLOBAL

The difference between unlisted prices and listed prices creates much of the debate about which valuation is accurate and about what is driving this vast difference in valuation.

Let's be clear, accurate valuations focus on a few issues which we will review in some detail later in this paper, but the problem begins with the so-called 'primary valuation standard' in unlisted markets which is defined as **an arms-length transaction between a willing seller and a willing buyer at an agreed price at a point in time**. Keep in mind, that this definition is only assumed because a liquid listed price, which is the ultimate standard of valuation, is not available.

More troubling, is how the 'primary valuation standard' has become distorted over time to ignore actual transaction signals. Indeed, apart from the QSuper/ART (AUD) \$850m New York office building write off, several articles reviewed from the AFR point to recent transactions/aborted transactions in 2023. Dexus took a 17.2% hit on the sale of 44 Market Street Sydney (*Bleby, AFR, 13 June*) and Ping An Insurance stopped the sales process on Salesforce Tower in Sydney as bids were made at least 10% below the property's carrying value. These market activities follow on from REST who withdrew the sale of a \$460m Melbourne office tower when bids were 15% below their expectations. Garda Property Group revealed that two of their assets had fallen 13% and 20%, respectively, commenting that the differences in valuation reflect the subtle nuances between the two assets. (*Harley, AFR, 1 June*). Many analysts were predicting that commercial property values could be devalued by up to 20% this year. (*Wright, AFR, Apr 25*).

Australian Superannuation Funds have large positions in both listed commercial properties and unlisted commercial properties as part of the \$650 Billion the Super funds invest in unlisted assets (*Mather, AFR, 20 July*).

Well, the reporting period came and went and this period is where things get messy. Or, as Anthony Macdonald (AFR, 31 Aug) said, the reporting season was supposed to fix one of the biggest jokes on the ASX, the discount between valuations and listed prices....it didn't.

Depending on what analysis you consider relevant, as so many angles and nuances are presented as price justification, commercial property was devalued across the board by Super Funds and Fund Managers in what can only be described as an incoherent and inconsistent manner.

Most Fund Managers in the Superannuation industry downgraded their commercial property portfolios between 5% and 10.0%. *Wootton, AFR, 3 July*, highlighted that some properties in the Australian Retirement Trust (ART) portfolio were devalued by up to 15%, but ART only wrote down

265 Exhibition Street
Melbourne VIC 3000, Australia
6 Liberty Square
Boston MA 02109, USA

www.fiduciaae.com

their office portfolio in aggregate by 5.0% (Wootton, AFR, 6 July) while CBUS reported some devaluations up to 10% and Dexus only 6.0%. All these devaluations were nowhere near the Armageddon scenarios highlighted by the recent transactions/aborted transactions that happened during the course of the year and nowhere near what the listed market had valued similar assets. Property Giant Charter Hall reported their results in August. Surprisingly, they recorded an immaterial fall in valuation across their portfolios of only 2.8% (with office properties down 3.7%).

Significantly, Charter Hall [limited redemptions](#) in a \$2.5 billion unlisted office fund to just 25 per cent this year, saying they were unable to sell buildings at 'fair prices' to realise cash. (*Tamblyn, AFR, 25 July*) Although Charter Hall refused to sell assets at 'unfair prices' to satisfy redemption requests, they still collected all the fee benefits from valuations at which the market would not transact. Seemingly, this approach to valuation creates a perverse new standard of valuation for unlisted assets that occurs 'between an unwilling seller and a non-existent buyer'.

Ian Patrick, CIO of ART commented in May this year saying, '*Valuations could be adjusted due to some recent transactions that may not reflect the underlying assets.*' Adding, "*Our concern is that valuers typically respond to transaction evidence and do listed markets beg a question about the level of valuations in our portfolio? Sure, they do, but listed markets respond to fear and greed. One has to allow for that in the valuation process.*" (*Shapiro, AFR, 3 May*). Patrick does not appear to put much faith in listed prices for unlisted assets, yet, perhaps without irony, he was more than happy that price increases in listed stocks were the main driver of positive returns for ART in FY 23.

An Aware Super spokesman was a little more direct when speaking of unlisted asset valuations saying, "*Volatility is a normal part of the cycle, we have a long-term investment cycle that accounts for this [volatility].*" (*Wootton, AFR, 23 Mar*) The implication being that accuracy today does not particularly matter because they hold assets for the long term. This sentiment is shared by many Super funds. However, these long-term views of funds do not guide the prices achieved from daily transactions for members whom the funds serve. In other words, as members buy into the fund, they might be overpaying for membership by a significant amount, resulting in that which amounts to an egregious valuation fee on Australian super contributions with the only beneficiaries being the Fund at the expense of its members. The recent focus on fees, measured in terms of less than 1% on average, pales in comparison to this potential gross overpay. Sam Sicillia, CIO for Hostplus, weighed into this debate adding, "*If I was CIO of another Superfund, without young demographics and without strong cash flow I couldn't behave like I do here.*" (*Wootton, AFR, 4 July*). Is Sicillia's comment indicative of how other super funds are providing stewardship of their members' capital?

Accurate valuations are vital to the stability of the financial system. Confidence in the accuracy is paramount. As unlisted valuations drift further and further from listed market valuations, valuation standards and methods are distorted to ignore market signals and, instead, reflect the preposterous value of an 'unwilling seller to a non-existent buyer'. Valuation acuity and fiduciary duty are diminished, with valuation accuracy at risk that could lead to a threat to the stability of and confidence in the superannuation system. Listed market comparisons are transparent, accurate, predictable and reliable. Some commentators point to transactions as the best guide to valuation accuracy, but transactions are periodic in nature and economic circumstances change rapidly as the QSuper/ART write off of AUD \$850m for the New York office tower perfectly demonstrates this condition as the asset was valued at approximately AUD \$750m only three months earlier!

The financial markets have experienced a crisis in confidence before – and for good reason – and the results are well known. In such a scenario we could witness enormous outflows as investors seek safety in other asset classes, potentially triggering more sales and producing valuations rapidly to spiral downwards. Even without a crisis in confidence, the problem is almost certain to emerge as outflows accelerate relative to inflows as retirees begin to take distributions. Both ASIC and the Australian Prudential Regulation Authority (APRA) estimated that 1.3 million super members are in the retirement phase and will reach 1.6 million in 2030. In dollar terms, the growth will be more dramatic as Super Fund assets belonging to retirees will swell from \$500 billion to \$1 trillion in 2030. A ‘silver tsunami is about to hit and super funds better be prepared for it/. (Shapiro, AFR, 20 Aug).

This threat is not new to industry insiders. *Wootton, AFR 17 July* highlighted the concerns raised by the Financial Regulator Assessment Authority (FRAA) run by former Macquarie CEO Nicholas Moore that APRA had ‘*fallen short in its oversight of how funds value unlisted assets.*’ Adding that APRA took an ‘*undeveloped view of the risks of to the \$3.5 Trillion Superannuation System.*’ In response, APRA Chairman John Lonsdale pledged to act on the recommendations and to provide further details in the August update. Furthermore, *Wootton, AFR, 18 July 18* wrote that APRA Superannuation Regulator, Margaret Cole, plans to ramp up scrutiny of how funds value assets.

But how has this situation come to pass? This question brings us to the second key point of this note. Unlisted asset valuations have become trapped by vested interests. Superannuation Funds are naturally reluctant to crystallise asset price declines unless they must, and so-called asset valuation consultants know of this reluctance. Fortunately, for both of these parties, current valuation techniques for unlisted asset valuations provide enough ambiguity underpinned by a lack of transparency to make the job of pricing to the Funds’ preferences relatively uncomplicated.

Let us start with the technical issue of valuation. The current Capital Asset Pricing Model (CAPM)/Discounted Cash Flow (DCF) approach allows for valuation subjectivity simply by manipulating some key assumptions in the financial model. Incredibly, for most unlisted assets, 80% of the value of the asset in the CAPM/DCF approach is contained in the cashflows of the business post year five. The RBA, which is the pre-eminent body in the country when it comes to forecasting, warns that forecasts beyond the first 12-18 months are perilous. However, the CAPM/DCF approach places the vast majority of its value from year five. The CAPM/DCF approach is fundamentally flawed and produces errors compared to listed companies’ equivalent valuations of between 40% and 90%. Of significant concern is that this CAPM/DCF valuation inaccuracy has not been recognised and acted on by valuers and asset owners. In contrast, the steady increase in the investment in unlisted assets during the past few decades and the absence of an accurate financial model appear to have made convenient, even if not purposeful for Funds’ members, the continued application of CAPM/DCF valuation because such practice is convenient and ‘automated’ for the Superannuation funds and for their ‘valuers’. As part of APRA’s updated guidance, they are now calling on Super Funds to conduct quarterly asset valuations. However, if the assumptions in the valuation model are inaccurate, what benefit will quarterly valuations produce for a fund’s members? Although APRA’s updated guidance should be commended because this guidance highlights the vital consideration of ‘how’ unlisted assets should be valued.

Opponents to changes in valuation policies and approaches may take the position that there are not any viable alternatives to CAPM and DCF. However, such an assertion is simply not true. In recent years, new scientific based valuation models and approaches have emerged that demonstrate with empirical evidence that valuation errors can be reduced by as much as 90%. Sophisticated relative

valuation models that use thousands of comparable listed transactions to generate more accurate valuations of unlisted assets such as property are available. The industry is becoming increasingly aware of these alternative and superior valuation methods – but has turned a blind eye to them. As one Superannuation fund executive said, *“We all know the valuations are wrong, but why would we be the first movers and get penalised when no one else will.”*

Can Australians believe that their superannuation benefits and retirement dignity are safe?

This vexing enquiry brings us back to the critical question of what a robust and accurate valuation looks like.

Commercial Property expert David Parker (25 Apr/AFR) wrote there are eight key sources for valuers which are shown in the following diagram.



Few market participants would argue that listed prices should not be taken into account, many would argue that these prices are the most important factor. The reluctance to compare with listed peers is due to the belief that the comparison will reduce the value of unlisted assets from their current levels and introduce the volatility of exposure to listed markets. In turn, this reduction in asset values will reduce fees, and decrease the ability to meet or exceed benchmark returns.

However, that should not be an excuse inaccurately to value assets. The threat of financial catastrophe might be considered improbable but remains a permanent possibility. Inaccurate valuations only serve to magnify the risk. Just as importantly, the vast number of baby boomers drawing down on their superannuation is increasing and members buy and sell at different times and they will ultimately be the ones most adversely impacted. Asset valuation accuracy is a condition precedent for confidence in the financial services industry and if there are inaccuracies, the biggest losers will be the very people the Regulators, Super Funds, Valuers, and Fund Managers all purport to be protecting - the superannuant.

QIC coy on Thames Water stake as utility drowns in debt

AARON WEINMAN *Correspondent*

Updated Jul 19, 2024 – 12.29pm, first published at 9.00am

[Save](#)

[Share](#)

[Gift this article](#)

[Listen to this article](#)
3 min

Queensland Investment Corporation has not marked down its valuation in struggling Thames Water, the heavily indebted London utility staring at the prospect of a break-up or government-led oversight.

The Queensland government's wealth fund owns 5.4 per cent of Thames Water, once part of Macquarie Asset Management's portfolio. Thames Water's major shareholder, Canada's OMERS, in May wrote off its entire 31.7 per cent stake in the business.

Thames Water has been under significant financial strain, with its largest shareholder writing down the value of its stake to zero. **Bloomberg**

Thames Water bondholders, meanwhile, have braced for billions of pounds in outstanding securities to be downgraded to junk status as the company scrambles to sidestep a government bailout after a debt default in April.

Ratings agency S&P Global Ratings said earlier this month that it may lower Thames Water's investment grade bonds into sub-investment grade territory due to a lack of liquidity. Investment grade securities maturing in 2031 were quoted about 75¢ in the dollar on Thursday.

A QIC spokeswoman declined to comment.

Advertisement

Despite pressure to revalue its investment, sources have said that QIC was not incentivised to mark down the value of privately held Thames Water. Given the utility is not marked to a public market figure, shareholders can value the company internally.

“Given the opaqueness of these funds, they can smooth their returns effectively as they choose,” one source said.

The issues associated with Thames Water – struggling sewers and filthy waterways, high household bills, and its strained finances – have frequently been attributed to a period between 2006 and 2017 when the company was part-owned by Macquarie. During that time, critics say, the amount of debt increased significantly, as did big dividends to shareholders.

Macquarie disputes this narrative, and in a fact sheet noted that while debts had increased from £6 billion to £11 billion over the period, the regulated asset base – infrastructure investments that can be recouped from future bill revenue – rose from about £6.5 billion to £13 billion.

Macquarie is now an investor in Southern Water, another regional monopoly. Other Australian investors in English water utilities include IFM Investors, REST, Spirit Super, Prime Super and SAS Trustee Corp.

Southern Water was rebuked this month after Britain's water regulator, Ofwat, said it was too geared and had an “inadequate” five-year business plan. This could include a £54 million (\$104.4 million) fine, the latest setback towards Macquarie's efforts to rebuild its reputation in the United Kingdom.

Macquarie Asset Management's Super Core Infrastructure Fund pumped more than £1 billion of equity into Southern Water three years ago, [then topped that up with a further £550 million last year](#). Macquarie-managed funds now own 82 per cent of the company.

QIC has repeatedly declined to outline the value of its stake in Thames Water.

The asset manager's infrastructure team, one of its best-performing investment divisions, has been active on the transaction front this year.

It hired Barrenjoey Capital Partners in January to run a strategic review of its 58 per cent stake in New Zealand electricity distributor Powerco, and was [one of a number of investors to look at Global Switch Australia](#), as *The Australian Financial Review's* Street Talk column first reported in April.

Super fund QSuper hands back keys to NYC office tower

JONATHAN SHAPIRO *Senior reporter*

Oct 23, 2023 – 5.52pm

Save

Share

Gift this article

KEY POINTS

- QSuper has defaulted on a loan to back its co-investment in an NYC tower
- Rising interest rates and the troubles at WeWork contributed to a fall in value
- Sources say the likely loss is reflected in its fund valuations

Industry super fund QSuper handed back the keys to a prime New York City midtown office tower after its investment went under water just 2½ years after valuing the asset at \$US540 million (\$855 million) on its books.

The decision to appoint a so-called special servicer to a \$US399 million loan that backed its commercial real estate bet means QSuper faces a total loss on its position, now part of the \$240 billion Australian Retirement Trust.

Super and Los-Angeles based CIM Group bought the 25-story 1440 Broadway tower in the heart of NYC in 2017 for \$US520 million. The property, which is one block from Bryant Park and the New York public library, achieved the \$US540 million valuation in early 2021.

The industry fund is a victim of multiple forces in Manhattan's commercial real estate scene: the downturn in office occupancy, the US Federal Reserve's monetary tightening, and being a landlord to the stricken WeWork.

Escalating financial trouble at its largest tenant and rising interest repayments strained cash flows, prompting a decision earlier this month to hand the title deed to its lender. US bank Wells Fargo was appointed special servicer to the \$US399 million loan.

Advertisement

QSuper faced two options: walking away or tipping in more money.

The likes of Blackstone, Brookfield, Pimco and RXR have made similar [decisions to strategically default](#) on office-related debt this year amid a collapse in valuations.

A spokeswoman for ART did not comment. Sources, however, said the revised valuation was reflected in ART's QSuper portfolio at the June 30 balance date. *The Australian Financial Review* reported that ART downgraded [the value of some of its office towers by as much as 15 per cent](#) to reflect the challenges in the sector.

Super sized problems

Other super funds have also flagged investment write-downs related to global property exposures, particularly in the office sector which is suffering higher vacancy rates relative to retail.

ART has among the highest exposures to so-called unlisted or illiquid assets

with a 34 per cent exposure in its \$49 billion Lifecycle Balanced Pool option, according to Morningstar research. About 9 per cent, or \$4.3 billion, of the balanced option was invested in unlisted property at the end of 2022, according to Morningstar.

In the case of 1440 Broadway, the decision to default implies the equity has zero value, demonstrating how sensitive unlisted assets are to changes in cashflows and capitalisation rates.

The \$US399 million of debt attached was in the form of a commercial mortgage backed security issue, titled JPMorgan Chase Commercial Mortgage Securities Trust 2021-1440.

The borrowers had a three-year interest-only loan outstanding to the trust at 4.2 per cent above the risk-free rate. The risk-free rate, equivalent to the US 10-year Treasury, has risen from zero to 5 per cent over the past two years. This increased debt servicing costs for the asset from \$US17.5 million to \$US27.4 million.

In that time, net operating income fell from \$US29.6 million to \$US22 million as occupancy slipped from 93 per cent to 85 per cent. WeWork accounted for over 40 per cent of the net rentable areas and had a lease until 2035, after signing on in early 2019.

But [WeWork is on shaky financial ground](#) and intends to renegotiate its leases to avoid bankruptcy. The other major tenant of 1440 Broadway is retailer Macy's whose lease expires on January 1, 2024.

Charter Hall's \$2.45b office fund to take this year to pay withdrawals

~~MICHAEL BLEBY~~ Deputy property editor

Updated Jul 16, 2023 – 12.40pm, first published at 9.14am

Save

Share

Gift this article

Charter Hall has limited redemptions in a \$2.5 billion unlisted office fund to just 25 per cent, saying it was unable to sell buildings at fair prices to realise cash, but chief executive David Harrison said the Charter Hall Direct PFA Fund would meet all its remaining obligations this year.

The ASX-listed developer and fund manager's \$2.45-billion fund, which had received redemption requests equal to 15 per cent of its equity, paid just 25 per cent of what was requested in February. It would pay another instalment "shortly" and the rest this year, Mr Harrison said.



One of the \$2.45-billion fund's A-grade buildings: 570 Bourke Street in Melbourne. **John Gollings**

"We'll satisfy the redemptions over the course of this calendar year," he told *The Australian Financial Review* on Sunday.

“We have sold some assets in the fund. We’re in the process of selling others, more or less in line with where the 30 June valuations have got to.”

It is the latest sign of weakness in the office sector due to increased demand for working-from-home and flexible workplace practices, after revaluations have [slashed portfolio values for rival landlords such as Dexus](#) and the country’s largest super funds, including [AustralianSuper](#) and [Cbus](#), have cut the value of their office assets.

RELATED QUOTES

In a falling office market – and particularly for funds holding lower-grade buildings – [values recorded at the end of the 2023 financial year](#) are likely to decline further. One challenge facing Charter Hall and other large landlords needing cash is whether they can realise sales at those values or whether they will decline further.

“It’s fair to say there’s more correction in office to go,” said Dwight Hillier, commercial agency Colliers International’s managing director of valuation and advisory.

Different quality assets would be affected differently in an environment where borrowing costs were rising and workplace patterns changing, Mr Hillier said.

“The adage that quality will hold stronger is very true. David Harrison’s been very clear on that and I agree,” he told the *Financial Review*.

“But I do believe there is further correction to go. Some 5 to 10 per cent could play out between now and the first quarter of next year.”

The fund, open to individuals making a minimum \$20,000 investment, last year opened a five-yearly window permitting investors to redeem part or all of their investment.

However, on the fund’s webpage, Charter Hall – the country’s biggest office landlord – said it was not willing to sell assets at offered prices, which were too low.

“We have since marketed a number of properties for sale, in order to satisfy the remaining 75 per cent of redemption requests received,” it said.

“However, we will only sell assets for prices that reflect fair value and, given the lower sales volumes in the office investment markets, sales have proved challenging.”

The fund comprises mostly A-grade assets, including Melbourne’s 570 and 737 Bourke Street buildings, a 50 per cent stake in Sydney’s 12 Shelley Street, Macquarie Park’s 7 Harvest Street and Parramatta’s 105 Phillip Street buildings, according to a note published last year by Lonsec analysts.

It also comprised 8 per cent B-grade assets by value and these included a 50 per cent stake in Brisbane’s 83-85 George Street, and 40 Tank Street buildings, as well as Adelaide’s 60 Wakefield Street and suburban Melbourne’s 1-21 Dean Street building in Moonee Ponds.

Federal and state government tenants accounted for 61 per cent of the portfolio, the report said.

But the falling tide in office occupancy is leaving funds dependent on the sector exposed, a risk Lonsec warned of last year.

“The trust is focused on one property sector, so is less diversified than some unlisted property funds. The longer-term impact on the office sector of the ‘working from home’ trend is still to play out,” it said.

“Due to the fund’s significant exposure to illiquid assets (direct property) and because redemption opportunities during each five-year term are at the discretion of the responsible entity, liquidity risk in the fund is deemed to be high compared with other asset classes.”

Higher quality assets

r Harrison declined to say which buildings the fund had tried to sell, but said it planned to keep the higher-quality ones.

“We’re not going to attempt to sell the better quality assets because ... 85 per cent of your equity is happy to stay invested in these funds, so why give 85 per cent of unit holders the worse stock by selling your best assets?” he said.

“This is a predominantly government-leased office fund. We’re going to be focusing on keeping the high-quality tenant customer.”

In contrast to listed real estate investment trusts, or REITs, which have suffered hefty share price falls, the valuations of unlisted assets, at a time when many landlords have resisted selling and transactions have been few, have been harder to determine.

Mr Harrison [told last year’s Australian Financial Review Property Summit](#) that falling share values often bore little relation to underlying asset values.

Mr Harrison said investors in unlisted property could get paid more closely to the net tangible asset value of assets than investors in listed real estate, who were at the mercy of a range of share market influences.

“I’d prefer to be getting my money eventually over the calendar year at intrinsic value than have to sell at a 25 per cent discount,” he said.

Mr Harrison said the sale by rival Dexu of a 26-storey office tower in the Sydney CBD last month at a 17.2 per cent discount to book value was a reflection of one lower-quality building and not an indication of what would happen to higher-quality ones.

“That was a terrible asset,” he said. “You had a vulture buyer in PAG and Dexu took the price. All the focus is on as if one or two secondary assets is going to reflect what’s going to happen to valuations.”

Appendix 20

Listed Property
March 2025



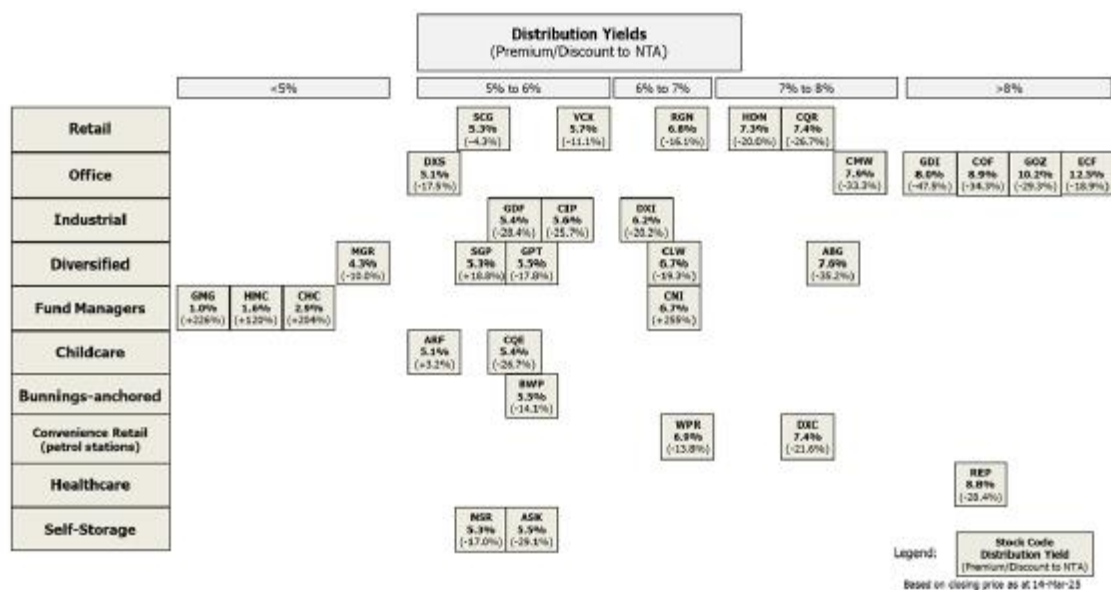
What are the sector's trading metrics?

The chart below presents an overview of the sector's trading metrics.

- Most REITs trade at distribution yields of between 5% to 7%. In general, two groups of REITs trade towards the lower end of the range:
 - Large-cap, blue chip REITs and diversified groups such as DXS (office), SGP and GPT (diversified), and SCG (retail)
 - Specialised REITs with high-quality tenants (BWP) or that are in childcare (ARF, CQE)
- The sector (excluding fund managers) continues to trade at double-digit discounts to NTA. The only exceptions were SGP and ARF.
- The left side of the chart shows the premium at which fund managers (GMG, HMC, and CHC) trade.
- The right side of the chart is dominated by smaller office REITs that trade on high yields and large discounts to NTA, suggesting the market does not believe their NTAs, the sustainability of their distributions, or both.

Specialised long-WALE REITs such as CLW, WPR and DXC have yields in the high 6% to mid-7% range.

Figure 1: Apart from fund managers, most REITs trade on 5% to 7% distribution yields and at discounts to NTA



Notes: Prices as at 14 March 2025. Not to scale. Based on management guidance for FY25 distributions. Forecast GOZ distribution yield includes a one-off special dividend.

Appendix 21

THE LRW MODELTM FOR UNLISTED ASSET VALUATIONS BY FIDUCIAAE

INTRODUCTION

The methods and techniques used for valuing unlisted assets such as unlisted infrastructure and property have not improved much in more than thirty years. Crude and simplistic methods such as earnings multiples (EV/EBITDA, PE), together with the use of discounted cash flows, embedded with historical average equity risk premiums and betas, have been utilised, despite these methodologies generating large and well-known inaccuracies.

These valuation problems have been compounded by the growth of unlisted assets, especially in countries like Australia, resulting in the significance of the valuation errors becoming a major issue in capital markets.

The limitations of current valuation methodologies motivated former Hastings Director of Research, Kurt Lemke, to explore the flaws of the approach in his 2022 PhD thesis, 'Lighting up the Dark – New Tools to Value Unlisted Equity'. Dr Lemke's thesis reviewed current valuation approaches, and with the assistance of Dr Rafferty and Dr Wain, created a new method (the Lemke, Rafferty, Wain (LRW) Model) that provides the most accurate unlisted infrastructure valuation model in the market.

The LRW Model^(TM PENDING) represents a significant breakthrough in financial economics and creates a platform for greater valuation accuracy. Given the material differences in accuracy between traditional unlisted valuation methods and the LRW Model, this presentation introduces the LRW Model and compares the Model to those earlier methods, which continue to be applied by many organisations.

HOW IT WORKS

The LRW model has been developed to be as user friendly as possible. While the model is highly complex and has evolved over many iterations, the user requirements are very simple.

From the user's financial model all that is required is the current earnings forecast along with the five year future earnings forecast together with the current book value plus the five year future estimates of book values and the current debt/equity ratio.

The model, which has been stress tested over many years with thousands of empirical evidence data points for both listed and unlisted assets is able to then correlate and calculate the user's data to arrive at an accurate equity risk premium.

FIDUCIAAE.COM



Executive Summary

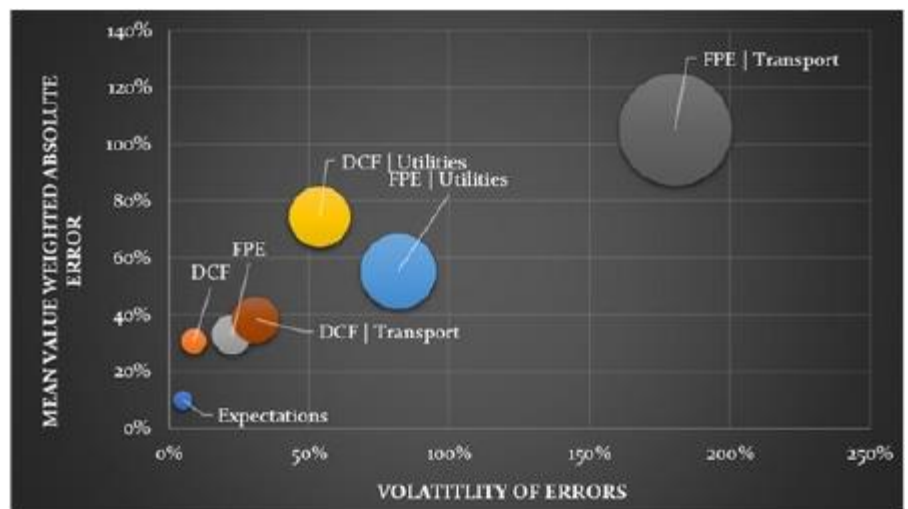
THE UNLISTED ASSET INFRASTRUCTURE VALUATION PROBLEM

There are three significant and well-known problems with the traditional approach to valuing unlisted assets.

First, the use of historical equity risk premiums and beta's (that is, backward looking variables) to estimate the expected value of an asset. Second, the use of forecasts beyond realistic time horizons, otherwise known as terminal value that, within a typical Discounted Cash Flow model, contribute, on average, 80% toward an asset's estimated value. Third, the lack of explicit recognition of an investment's asset base as a contributor to the asset's market value.

The traditional approach to valuation generates valuation inaccuracies of approximately 40%. This level of inaccuracy is an unacceptably large margin of error and creates an essential requirement for a valuation method of higher accuracy.

Chart 1 - Valuation Errors of Australian Unlisted Assets



Source: Fiduciaae 2022

*DCF represents the mean value weighted absolute errors of the Discounted Cash Flow (DCF) approach utilising historical mean equity risk premiums and historical beta in the Australian market using IBES earnings and book value forecasts to derive price estimates measured against observed listed market prices monthly from October 1, 2000, through Oct 1, 2015. Similarly, PE represents the mean value-weighted absolute errors of the industry-derived or firm comparable Price to Earnings Multiples.

As Chart 1 shows, the use of discounted cash flows embedded with historically derived average equity risk premiums and beta's, combine to produce material inaccuracies in asset valuations. Moreover, the current approach to unlisted asset valuations is not just error-ridden, the approach is very costly – with fees of up to \$40,000 per valuation being charged.

Unlisted assets are also typically only valued on a half-yearly basis, exacerbating an already flawed process. The results of the current method are costly, inaccurate, and cannot be trusted as a basis for investment decision-making or portfolio structuring. These inadequacies pertaining to the valuation of unlisted assets are well-known to market participants. However, in the absence of another valuation method, these traditional valuations continue to be produced and to be relied on for investment decisions.

Executive Summary

THE SOLUTION

The LRW Model assists to accurately measure unlisted assets by providing a valuation that would closely mirror a listed market valuation. The LRW Model eliminates asset valuation errors by up to 90% and effectively draws on and incorporates leading research on the equity risk premium. The LRW Model uses valuation attributes that are all forward-looking, significantly reducing terminal value risk.

Chart 2 highlights the challenges and solutions that the LRW creates.

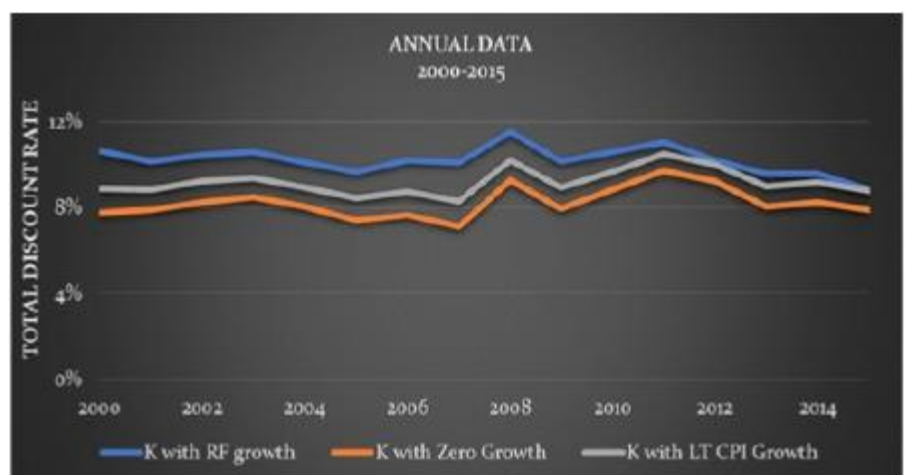
Chart 2 -Market Implied Equity Risk Premiums with Alternative Terminal Value Growth Rate Assumptions



Source: Fiduciaae 2022

As Chart 2 demonstrates, one of the innovative features of the LRW Model is that the Model replaces static, arbitrary, historical equity risk premiums and betas with Market Implied Equity Risk Premiums (MIERP). MIERP's are forward-looking and provide both a dynamic and a stable approach to valuing unlisted assets.

Chart 3 - Total Discount Rates (K) with Alternative Terminal Value Assumptions



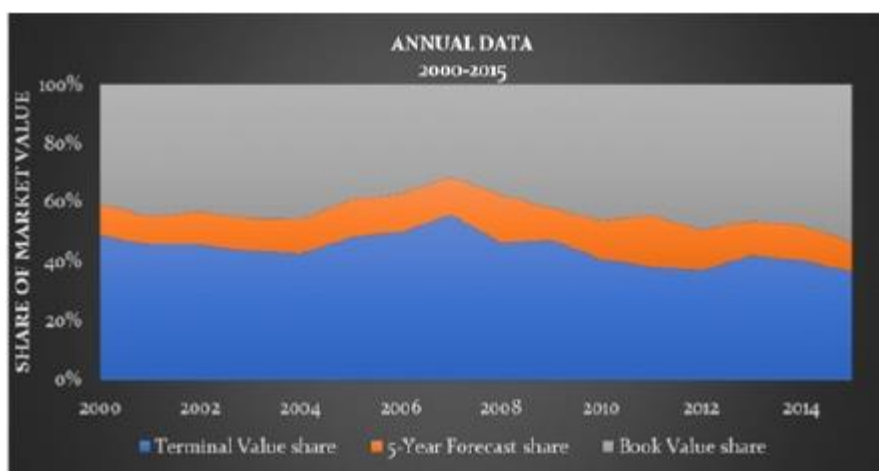
Source: Fiduciaae 2022

Executive Summary

As shown in Chart 3, when combined with Risk-Free rates to generate the total discount rate, the dynamic and stable nature of MIERP's become even more powerful as a valuation variable. Further, the LRW Model demonstrates that the path of equity risk premiums through market conditions is independent of growth assumptions in the long term. This reduces terminal value risk and allows the equity risk premium to be more accurately estimated.

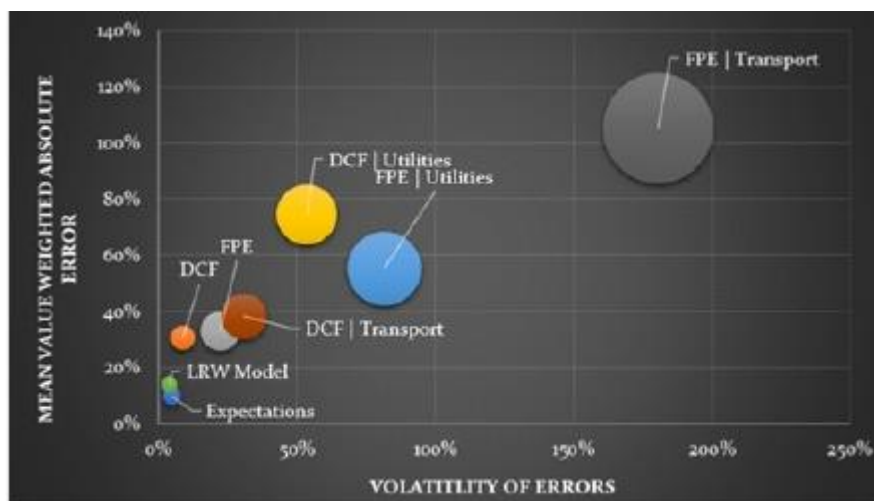
The reduction of terminal value risk is further illustrated in Chart 4 by the relative contribution to value between book equity, the five-year earnings forecast, and terminal value. On average, within the LRW Model framework, the terminal value represents less than 50% of an asset's value, and shape of the terminal value is entirely determined by the path of the five-year forecast – which is the horizon of greatest visibility and accuracy.

**Chart 4 – Shares of Total Market Value:
Book Value, 5-Year Forecast, Terminal Value**



These important characteristics allow the LRW Model to estimate an unlisted asset's equity risk premium with unprecedented accuracy. As Chart 5 shows, the performance of the LRW Model in out-of-sample testing using a large data set comprising more than 20,000 empirical listed spot price observations shows a significant and consistent improvement in valuation accuracy.

Chart 5 - Valuation Errors of Australian Unlisted Assets vs LRW Model



Source: Fiduciaae 2022

Executive Summary

THE TESTING

For a period measuring 15-years (2000 -2015), the LRW Model consistently created accurate results. More than 20,000 empirical evidence data points were used to verify the Model's accuracy. The Model was peer reviewed across the globe by recognized experts in the field including, among others, the Executive Director of Stanford University's Long-Term Investing, who said, "this is a significant breakthrough for unlisted assets and over time will change the way assets are valued".

EXECUTIVE TEAM

The Fiduciaae Executive Team comprises:

Dr Kurt Lemke
Simon Ondaatje (General Manager, Fiduciaae)
Dr Michael Rafferty
Dr Allan Wain

Executive Team members have a long history of participating in investments in unlisted assets, including infrastructure, with some members also having roles at RMIT University, Harvard University and Stanford University.

GOVERNANCE AND FIDUCIARY DUTY

From a governance and fiduciary duty perspective, unlisted asset valuations must be as accurate as possible. The LRW Model not only provides significantly improved accuracy but also is both more transparent and more comparable to listed market prices.

FIDUCIAAE'S PURPOSE

Fiduciaae's purpose is to work with all stakeholders to provide accurate asset valuations to assist them to make better-informed decisions regarding unlisted asset values.



Appendix 22



5 July 2023

Australian Prudential Regulation Authority
Level 12, 1 Martin Place
Sydney NSW 2000

Dear [REDACTED]

I hope that you are well and that you had a restful and an enjoyable vacation.

Thank you very much for the opportunity to meet with you (via Teams) on 15 May 2023 and for the thoughtful insights and observations that you provided to Kurt, Simon, and me during our discussion with you.

As we discussed during our meeting with you, the revisions to the Australian Prudential Regulation Authority (APRA) Prudential Standard SPS 530 released on 19 July 2022 afford additional clarity for Registrable Superannuation Entity (RSE) licensees, providing that which we consider to be beneficial detail on RSE licensee obligations pertaining to stress testing, to valuation, and to liquidity management practices.

Following our 15 May 2023 meeting with you, we have had extensive engagement with executive members of numerous Australian Superannuation Funds (Funds), all of which are regulated by APRA, resulting in our improved understanding of the priority, or otherwise, assigned to the practice of valuation in these Funds. We and APRA share a determination and a motivation to identify the practices available to Funds to preserve and, preferably, to enhance their members' equity, a purpose, on the part of Fiduciaae, informing a new valuation method (LRW Model) for unlisted assets. We strongly believe that prudent and justifiable valuation practices are an essential enabler of these Funds' member outcomes.

Accompanying our interest in and enquiries about the Funds' unlisted asset valuation practices was our intent to identify both the Funds' attention to the covenant in section 52(12) of the Superannuation Industry (Supervision) Act 1993 (Cth) (SIS ACT) and the extent, if at all, to which there exists any overlap between section 52(12) and the more well-acknowledged duty to act in the best financial interest of members under section 52(2)(c) in the Funds' valuation priorities and decision making. We believe, in those Funds with which we had engagement, that section 52(12) has been subordinated to, if not replaced by, section 52(2)(c), resulting in probable breaches by these Funds of section 52(12).

265 Exhibition Street
Melbourne VIC 3000, Australia
6 Liberty Square
Boston MA 02109, USA

www.fiduciaae.com

Having regard to section 52(12)'s text and context and purpose, we were not persuaded that the statute's 'duty to promote' was the normative behaviour in the valuation and investment sections of the Funds with which we engaged. In this regard, the concept of 'promote' is understood to be not one of passivity but rather positive and demonstrable action taken to achieve desired outcomes for Funds' members' equity. That is, the concept of 'promote' is not of itself a requirement of attainment. Pertaining to the Funds' valuation practices, passivity, if not the Funds' apparent resistance to promote any form of analytical review of current valuation practices, appeared to be evident. For example, one Fund stated that *"Valuations are not important to us [the Fund] because our investors take a long-term approach"*. Another stated that *"Our Finance Team are now in charge of valuations. This [promotion of a review of current valuation practices or of a valuation 'sense check'] is unlikely to rank as a high priority for them or me"*. Several additional remarks made by the Funds suggested a governance culture and framework of passivity in respect of valuation practices.

In that which presented not as a third-party fiduciary relationship but rather merely as an agency relationship was an agreement between a Fund and two external asset managers appointed by the Fund. The Fund was concerned that these two external managers, managing the same asset for the Fund, were providing unit prices reflective of a "... material valuation difference". Notwithstanding an executive of the Fund had an objective to understand these valuation differences and to determine the correct or appropriate valuation of the asset, the Fund stated to us that *"unfortunately, our external investment manager has advised us that we do not have the access rights for the data requested and they won't allow us to have it."* The executive of the Fund was not permitted to promote this valuation review within the Fund. That is, no positive or demonstrable action was taken by the Fund to reconcile a valuation issue material for the preservation and enhancement of the Fund's members' equity.

The demonstrable lack of information available to this Fund, required not only to value the investment but also to understand and to quantify what the Fund owns, could become a systemic risk if applicable to Funds more generally and if Funds elect to allocate capital to external managers in the private market with agency relationship based agreements.

Our engagement with the Funds suggested that this information deficiency is a feature of the valuations practices applied by them.

We identified common agreement among the Funds that more accurate valuations would likely lead to material asset devaluations of private market assets and, consequently, compromise a Fund's ability to meet or to exceed APRA's performance benchmarks, placing the Fund's RSE licensing status at risk. In this context, a Fund CIO stated *"If I write down the value of my [the Fund's] assets and no one else does, my fund is punished and no one else is. Everyone knows that these [unlisted] asset valuations are manufactured – there is no reward for good behaviour [accurate valuations]."*

The Funds with which we engaged appeared to be not particularly interested in the valuation truth but rather more interested in the elimination of valuation uncertainty, an observation alone that causes us to believe that the Funds' passive approach to valuation practices is contributing to these practices having a diminishing relation to reality. Valuation practices are not merely an administrative function of the Funds but rather a primary purpose and responsibility for them. Valuation practices should not be practiced because of their convenience of method but rather be adopted because of their accuracy and relevance of content.

The Funds' formulations of valuation practices, whether they be historically imbedded or organisationally preferred or socially constructed, do not exhaust that which is real, and will continue to be real, for the Funds' members and their equity. A Fund's historical gratitude for the convenience of a valuation method is not in itself a measure of the Fund's governance or capital stewardship virtue. In dynamic and complex economic, financial, and regulatory conditions, passivity is not the basis of the construction of an asset valuation reality.

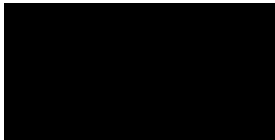
In addition, remarks made by the Funds suggest that their essentially mechanistic rather than dialectical valuation governance culture and practice is enabled by the following organisational conditions:

1. The Funds' hesitation to acknowledge, and then to act on, that which appears to be a significant conflict of interest between the Funds and their valuers and auditors.
2. The belief by the Funds that they and their valuers and auditors are captive to each other.
3. The belief by the Funds that APRA's current focus on unlisted asset valuation will transition to another regulatory priority for the Funds, providing the scope for the Funds not to promote or to consider alternative valuation practices.

We look forward to the possibility of further contact with you about the historically and organisationally located unlisted asset valuation practices and viewpoints in the Funds and their implications for members' equity.

Thank you.

Yours sincerely



Appendix 23

From: [REDACTED]@fiduciaae.com>

Sent: 10 January 2024 16:34

To: ampservices@computershare.com.au <ampservices@computershare.com.au>

Subject: Unlisted asset valuations - a new approach - attention [REDACTED]

Dear [REDACTED],

At Fiduciaae, we appreciate the importance of corporate governance and the investment stewardship practices required by Trustees.

We recognize that the accurate valuation of unlisted assets is a fiduciary duty that preserves and enhances members' equity in your superannuation fund.

APRA is now focusing on 'how' unlisted assets are being valued.

For many years Australian superannuation funds have used the CAPM/DCF approach to value unlisted assets. Fiduciaae's extensive research concludes that there are limitations associated with this approach. For example, CAPM/DCF places on average, 80% of the total value on the terminal value (cash flows post year five) and 20% of the total value on the discount rate (a percentage term used to calculate all future cash flows and discount them back to the present).

In a five-year collaboration with Harvard University, Fiduciaae's founders, (Dr Kurt Lemke, Dr Mike Rafferty and Dr Allan Wain) developed a highly sophisticated financial model that allows unlisted assets to be valued as if those assets were listed on the Australian Stock Exchange (ASX). The Lemke, Rafferty, Wain model (LRW model tm) is materially more accurate than the valuations provided by the CAPM/DCF analysis as it provides valuations that range between 90%-95% of what the asset price would be if it was listed on the ASX.

We would be pleased to demonstrate the application of the LRW Model tm to the valuation of unlisted assets and how the LRW Model tm can assist you as a Trustee.

Please find attached to this email a brief description of the LRW Model tm and its key features.

With Kind regards.



SIMON ONDAATJE

Chief Executive Officer

Fiduciaae

Stay. Trusted.



[REDACTED]

[REDACTED]@fiduciaae.com

265 Exhibition Street
Melbourne VIC 3000, Australia

6 Liberty Square
Boston MA 02109, USA

fiduciaae.com

From: [REDACTED]@fiduciaae.com>

Sent: 07 January 2025 08:33

To: [REDACTED]@gmail.com <[REDACTED]>

Cc: [REDACTED]@fiduciaae.com>

Subject: Unlisted asset valuations and the obligations of superannuation fund Trustees

Dear [REDACTED],

Thank you for accepting my invitation to find out more about this most important matter.

As you are aware, APRA's update on 17/12/24, '*APRA review highlights the need for improved valuation and liquidity risk governance in superannuation*', places the entire responsibility for accurate unlisted asset valuations solely in the hands of Superannuation Trustees.

We had been working closely with APRA since May 2023 (*please read official complaint to APRA - 13 Aug 2024 for an overview of our proposition*) and we strongly believe it is inappropriate and near impossible for Trustees to be held solely responsible for ensuring unlisted asset valuations are accurate as many Trustees do not have the financial skills and just as importantly, Trustees rely on management to provide accurate valuations.

As APRA have stated in the latest update, the entire unlisted asset valuation process is trapped by vested interests. Moreover, we can demonstrate that the current method used to value unlisted assets is so deeply flawed it is placing the superannuation industry at risk. We believe unless there is a circuit breaker, this circular discussion regarding who is responsible will continue in the short term. However, as concerns about liquidity intensify it is well within the realms of possibilities that there could be a

negative event within the medium term that places the entire industry under enormous pressure.

Please see the LRW Model information update attached that explains our business, but in short, the financial model created by Fiduciaae, in conjunction with Harvard University, values unlisted assets as if those assets were listed on the ASX to a high degree of accuracy. This is the most accurate way to value unlisted assets. In addition, Fiduciaae is independent from the vested interests and our service provides exactly what APRA has requested of Trustees.

We would be more than pleased to demonstrate the LRW Model and how it works to provide the most accurate valuations.

Kind regards and best wishes



SIMON ONDAATJE

Chief Executive Officer

Fiduciaae

Stay. Trusted.



265 Exhibition Street
Melbourne VIC 3000, Australia

6 Liberty Square
Boston MA 02109, USA

fiduciaae.com

Appendix 24



3 October 2023

[REDACTED]
Head of Investment Risk
Australian Prudential Regulation Authority
Level 12, 1 Martin Place
Sydney NSW 2000

Dear [REDACTED]

Subject: Draft Letter to RSE Licensees

Thank you very much for our previous contact and for the most helpful discussions pertaining to the valuation of unlisted assets held by Australian Superannuation Funds.

As we have discussed, further to our letter to you dated 5 July 2023, we continue to observe the ongoing application by Australian Superannuation Funds and their asset managers of that which we strongly believe to be inappropriate and inaccurate valuation methods for unlisted assets. Truthful and accurate valuations of unlisted assets appear not to have prevailed in numerous of the Superannuation Funds. Rather, what prevails in them has become to be considered by them to be 'truthful and accurate' asset valuation.

A most important component of this deficiency in valuation methods, and that which is possibly a regulatory problem in our view, is the ΔB component of benefit required to optimise Superannuation Fund members' equity. Of what does this potential and likely partial loss of benefit, the ΔB , for members consist? Any partial loss of benefit for members might be considered in the following way.

If the benefit for members has not been maximised, then detriment or harm to them has not been minimised. If detriment or harm has not been minimised, then detriment or harm has not been prevented. If detriment or harm has not been prevented, then harm has been done. Therefore, if benefit has not been maximised for Superannuation Fund members, then harm has been done to them. By way of analogy, in much the same way as the idea of 16 is not contained in 9 and 7 until 9 and 7 are added and 16 is not contained in the idea of adding, the awareness of detriment or harm to members is not contained in the currently articulated investment benefit to them until alternative and more accurate asset valuation methods are considered.

We believe that avoidable and demonstrable harm to Superannuation Funds' members is being caused by the dominant, if not exclusively applied, valuation method (DCF and CAPM analysis) for unlisted assets. RSE Licensees have a regulatory responsibility to have a detailed knowledge of their unlisted assets and the basis of their valuation. We are not persuaded that this level of knowledge is present among many, if not the majority, of RSE Licensees. Verifiable and verified alternative valuation methods for unlisted assets (such as the LRW Model) exist that could maximize the benefit

265 Exhibition Street
Melbourne VIC 3000, Australia
6 Liberty Square
Boston MA 02109, USA

to Superannuation Fund members. They need to be explored and applied by RSE Licensees to militate against the present harm, possibly unknowingly and unwillingly, being caused to members.

For your potential review and consideration, please refer to the Attachment to this letter for a draft letter to RSE Licensees that is focussed in their knowing their unlisted assets. We believe that a letter of this form would further highlight and reinforce APRA's disciplined supervision of RSE Licensees.

We look forward to the possibility of further contact with you about these matters.

Thank you.

Yours sincerely

Simon Ondaatje

Chief Executive Officer

Attachment - Draft Letter to Superannuation Fund Trustee

Attachment - Draft Letter to Superannuation Fund Trustee

TO: ALL RSE LICENSEES

VALUATION AND KNOWLEDGE OF UNLISTED ASSETS

Further to the release on 20 July 2023 of the guidance on investment governance and valuation practices for RSE Licensees, Prudential Practice Guide SPG 530 Investment Governance (SPG 530), APRA continues to observe valuation inconsistency for unlisted assets.

A vigorous governance of superannuation fund investments requires a thorough knowledge of all investments made by the superannuation fund, including unlisted assets.

The purpose of this letter is to underline the information about unlisted assets that RSE Licensees should consistently have available and the associated information to be provided to APRA.

General Information

RSE Licensees should know how many unlisted assets their fund owns, the value of each asset, and the share of the total portfolio represented by unlisted assets.

RSE Licensees should have reviewed and have access to the current financial statements of each and every asset and be aware of any assets their fund owns for which there are not current financial statements.

RSE Licensees should have reviewed and have access to the full financial forecasts utilised by management, or a third party, to derive valuations of all unlisted assets.

RSE Licensees should have reviewed and have access to the full financial performance of and underlying financial assumptions pertaining to each and every unlisted asset that the fund owns. If the RSE Licensee cannot access the full financial data and performance of any unlisted asset that the RSE Licensees owns, then such information should be obtained.

Forecasts

APRA recommends that RSE Licensees instruct management to maintain a valuation priority for unlisted assets incorporating timelines of only up to five years.

RSE Licensees should be able to satisfy themselves how many unlisted assets are valued on the basis of forecasts greater than five years. The RSE Licensee should know the value of those assets and should know the proportion of an asset or the assets' value derived from forecasts beyond year five.

Terminal Values

Further, APRA recommends RSE Licensees ensure that valuations are not overweighting speculative risk through terminal value dependent methods. Terminal values are the most prominent risk to accurate asset valuations of unlisted assets. RSE Licensees should have reviewed and have access to forecasts to ensure that cash flows after year five both are defensible given economic conditions and expectations and present a consistent pattern with previous years unless there is a clear and demonstrable reason to deviate from historical performance patterns.

Discount Rates

APRA encourages RSE Licensees to request management and third-party asset managers to use empirically defensible discount rates based on listed market comparisons to value unlisted assets. Further, APRA requests RSE Licensees to be able to defend discount rates developed through empirical means including but not limited to time period selected, listed firms sampled, frequency, and documented method.

RSE Licensees should have reviewed and have access to the discount rates for each asset in the fund.

Valuation Models

RSE Licensees are encouraged to use valuation models and approaches that reduce Terminal Value risk, to monitor, and to be able to defend valuations that derive more than 2/3 of the total valuation through terminal value calculations. That is, from forecasted asset performance after year five.

RSE Licensees are encouraged to request management to explore other valuation models such as residual income models to cross-check and verify valuations and to quantify terminal value risk.

Quarterly Updates to APRA

APRA requires all RSE Licensees to provide information on all unlisted assets and the valuations of these unlisted assets approved by the RSE Licensee. This information, to be provided by each RSE Licensee, must be forwarded to APRA each quarter (allowing one month at the end of each quarter to gather relevant information. Information may be submitted as a spreadsheet. Refer to attached for guidelines.)

Your sincerely

...

Appendix 25



4 March 2024

██████████
Head of Investment Risk
Australian Prudential Regulation Authority
Level 12, 1 Martin Place
Sydney NSW 2000

Dear ██████████

Following the commencement of APRA's first phase of understanding '*how unlisted assets are valued*' by Trustees of Australian superannuation funds, we reaffirm our commitment to helping APRA and Australian superannuants discover the fairest way to value unlisted assets.

Alternative benchmarks to CAPM/DCF

We do, however, wish to register our concerns with the first phase of the valuation process because the process lacks an alternative benchmark. Without an alternate reference point for consideration of 'how unlisted assets are valued', APRA will be simply evaluating data that will only reaffirm the current status quo. That is, Superannuation funds take valuations 'seriously' and can provide reams of data to support the claim with perhaps a 'tweak' to a terminal value or discount rate.

As we have stated during the previous several months, Fiduciaae can demonstrate that the current method of valuation for unlisted assets (CAPM/DCF) used by the Australian Super funds is deeply flawed on many levels and provides incorrect unlisted asset valuations. Valuation inaccuracy can vary between 40% to 90%. There is a significant material discrepancy in Fiduciaae's valuations compared to the traditional CAPM/DCF approach. Fiduciaae would be pleased to showcase to you and your colleagues how the LRW (tm) model proves our argument.

Valuations

The best definition of valuation accuracy is an arm's length transaction between a willing seller and a willing buyer. However, unlisted assets do not change hands regularly. Because economic circumstances change so often, transaction prices are a somewhat unreliable guide to accurate valuations, and as such, not the best way to value unlisted assets.

The best and most reliable guide to valuation accuracy is the listed markets that provide a daily assessment of value. Just as importantly, the listed markets provide the most accurate guide to liquidity and the further the Superannuation funds stray from daily pricing then the more dangerous it becomes for valuation and liquidity accuracy. One only has to compare the listed REIT prices compared to unlisted commercial property prices over the past four years to note the material

265 Exhibition Street
Melbourne VIC 3000, Australia
6 Liberty Square
Boston MA 02109, USA

www.fiduciaae.com

difference in prices for ostensibly the same assets. The impact of inaccurate valuations is clear on many levels:

Superannuants are being overcharged

Firstly, if unlisted asset prices are overvalued, as we strongly suspect they are, then superannuants are significantly overpaying in fees. Unlisted assets represent approximately \$800B in value from a total superannuation pool of \$3.6 trillion in Australia. As a result, a material amount of excess fees is being paid by superannuants to the superannuation funds.

Over \$1 Trillion dollars from the super system will be drawn down over the next few years

Secondly, and just as importantly, according to ASIC, over the next few years close to four million superannuants in Australia will be drawing down completely from their superannuation savings of over \$1 Trillion. There is a 'silver tsunami' about to hit Australia and valuation accuracy is even more vital than ever to ensure that superannuants receive their correct entitlement. To add to the challenges of the drawdown on superannuation savings, the impact of the new tax regime on super funds greater than \$3m in value from 1 July, 2025 cannot be overstated. As you are aware, the tax rate changes from 15% to 30% and is compounded by super funds being taxed on unrealised gains. Anecdotal evidence from Financial Planners indicates that many eligible superannuants with more than \$3m will be shifting assets out of superannuation into other structures. According to the Department of Treasury, the value impacted represents a total of \$480B. Although not every impacted Superannuant will withdraw all their funds from the superannuation pool, there is no doubt that some assets will be impacted as a flight of capital commences. Compounding the challenges is the likelihood that for the first time in superannuation history, in the next few years outflows of funds in superannuation are going to eclipse inflows in total value, which will exacerbate the pressures on sellers to meet redemptions. Adding to the chaos is the fact that assets will be taxed on unrealised gains that could quickly spiral into realised losses.

If most super funds have an allocation between 20% to 25% (industry average) in unlisted assets, there has to be downward pressure on asset prices as super funds are likely to become forced sellers. The entire superannuation system could be in turmoil.

The Superannuation system is in danger

Thirdly, if there is an extreme event and there is a 'run' on superannuation funds, then there is every possibility that some funds will go into lock up and the superannuation system and the entire financial system could be in danger of failing.

Fiduciaae's technology

Fiduciaae offers a proven technology (LRW Model tm) that is able to value unlisted assets to a high level of accuracy as if those assets were listed on the ASX. We reiterate that we would be pleased to present our model to APRA at any time.

Alternate benchmarking

We propose that we benchmark the LRW Model against the CAPM/DCF valuations across the smaller super funds to provide an accurate assessment of where the stress points are within the unlisted assets. As we discussed on our Teams call in December last year, the super funds would be charged for this service. We anticipate that if you targeted funds such as Telstra Super, Colonial First State Super, and AMP Capital, APRA would have a good cross section of funds and assets to compare with the other data it has collated. We suggest twelve unlisted assets from each super fund including renewables, infrastructure, and commercial property.

Thank you for your consideration of the issues raised in this letter.

Kind regards

[Redacted Signature]

Chief Executive Officer

Super's Baby Boomer tipping point has arrived

The financial system has been moulded by the post-WWII generation. As the silver tsunami of retirements is upon us, we should expect it to be entirely reshaped.

JONATHAN SHAPIRO *Senior reporter*

Aug 20, 2023 – 2.41pm

Save

Share

Gift this article

In April 2017, a retired schoolteacher from New Jersey, Kathleen Casey-Kirschling, made history. Born at midnight on January 1, 1946, she was the first Baby Boomer to be mandated [to begin selling down her pension assets](#), as required by United States law when she reached the age of 70½.

The big shift of pension capital from accumulation to liquidation phase began on that day. And six years later, investors and policymakers are mulling the long-term implications of this trend.



A word in your ear: Jim Chalmers (right) with former treasurer and prime minister Paul Keating in August 2022. **Jeremy Piper**

The Baby Boomers are a generation of enormous cultural significance in Western society, but it's perhaps less appreciated how they have shaped our capital markets and the broader global financial system.

It was the savings of this generation that underpinned the growth of a

global pension pool to \$US56 trillion (\$88 trillion). This in turn has

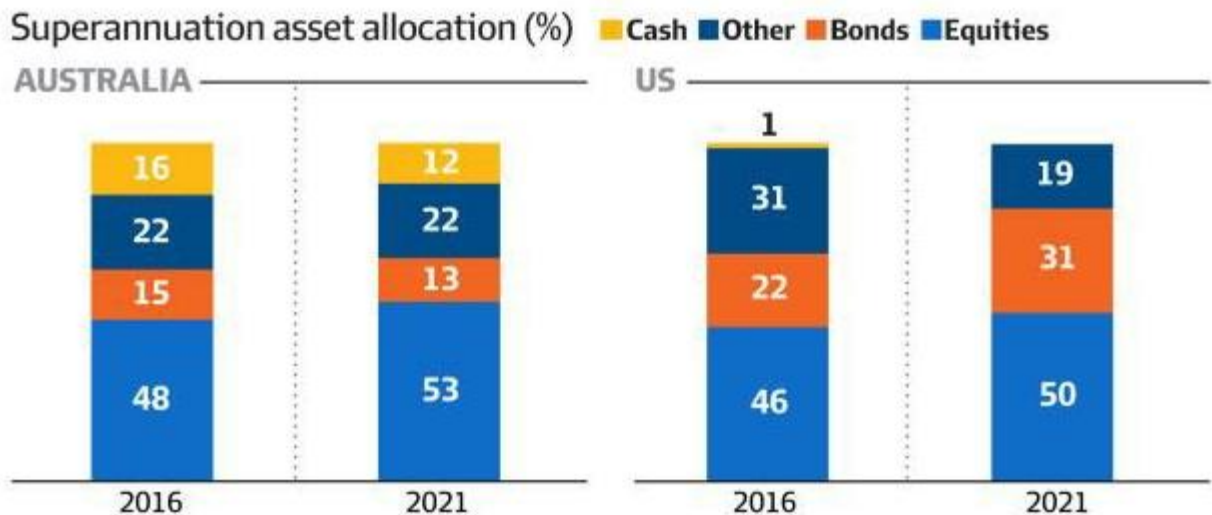
supplied governments with debt and corporations with equity, financing decades of prosperity. Now, in theory at least, the direction in which that capital flows will change and the mix of investments will be chosen to protect rather than generate wealth and deliver income.

Australia's first Boomer hasn't been identified and tracked like Casey-Kirschling. But this tipping point moment arguably matters more. The pool of pension assets relative to the size of the economy is the largest in the world and a large share of those assets belong to members on the verge of retirement.

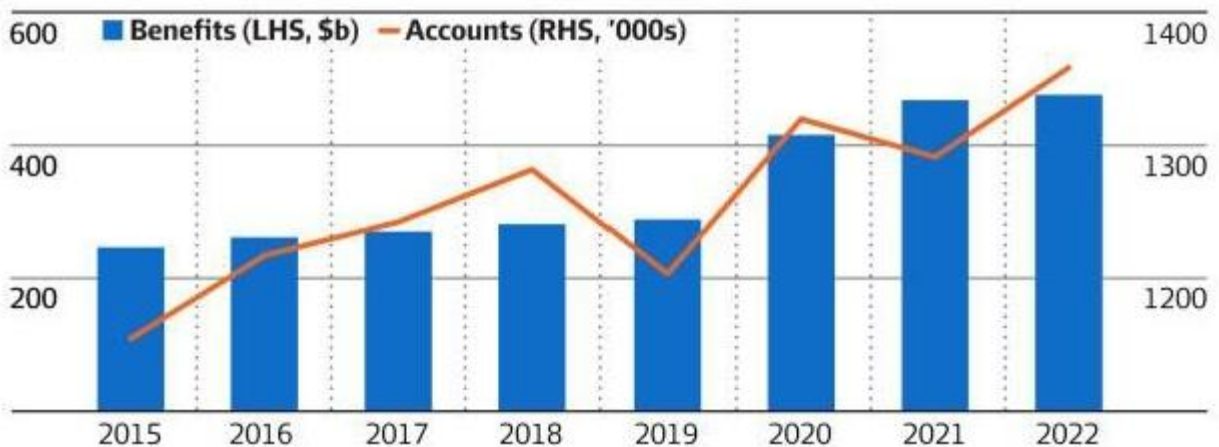
Advertisement

In July 2022, the retirement income covenant that requires super funds to develop a retirement income strategy for their members came into effect.

But regulators have [scolded super fund trustees for failing](#) to hold up their end of the bargain leaving them under prepared for a pending “silver tsunami”, as the Australian Securities and Investments Commission's Danielle Press put it. That joint report by ASIC and Australian Prudential Regulation Authority estimated that 1.3 million super members are in the retirement phase and will reach 1.6 million in 2030.



Superannuation member benefits and accounts in the retirement phase



SOURCE: WILLIS TOWERS WATSON, APRA

In dollar terms, the growth will be more dramatic as super fund assets belonging to retirees will swell from \$500 billion to \$1 trillion in 2030.

Logic would dictate that this trillion-dollar pool will be deployed in a way that prioritises capital preservation and income – and simplistically should favour bonds over stocks, safe fixed income over risky growth.

So, we should be thinking hard as a nation about how this demographic force will reshape our capital markets and our financial system.

It's a matter that will be discussed at length this week as some of the nation's political leaders, regulators, financiers and lenders gather to discuss how more of Australia's pension capital can be deployed to better serve the economy.

The forum is the annual superannuation lending roundtable hosted by Visy's Anthony Pratt and *The Australian Financial Review*. The event [was conceived in 2017](#) to encourage super funds to engage in direct lending to the economy. The gatherings have provided an insight into how the superannuation system and the financial system has evolved.

At that first event, the enthusiasm to invest in corporate debt and fixed income was at a low ebb. The sentiment around the table from the super funds that day was diplomatic. They were open to exploring any and every attractive investment opportunity, including private lending.

But the off-the-record chatter among super fund chief investment officers was that they only had a limited budget to invest in illiquid, unlisted and stable assets – and they would rather use that all up to buy higher returning infrastructure, property and private equity assets rather than low-yielding corporate loans.

Today, Australians are six years older while interest rates are five per cent higher. The calculus that determines how super funds allocate assets is meaningfully different. Private debt is now the hot new asset class while infrastructure, private equity and property valuations are under pressure.

In the property sector, there's a realisation that debt financing a project or an asset is far better relative to the risk (which may be suggestive that equity investors have to reconsider their returns).

Meanwhile, public government and corporate bond returns are as compelling as they've been in years. US treasury bills are offering yields above 5 per cent while Australian investment grade corporate bonds are paying about 5.9 per cent. Riskier high-yield bonds and loan yields are edging into double-digit territory.

Getting asset allocation calls isn't easy. This was meant to be the year of the bonds yet rising yields have hit bond prices while the US stock market has powered on.

But the higher interest rates go, the greater the opportunity cost of taking risk and the greater the incentive is for institutions to opt for more reliable defensive investments.

That's reflected in the positive experience for US defined benefit pension funds over the past three years.

The Milliman Pension 100 index which tracks the top 100 US corporate pension plans shows they've swung from a large deficit position to a surplus. This [is almost entirely as a result of rising interest rates](#) as an increase in the discount rate used to value future liabilities has increased from 3.50 per cent to 5.25 per cent since 2017.

The higher the discount rate, the lower the present value of future liabilities – which has led to the evaporation of pension deficits.

The decline in pension liabilities is an accounting expression that reflects the real-world reality that it's now much easier for them to make good on their obligations to pay income to policyholders by simply taking less risk and buying bonds.

Migration of investments

Australia's pension system is largely a defined contribution system, but it is solving the same problem of financing consumption in the retirement phase. So, we should be observing a migration of investments from growth asset classes into defensive ones.

Yet super funds still tend to favour equities over bonds. While US pension funds have boosted their fixed income allocations since 2017 from 22 per cent to 31 per cent, Australian super funds have cut theirs from 15 per cent to 13 per cent.

There is therefore little evidence to date that super funds are shifting their assets to reflect the changing needs of their members.

But it will certainly occur in time. The consequence for the financial system will be to evolve and adapt to attract our pension capital as it becomes more risk-averse and income-oriented.

That means more super funds and asset managers may expand their lending activities and if demand for retirement income products grows, there will be more long-term capital flowing into credit and fixed income.

Pension funds, however, are unlikely to supersede the banks as the main providers of credit into the economy.

The size of Australia's super assets – at more than \$3 trillion – is about the same as the big four banks' asset base, but super funds will remain diversified into other asset classes.

But we should expect and plan for our financial system to evolve and cater for our ageing population. And if we're going to encourage or mandate that Australians invest their retirement income, policymakers need to plan for how that will be generated in a way that benefits us all.