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Australian Securities & Investments Commission

Via email: markets.consultation@asic.gov.au

SUBMISSION TO THE AUSTRALIAN SECURITIES AND INVESTMENTS COMMISSION ON EVOLVING CAPITAL MARKETS DISCUSSION PAPER

Infrastructure Partnerships Australia is pleased to provide this submission in response to the Australian Securities and Investments Commission's discussion paper on Australia's evolving public and private capital markets.

Infrastructure Partnerships Australia is an independent think tank and executive member network, providing research focused on excellence in social and economic infrastructure. We exist to shape public debate and drive reform for the national interest. As the national voice for the infrastructure sector in Australia, our membership reflects a diverse range of public and private sector entities, including infrastructure owners, operators, financiers, advisers, technology providers and policy makers.

Infrastructure Partnerships Australia recognises the changing dynamics of Australian public and private capital markets, as outlined in ASIC's discussion paper which observed the decline in listed entity numbers occurring alongside the growth of the private market, which is playing an increasingly important role as a source of financing.

However, despite these shifts, it is still too early to conclude they represent a deterioration in the health of the public market that requires substantial regulatory intervention – a conclusion reached in the accompanying research paper prepared for ASIC - *REP 807 Evaluating the state of the Australian public equity market*, which notes there is a changing composition of financial markets but does not find evidence to support the claim the Australian public market is in structural decline.

The expanding role of private capital in infrastructure delivery

The growth in private markets has offered investors access to capital opportunities that may not always suit public markets, including large-scale infrastructure and assets with longer or more complex development cycles. These assets often require bespoke structuring, long-term commitments, and the flexibility offered by private capital vehicles.

Importantly, they also provide alternative avenues for institutional investors such as superannuation funds, which now manage funds in excess of the total market capitalisation of the ASX. In this context, unlisted assets provide superannuation funds long-term stable cash flows which match their investment horizons, as well as serving as a hedge against economic instability and inflation. The private market is likely to continue to expand alongside the growth in size of superannuation funds.



Achieving our national priorities depends on robust private markets

Australia's ability to meet its long-term economic and social goals relies on the strength of these private capital markets. Several key national priorities are reliant on the continued growth and effectiveness of private capital channels, including delivering the infrastructure needed for the net zero transition. Achieving the scale of investment required in renewable generation, storage, and transmission infrastructure will require patient capital that the private market is well placed to provide, as ASIC itself notes.

Likewise, growing needs in digital infrastructure, social housing, and transport will continue to be supported through a blend of public-private investment partnerships, often through private unlisted investment structures.

Interventions in the regulatory framework without a clear rationale may deter investors

Infrastructure Partnerships Australia acknowledges there are emerging developments altering Australia's capital markets, and transparency and oversight of potential systemic risks are important. However, we caution ASIC against making sweeping changes to the current regulatory settings. Should it determine that changes are required, the regulator should aim to strike a balance between ensuring the attractiveness of investing in our private market and adequate monitoring of the financial system.

The existing regulatory environment is generally viewed favourably by infrastructure investors and Australia has cemented itself as a stable and mature market to invest in. However, as demonstrated in Infrastructure Partnerships Australia's *2024 Australian Infrastructure Investment Monitor*, while investors remain eager to deploy capital in our infrastructure market, optimal policy and regulatory settings need to be in place to secure investment. It is important our private markets remain attractive to investors, and any changes do not undermine our competitive advantage at attracting global capital.

Infrastructure Partnerships Australia looks forward to further assisting the Australian Securities and Investments Commission. If you require additional detail or information please do not hesitate to contact [REDACTED] Head of Policy, on [REDACTED] or [REDACTED]@infrastructure.org.au.

[REDACTED]
Yours Sincerely,

[REDACTED]
Chief Executive Officer

