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28 April 2025

Dear [redacted]

The Alternative Investment Management Association Ltd (AIMA) and its private credit affiliate The Alternative Credit Council welcomes the opportunity to contribute to the Australian Securities and Investments Commission's (ASIC) discussion on Australia's evolving capital markets. Our response outlines the vital and expanding role of private credit within both global and Australian contexts, underscoring the structural shifts and opportunities this asset class presents for borrowers, investors, and the broader financial system.

Over the past decade, private credit has matured into a core component of the credit markets, that, according to our research, we estimate to be more than US$3 trillion in assets globally. Australia has mirrored this trend, with private credit growing 240% between 2014 and 2024. In our response we highlight three foundational drivers behind this growth:

- **Borrower demand**: Private credit offers borrowers tailored financing solutions through direct lender relationships that support their ability to access stable long-term capital. This supports a resilient corporate finance market, especially for SMEs and mid-market enterprises.
- **Benefits to investors**: The sector has delivered consistent risk-adjusted returns with low volatility while also providing investors with a way to enhance their portfolio diversification. While the market is predominantly institutional, there is a global trend towards increased retail participation, supported by fund that incorporate appropriate investor protections.
- **Stability and Countercyclical Performance**: Private credit has demonstrated its value during market downturns by continuing to deploy capital during periods when other parts of the credit markets retrench. Its long-term funding base, lower leverage, and asset-liability matching reduce systemic risk, can also enhance the resilience of the financial system resilience.

Our response also addresses key regulatory themes and questions posed within the discussion paper and we would highlight the following key themes within our response:

- We support a proportionate and consistent regulatory framework that supports both wholesale and retail participation in private markets by Australian investors;
- Leveraging international best practices can help responsibly expand retail access to private assets in Australia; and
- There is an important role for industry practices and guidance in private markets and this can be more effective than prescriptive rules in supporting good outcomes for investors.

We believe that a strong public and private markets are key components of a resilient financial ecosystem that provides critical capital to businesses but also deeper investment opportunities to support Australia's economic growth, innovation, and resilience.

We appreciate ASIC's consideration of our submission and remain available for further dialogue on how best to support the sustainable development of Australia's capital markets. Please contact Myself or [redacted], [redacted] [redacted] if you would like to discuss any aspects of our response further.

Yours sincerely,

[redacted]
Managing Director, Alternative Investment Management Association

About AIMA

AIMA, the Alternative Investment Management Association, is the global representative of the alternative investment industry, with more than 2,100 corporate members in over 60 countries. AIMA's fund manager members collectively manage more than $4 trillion in assets. AIMA draws upon the expertise and diversity of its membership to provide leadership in industry initiatives such as advocacy, policy and regulatory engagement, educational programs, and sound practice guides. In addition, AIMA has over 150 local based corporate members including managers and key service providers. For further information, please visit AIMA's website, www.aima.org. AIMA's affiliate association, The Alterative Credit Council (ACC) deals specifically with non-bank and private credit.

Discussion paper: Australia's evolving capital markets

1. **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.**

An important development in global capital markets over the past decade has been the growth of private credit. Our research shows that the global market for private credit is now more than US$3tn[4] and we note that the Australian Securities and Investments Commission (ASIC) identifies that the Australian private credit market has grown 240% between 2014 and 2024.

The growth of the Australian private credit market has been fuelled by many of the same trends which have supported private credit's growth internationally. For the purposes of this discussion paper, we would highlight three key elements of the global market today, which is equally applicable to the Australian private credit market.

The first is that there is significant borrower demand for private credit and other alternative sources of finance, in Australia and globally. While banks remain critical lenders to businesses of all types, changes to banking regulation since the Global Financial Crisis restrict their ability to provide finance to certain markets, as well as the types of finance that they are able to provide.

Private credit funds globally and in Australia have stepped into this gap to provide businesses with an alternative source of credit. As well as ensuring that there is more finance and liquidity available to businesses in absolute terms, private credit funds are able to offer a wider range of finance products, often tailored to the needs of borrowers. Some key features of the Australian private credit market from the perspective of SMEs and businesses would include:

- **Bilateral relationships**: Private credit lenders will often have a direct rather than an intermediated relationship with the businesses they are lending to. Businesses value having a single lender counterparty, and a direct relationship encourages a strong alignment of interest between borrower and lender.
- **Buy and hold**: Private credit assets – usually loans – are generally not intended to be traded and will be held to maturity by the original lender. This is important to borrowers who may not wish for their debt to be traded so they do not find themselves in a situation where the interests of their creditors are not aligned with their own.
- **A flexible and tailored approach**: Core features of a credit agreement such as repayment terms or covenants will typically be structured to match the unique needs of the borrower. This is important for businesses which may require a more flexible approach to financing - particularly those with innovative business models, embarking on a period of growth or seeking finance during periods of market uncertainty. In addition, private credit lenders are often more nimble, providing borrowers with the benefit of speed of execution and also the flexibility to be able to branch into niche areas which are not traditionally offered by banks, including for example, litigation finance and royalties financing. It also helps businesses compete internationally with other firms who have access to this type of finance in other markets (e.g. the US and Europe).

Thanks to the growth of private credit, investment by asset management firms in non-investment grade or leveraged credit markets (BB rating and below) can now broadly be categorised into three segments: direct lending, syndicated lending and high yield bond. Figure 1 below provides an overview of these and bank lending across key variables. While the core product – debt finance – is the same across all three segments, the material differences between the three markets mean that borrowers have a greater diversity of finance providers from which to choose from, as well as there being more finance and liquidity available to them in absolute terms.

Figure 1: Characteristics of private credit, syndicated lending, high yield debt and bank lending.

	Private Credit / Direct Lending	**Syndicated Lending**	**High Yield Debt**	**Bank lending**
Global market size	**US$3tn**	**US$4.7tn**	**US$2.5tn**	**$80tn+**[5]
Typical borrower relationship	**Bilateral** private market, disintermediated	**Syndicated** investment banks key intermediaries	**Syndicated** investment banks key intermediaries	**Intermediated** often syndicated
Typical credit instrument	**Loan**	**Loan**	**Bond**	**Loan**
Typical borrower	**SMEs and mid-market companies** occasionally larger corporates	**Upper mid-market businesses and larger corporates**	**Mainly larger corporates**	**SMEs through to larger corporates, real estate and other asset backed lending**
Type of investor	**Mainly institutional** with some retail investment in US market	**Mainly institutional with significant retail participation** (through '40 Act funds in the US)	**Institutional and retail** through any type of publicly offered fund vehicles or direct investments	**Retail, corporate, institutional**
Number of lenders / investors	**A sole lender** or occasionally a small club of lenders	**Multiple lenders** within the syndicate	**Multiple subscribers** to the bond	**Multiple lenders** within the syndicate
Asset backing	**Secured** against borrower equity, assets or cashflow	**Secured** against borrower equity, assets or cashflow	**Mostly unsecured**	**Secured** against borrower equity, assets
Use of credit ratings	Loans are typically **unrated**	Loans are typically **rated**	Almost always **rated**	Mix of **rated and unrated** exposures
Typical credit agreement	**Bespoke** – heavily negotiated between lender and borrower	**Highly standardised**, negotiated between underwriter/arranger and borrower	**Highly standardised**, negotiated between underwriter/arranger and borrower	**Highly standardised**, negotiated between underwriter/arranger and borrower
Covenants	**Financial covenants** in most credit agreement	**Cov-lite**	**Cov-lite**	**Variable**
Typical loan/bond size	**US$10m-$500m+** but occasionally much larger loans	**US$250m-1bn+** but occasionally much larger loans	**US$300m-1.5bn+** but occasionally much larger loans	**Variable**
Typical maturity	**3-7 years**	**3-7 years**	**2-10 years**	**Variable**

Market liquidity for loans	**Illiquid** and not readily tradable	**Liquid** and readily tradable	**Liquid** and readily tradable	**Variable**

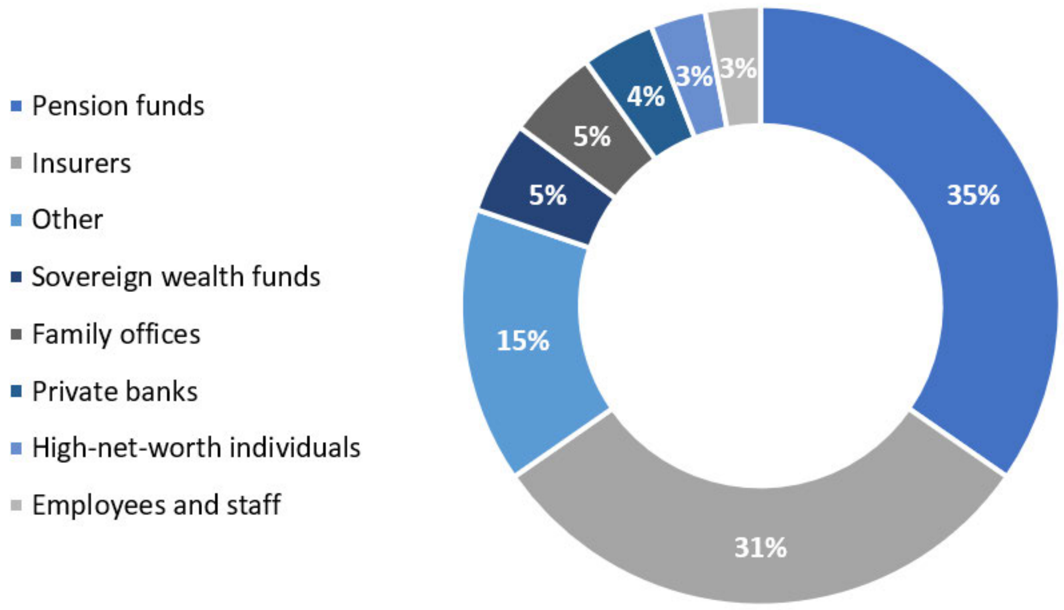
In addition to becoming an important force in the non-investment grade space, private credit market has seen significant expansion beyond its traditional focus on sub-investment grade lending into the investment grade (IG) segment. This growth reflects a broader reconfiguration of capital markets, as regulatory pressures on banks and structural shifts in fixed income portfolios have opened space for non-bank lenders to provide long-dated, customized financing solutions. In the corporate IG space, borrowers are increasingly turning to private credit for bespoke capital structures, execution certainty, and confidentiality – particularly in complex or time-sensitive situations where public bond issuance may not be optimal. At the same time, non-corporate IG private credit – covering areas such as infrastructure, real estate, and asset-backed finance – has gained traction as institutional investors seek stable, long-duration assets with predictable cash flows and enhanced yield over public benchmarks. As private credit markets mature, the IG segment is emerging as a key area of growth, characterized by tighter spreads than high-yield private credit but attractive risk-adjusted returns relative to public IG markets. This evolution is reshaping traditional boundaries between public and private capital in the investment-grade universe.

The second driver of private credit's growth has been its attractiveness to investors, who have increasingly demanded private credit assets over the past decade. The ability of private credit managers to meet (or exceed) investors' return targets over this period, alongside the relatively low volatility of the returns they are providing, has been a compelling argument for investors either looking to allocate or increase their allocation to private credit. Private credit firms have offered investors attractive and consistent returns for several years, outperforming similarly positioned public credit market investments for the vast majority of them. These steady returns mattered even more during the long period of low interest rates, providing much needed income for savers, retirees and other institutional investors such as insurance companies.

This track record also supports the case for allocators to make the necessary adjustments to their portfolio management processes and invest in the right teams and structure to manage the allocation. Investors receive loan and portfolio-level data about their private credit investments, which supports their ability to understand potential portfolio risks and manage their allocation appropriately. As noted in Figure 1 above, there are also material differences between private credit and other types of debt finance. From the investor perspective, the differences between these types of debt finance allow asset owners to better match their exposure to the type of risk they are seeking. This provides important diversification and risk management benefits to investors which ultimately supports their ability to provide returns to their beneficiaries.

Figure 2 below outlines the investor base of private credit, which despite recent retailisation trends, continues to be predominantly composed of institutional investors, particularly those from North America and Europe.

Figure 2: Investor base for global private credit market [6]

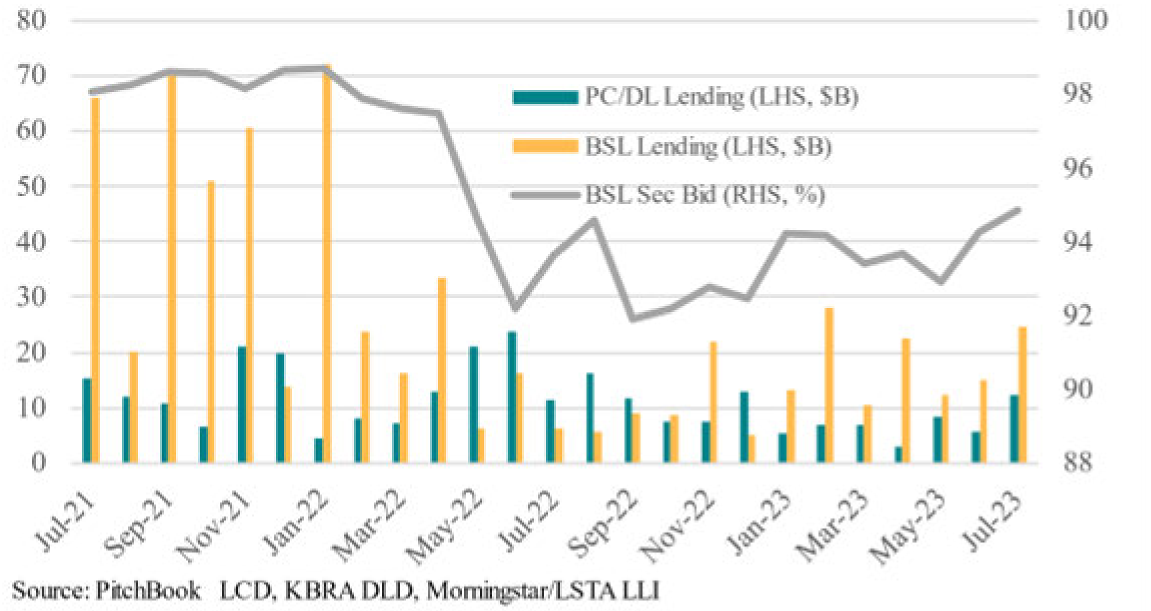


The third key element of the global market over the past decade is that its growth has remained consistent during periods of severe economic and political challenges (see Figure 3). This suggests that the market is built on stable foundations and that the growth of private credit is driven by structural factors.

Figure 3: US$bn private credit capital deployment by Financing the Economy survey participants (Source: FTE 2024)

Private credit funds in Australia have proved themselves an important source of finance and liquidity during periods when other forms of finance, such as banks and the bond markets, have reined in their lending activity. Our research shows that both in the US and in Europe, loan origination fund activity increased in 2022 while bond markets and bank loans retrenched (see Figure 4). This coincides with a period of interest rate rises which reduced risk appetite amongst many lenders while also increasing debt servicing costs on many borrowers. That private credit funds increased their lending at this time suggests that the sector is an important contributor towards financial and economic resilience, acting countercyclically and providing an important source of finance for borrowers during periods of temporary liquidity challenges. This pattern has been relatively consistent through other periods of stress during the sector's growth, and we would expect a similar pattern to hold in Australia as the market develops and gains scale. We also note that in response to the growing demand for private credit, banks are also expanding their own private credit capabilities. Some banks are raising their own debt funds and others are forming partnerships with third party debt funds to invest in direct lending. In these types of partnerships, borrowers are able to benefit from being able to access loans with a more diverse set of financing solutions.

Figure 4: Relationship between the BSL and private credit markets (Source: LSTA)



The rise of private credit in Australia also has positive implications for financial stability. Private credit firms provide funding using long-term sources of capital that is capable of supporting investment risks associated with lending activities. This means that the funding provided does not suffer from liquidity mismatches seen in traditional banking or market volatility associated with bond markets. Additionally, loans are generally held to maturity in vehicles that do not provide redemption or withdrawal rights, with capital returned to investors only when loans are repaid. Leverage used in funds is generally low and matched with the underlying asset maturity.

While there are risks associated with private credit this is equally true for all sectors of the financial markets. We believe that these risks are generally addressed through existing regulatory requirements for asset management firms and investor protection frameworks.

2. **Do you have any additional insights into the attraction of private markets as an issuer or an investor?**

As noted in our response to question 1 above, we believe that private credit is attractive to both borrowers and investors in Australia and globally.

We would also add that while private credit has grown significantly in the past decade, bilateral lending between investors and corporates has been around for a very long time. Private credit is also well established globally with investors and regulators knowledgeable of the potential underlying risks as well as the structures used to provide access to private credit assets. Similarly, borrowers in Australia and globally are increasingly aware of private credit and now view it as a mainstream source of capital rather than an alternative.

We can assess this trend by looking at other markets where private credit is more developed. In the US for example, lending by capital market investors now accounts for the majority of total lending, and in Europe it is estimated to account for around half. In Australia its 5%,suggesting as Australia's private market matures, it will capture a greater share of the lending market.

We would encourage ASIC to consider how the development of private credit in Australia will be beneficial to Australian businesses and how diversifying the number of funding sources within the economy can increase financial resilience by providing an alternative source of capital and allowing long-term investors to play a larger role in the financing of the economy. Our data also demonstrates that the structures used by private credit providers to raise and invest capital avoid the inherent liquidity mismatches that create a source of instability in the banking system.

The design of these structures and their longer-term mandates also mean that private credit funds are able to be a stable source of capital to borrowers, making private credit an important shock absorber in times of economic stress when the traditional banking sector has retreated from the lending markets.

We would also ask that ASIC consider these benefits when considering retail investment into the asset class. Access to illiquid or non-traditional assets has typically been the sole preserve of larger institutional investors such as pension and insurance funds. However, the continued development of the private credit market provides the means for retail investors to gain access, directly and indirectly, to long-term investment opportunities and potentially realise higher returns, while also diversifying their portfolios.

The success of Business Development Companies (BDCs) in the US demonstrates the substantial benefits that retail investors can gain from access to long-term less liquid assets such as private credit. BDCs represent approximately 20% of the private credit market in the US and are one type of fund in the US that is made available to retail investors, with many BDC's being listed on stock exchanges.[7] BDCs are subject to federal regulation and have disclosure requirements similar to those of mutual funds in the US. BDCs have enabled retail investors to directly support small and medium enterprises (SMEs), while also offering investors attractive returns that are typically higher than those available from traditional fixed-income products. The appeal of these investments to retail investors is evident in the growth of BDC assets under management which have gone from US$102 billion to roughly US$375 billion between 2018 and 2024[8]. The S&P Global BDC index also shows BDCs' annualised 5yr returns to investors are 11.36%[9]. The number of investments made by BDCs grew significantly during the same period, indicating a robust demand for the unique opportunities they provide to invest in underserved SMEs and mid-market businesses. The UK Long-Term Asset Fund (LTAF) and European Long-Term Investment Fund (ELTIF) are examples of how policymakers in the UK and EU are seeking to encourage retail capital formation for the specific purpose of investing in long-term assets and addressing longer term challenges around low savings and pension provisions for their citizens.

While we believe that regulatory frameworks for wholesale investors do not require product-specific rules, there may be a stronger case for funds marketed primarily to retail investors seeking exposure to private credit. This would ensure that the regulatory framework provides an appropriate level of investor protection for retail investors seeking exposure to private credit. Well designed and proportionate requirements can play an important role supporting retail investor confidence.

Such an approach would also be consistent with other asset management centres with BDCs, ELTIFs and LTAFs each providing example of how well-designed channels for retail clients to access private credit and other long-term assets can be developed. While these structures are not identical, each address key investor protection considerations such as portfolio diversification, liquidity management, marketing and disclosure. Notably, in many instances each of these regimes stops short of mandating or prescribing specific requirements, instead, choosing to establish minimum or guideline requirements to ensure there is an appropriate degree of flexibility given the breadth of private assets and investment strategies. This approach has been successful in ensuring that products can be designed to address potential concerns whilst also being tailored to specific asset classes, investment strategies and investment needs. An obvious example would be with respect to liquidity management – where the maturity of the assets and time horizon of the investment strategy can vary greatly within private markets.

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

There are distinct differences between public and private markets which are likely to endure for a mixture of regulatory and commercial reasons, but the two markets continue to influence and shape each other.

One area where this influence is currently promoting convergence is the relationship between private credit and the broadly syndicated markets, particularly with respect to terms and pricing of upper-middle market and large cap loan transactions. While not formally 'public', the broadly syndicated loan market has many characteristics that are similar to those of the public bond markets and is thus a good proxy to understand some of the competitive dynamics between the more liquid/traded/widely distributed credit and that which is more bilateral and non-traded. As seen in Figure 4, the increasing competition as the syndicated markets returned from their 2022 slump naturally created more pressure on terms and pricing for the upper-middle private credit market.

Throughout 2023 and 2024, borrowers have taken advantage of this competition to opportunistically swap private credit in favour of cheaper syndicated loans where possible. As outlined in Carlyle's 2024 *Credit Market Outlook*[10], much of the broadly syndicated loans (BSL) (64%) and high yield (HY) (88%) activity over the first months of 2024 involved refinancing of loans originated by private credit firms. ACC members interviewed for our Financing the Economy (FTE) 2024 research paper regarded this as part of the normal market ebb and flow, with borrowers and private equity sponsors understandably taking advantage of improved financing conditions. This 'give and take' dynamic between the direct lending and BSL markets over 2023 and 1H2024 is illustrated in Figure 5. Figure 6 also evidences how private credit financing terms fluctuate depending on market forces and supply and demand.

Figure 5: Syndicated loans and direct lending takeouts (US$bn)[11]

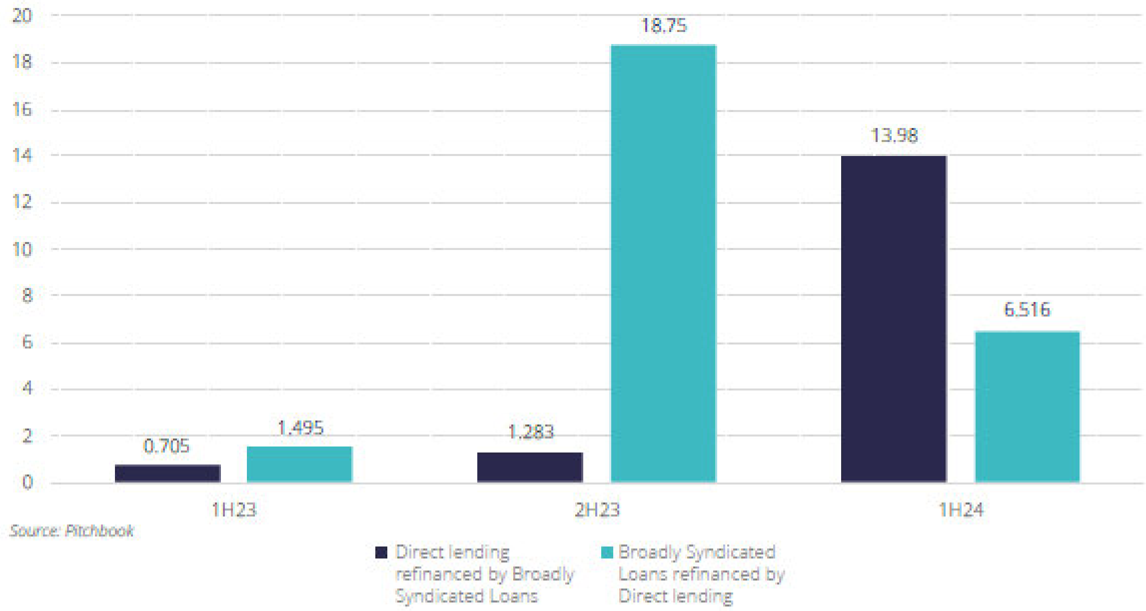


Figure 6: Historic financing terms from private credit funds[12]

	Market Peak (2021)	Dislocation (Q3 2022)	Q4 2023	July 2024
Leverage (EU)	4.00x to 6.50x min to max	3.75x to 5.75x min to max	4.50x to 5.50x min to max	4.50x to 5.75x min to max
Margin (EU)	5.50% to 8.00% min to max	6.00% to 8.00% min to max	5.75% to 6.75% min to max	5.25% to 6.50% min to max
Leverage (UK)	5.00x to 6.50x min to max	4.00x to 5.50x min to max	4.50x to 5.50x min to max	4.50x to 5.75x min to max
Margin (UK)	5.75% to 6.50% min to max	6.50% to 8.00% min to max	5.75% to 6.75% min to max	5.25% to 6.50% min to max
Leverage (USA)	5.00x to 6.50x min to max	4.50x to 5.50x min to max	4.50x to 5.50x min to max	4.50x to 5.50x min to max
Margin (USA)	5.00% to 6.00% min to max	6.50% to 7.50% min to max	6.00% to 6.75% min to max	5.25% to 6.25% min to max

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Figure 7 confirms that parts of the upper-middle market and large cap loan segments of private credit have been converging with public markets on both terms and pricing. Likewise, figures 7, 8 and 9 also show that this convergence has been a localised phenomenon, concentrating only in the larger side of the private credit market, which otherwise still retains strong covenant protections compared to the BSL market. We also believe that Figures 4, 5 and 6 also evidence that this convergence is not a linear phenomenon, as it is driven by competition with public markets and by supply and demand factors around each type of deal. This means that the convergence between private credit and public markets will fluctuate depending on market forces, even if in the long-term there might be a trend towards convergence in the public and private markets.

Figure 7: Covenant-lite share of new issue private credit loans by initial loan amount, 2020-YTD 2024

Figure 8: Covenant-lite share of new-issue private credit vs. broadly syndicated first lien loans[13]

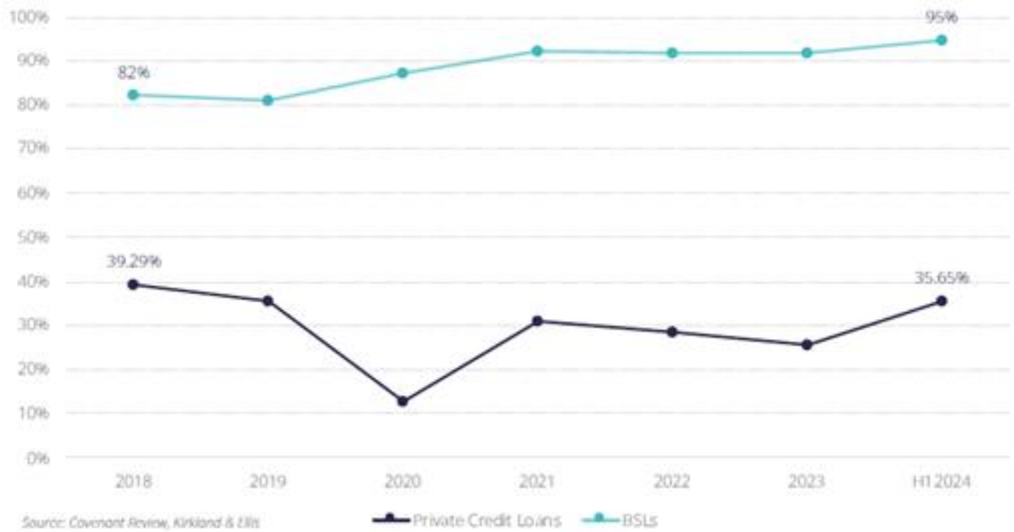
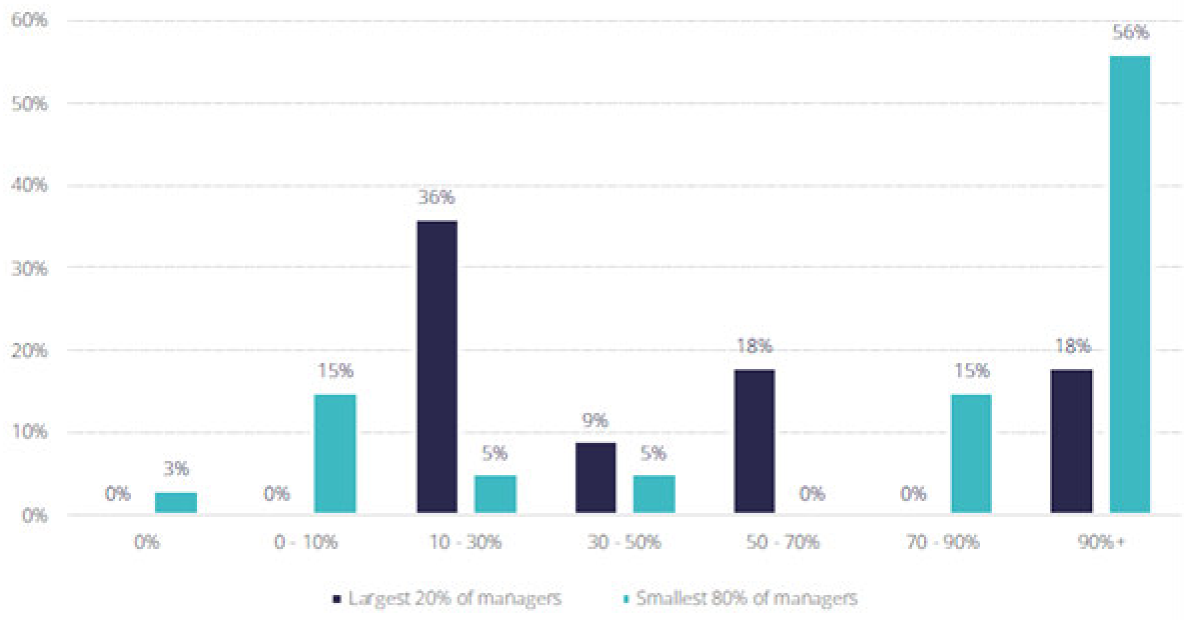


Figure 9: Proportion of loan agreements in corporate lending portfolios that have at least two financial covenants, split by largest 20% and smallest 80% of managers[14]



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

Private credit fund managers are typically regulated asset management firms that are subject to regulation and oversight in Australia. Generally speaking, asset management regulatory frameworks are strategy agnostic – in that they focus on regulating the conduct and operations of the asset manager rather than the individual strategies of funds they manage. This supports a consistent approach towards the regulation and supervision of asset managers, focussing attention on the conduct and operational requirements for these managers, rather than establishing rules for specific products, strategies or asset classes. While some markets have introduced product level rules for private credit funds, these are almost exclusively for funds marketed to retail investors, where there may be greater need for either standardisation in product design or other measures designed to protect investors' interests.

We recognise that the growth of private credit has led ASIC, and other policymakers globally, to consider the implications of this growth against the existing regulatory framework. We believe that any such consideration should first assess the applicability of existing asset management regulation to private credit funds before any thought is given to additional regulatory scrutiny or new rules. Our experience in other markets suggests that there is little justification for introducing additional product level rules for credit funds marketed to wholesale investors, as the existing regulatory requirements for asset managers generally address any potential concerns. This also ensures consistent treatment across different asset management strategies. As noted in our earlier comments, for retail funds there are also existing models in the US, EU and UK that can inform how to successfully create product types that will support the ability of retail investors to gain exposure to private credit while maintaining high levels of retail investor protection.

We would also highlight how the ongoing work at various global levels on purported risks arising out of Non-Bank Financial Intermediation (NBFI) has created uncertainty in the market. While it is positive that policymakers, supervisors and regulators focus on emerging risks we believe that the NBFI acronym is not only unhelpful but also misleading in understanding and assessing any potential financial system risks. NBFI unwisely groups diverse business models, such as money market funds, insurers, hedge funds, private credit, and private equity funds under one umbrella. This oversimplifies complex financial ecosystems while also implicitly assuming banking regulation is the right model for other entities when it comes to financial stability management. Such an approach is problematic given that banking rules address risks associated with business models that combines retail deposit-taking, liquidity and maturity transformation, and high leverage, yet no NBFI entity carries out these activities simultaneously

We would also encourage ASIC to review the FCA's recent review into Private Market Valuation Practices[15]. We believe that this is a useful overview of the key challenges around valuation in private markets and has some important lessons for policymakers on how to address these via a supervisory approach rather than via the introduction of new rules. We would also be pleased to provide ASIC with a copy of our Guide to Sound Practices for Valuation[16] which provides guidance to our members on how to address similar challenges.

5. **What would make public markets more attractive to entities seeking to raise capital or access liquidity for investors while maintaining appropriate investor protections?**

In assessing what would make Australia's public equity markets more attractive to entities seeking to raise capital while maintaining appropriate investor protections, it is important to recognise that the existing core infrastructure of the Australian market is fundamentally sound. The Australian Securities Exchange (ASX) has strong governance and high market cleanliness, as confirmed by ASIC's own 2024 report (REP 786). In fact, 2021 marked a record year for the ASX in terms of initial public offering (IPO) volumes (it was the highest number of IPOs since 2007), suggesting there is not a structural deficiency in market access. However, with growing competition from private capital, there is a need to consider targeted incremental reforms to retain and strengthen Australia's appeal for new listings.

One area of potential reform is the IPO process itself. The timeframe between the lodgement of a prospectus and the commencement of trading in Australia is longer than in competing jurisdictions, adding market risk and complexity for issuers. Reducing this time could lead to better pricing outcomes and lower execution risk.[17] For example, in the United States, the SEC permits confidential IPO filings and allows greater timing flexibility under the JOBS Act, which has been widely credited with reducing friction for high-growth companies entering the public market.

Additionally, Australia's prohibition on dual-class share structures stands in contrast to major global exchanges such as NASDAQ, NYSE, and the Hong Kong Stock Exchange, which have introduced carefully scoped frameworks for these structures. While dual-class shares have limited uptake outside of North America, their availability can offer founders protection from short-termism and market control erosion. Given S&P's 2023 reversal on excluding dual-class shares from key indices, now may be the right time for Australia to revisit this issue.[18]

Another improvement relates to the treatment of financial forecasts in prospectuses. ASIC currently requires forecasts where a reasonable basis exists[19], but this obligation increases complexity and exposes issuers to liability and volatility post-listing. In contrast, markets such as the US and UK do not require financial forecasts in IPO documentation. Making forecast disclosure optional in Australia

– with appropriate disclaimers – could streamline the IPO process.

Another policy consideration is to enable structured insider sell down plans – modelled on the SEC's Rule 10b5-1. This may support liquidity planning for founders and early investors. Such plans allow insiders to schedule sales in advance under strict conditions, helping mitigate insider trading risk while improving transparency. This idea has previously been proposed in Australia, including by the *Corporations and Markets Advisory Committee* in their 2002 report[20] and in the 2021 second interim report, *Select Committee on Australia as a Technology and Financial Centre*[21], but has not progressed. Revisiting this reform, within a robust disclosure framework, may improve post-listing liquidity without compromising investor protection.

In addition to the structural and regulatory considerations outlined above, it is important to acknowledge the financial commitments associated with being a publicly listed company in Australia relative to staying private. Costs related to directors' duties, compliance, reporting, continuous disclosure and management are key considerations for companies deciding to stay private or go public. While these costs may be manageable for large-cap firms, they can serve as a disincentive for smaller entities considering public listing, further encouraging firms to consider private capital sources rather than public capital markets.[22] Addressing these cost pressures – without undermining governance or investor protections – should be part of any effort to enhance the competitiveness and accessibility of Australia's public markets.

In summary, Australia's public equity markets remain fundamentally strong. However, to remain competitive and continue attracting quality listings, targeted reforms should be considered. Each of these initiatives should balance market accessibility for issuers with the ongoing imperative of governance, transparency, and investor protection – principles that underpin the long-term integrity of Australia's capital markets.

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

Australia's public equity markets have historically supported broad economic growth, price discovery, transparency, and investor participation. A sustained decline in the number, diversity, or size of public companies may pose a systemic risk to capital formation and the equitable distribution of investment opportunities. As *REP 807* illustrates, while the decline in net listings globally may have cyclical elements, the trend toward fewer, larger public companies and increased private ownership is real and accelerating.

In evaluating the contribution of public equity markets to Australia's broader economy, it is important to acknowledge that capital markets typically reflect the underlying strength of a nation's economy. While public markets can play a critical facilitative role – by enabling capital formation, reducing the cost of capital and enhancing transparency – they are not determinative of economic prosperity on their own. Factors such as productivity, education, global trade exposure, and fiscal stability also shape national economic outcomes. As noted in the OECD's economic reports and supported by Marinova et al. (2018), strong capital markets support efficient resource allocation, but they operate within – and are influenced by – the broader institutional and policy framework of the national economy.

Equity markets can support innovation and productivity growth by improving access to risk capital, enhancing liquidity, and encouraging long-term investment. A well-functioning public equity market lowers the cost of capital, enabling firms to invest in R&D and productivity-enhancing technologies. According to the OECD and various market studies, deeper capital markets are associated with more efficient capital allocation and higher firm-level innovation output, especially in countries where private markets are less developed.[23]

Moreover, public listings impose governance standards that can improve firm performance over time. Empirical studies in both developed and emerging markets have found that firms with greater transparency and board accountability – characteristics typical of listed companies – demonstrate better capital productivity and resource allocation.[24]

Moreover, the ASX's flexible listing rules allow for early-stage companies, especially in sectors like mineral exploration and biotechnology, to list and raise capital at earlier development phases. This feature arguably contributes to a healthy innovation pipeline and enables broader investor access to growth-stage assets. As Gilbey (2022)[25] observes, the ASX's listing regime functions as a hybrid venture-capital exchange, particularly for resource and junior exploration firms – an arrangement that channels risk capital to projects aligned with Australia's economic base in natural resources.
Australia is well positioned in this regard, with a high rate of retail investor participation in public markets and the superannuation system (including self-managed superannuation funds), which channels long-term capital into listed equities. This means that Australia has an inherent national interest in maintaining vibrant, trustworthy public capital markets.

While a deterioration in the health of Australia's public capital markets may lead to reduced economic benefits mentioned above, there will naturally be flow on effects to investors. First, reduced market diversity limits investor choice, lowering the potential for retail wealth creation. Second, concentrated markets are more vulnerable to systemic shocks and pricing inefficiencies. Third, the shrinking pool of listed companies weakens the quality and representativeness of benchmark indices, which has implications for superannuation investment mandates and capital allocation models.

To mitigate these risks, the following strategies are recommended:

- **Strengthen listing flexibility and reduce compliance friction for smaller firms**, especially those in growth industries such as tech, health, and renewables. This includes reviewing forecast disclosure obligations, director liability insurance frameworks, and ASX governance requirements for small caps.
- **Promote the economic value of public markets** to long-term investors (including superannuation funds), articulating the role public listings play in supporting transparency, accountability, and equitable ownership.
- **Explore new listing models** such as dual-class shares (under strict conditions), direct listings, and streamlined onboarding for firms transitioning from venture or private equity backing – aligning with key learnings from reforms in the US, UK, and Hong Kong.
- **Support sectoral diversity** by incentivising more listings from underrepresented sectors, particularly advanced manufacturing, clean energy, and regional enterprise. This could include cost relief or tailored governance codes.
- **Modernise engagement with institutional capital**, particularly superannuation funds, by highlighting the long-term advantages of public market participation and addressing governance misconceptions that may unduly bias investors toward private equity.

Australia's public equity markets are still among the most reputable globally, but they are not immune to global structural trends. If not addressed through thoughtful, targeted reforms, a continued erosion of the public market base could lead to lower systemic transparency, fewer opportunities for retail investors, and weakened long-term market resilience.

7. **Is there a relationship between healthy public equity markets and broader economic productivity, innovation and wage growth?**

We have no comments on this 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?**

The growth of the private credit market in Australia over the past decade provides evidence that institutional investors have sufficient confidence in the regulatory framework and confidence around supervision in order to be able to allocate capital to private credit managers. With the growing interest in mobilising retail capital, we recognise the need to assess whether the existing regulatory framework for retail investors is fit for purpose for managers to be able to structure products suitable and attractive to retail investors. The design and distribution obligations, effective from October 2021, imposes obligations on product issuers and distributors of retail financial products to design products that are likely to be consistent with retail investors objectives, financial situations and needs. An evaluation of how this regime is operating with respect to funds investing in private markets should be made before any product specific regulatory requirements are considered.

As noted in our response to earlier questions, we believe there are appropriate models that ASIC can use to inform how it approaches any consideration of products marketed to retail investors, how to address potential risks and promote the sustainable growth of the retail private credit market in Australia.

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.**

We would broadly agree that the risks identified in this paper are relevant. We have included below some commentary below around leverage, liquidity and valuations to support ASIC's consideration. Our response to question 14 addresses questions posed within the paper around transparency.

<u>Leverage</u>

Leverage – the ability of a fund to increase its exposure relative to its capital through the use of borrowing – is a common feature in private credit, however the use of leverage by private credit funds is relatively modest compared to other strategies. As shown in Figure 10 below, nearly a third of the sector operates on an unlevered basis, with half of survey respondents still reporting using between 0.1x and 1.5x of investment leverage. Figure 11 also shows that leverage levels have remained broadly constant over the past decade, with only a very modest increase in the use of leverage by private credit managers as investors have become more accustomed it.

Figure 10: How much financial leverage (borrowing against portfolio assets) does your most levered private credit fund employ (unit of debt per unit of equity)?[26]

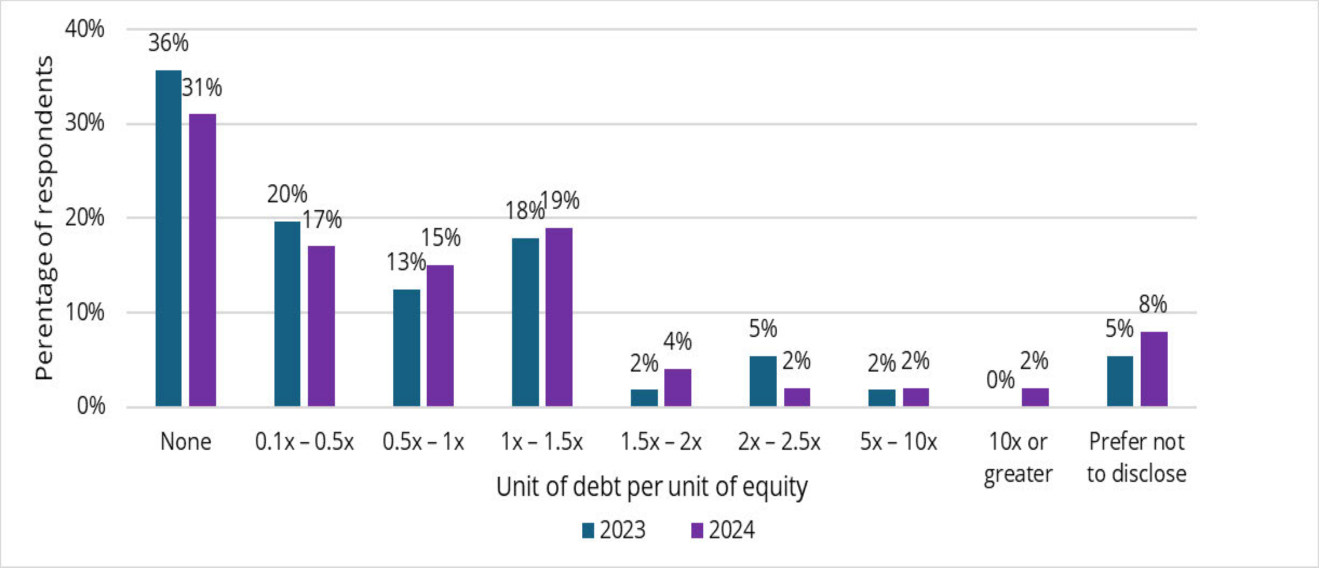


Figure 11: Time series of leverage levels in the private credit market, based on responses to historic FTE surveys[27]

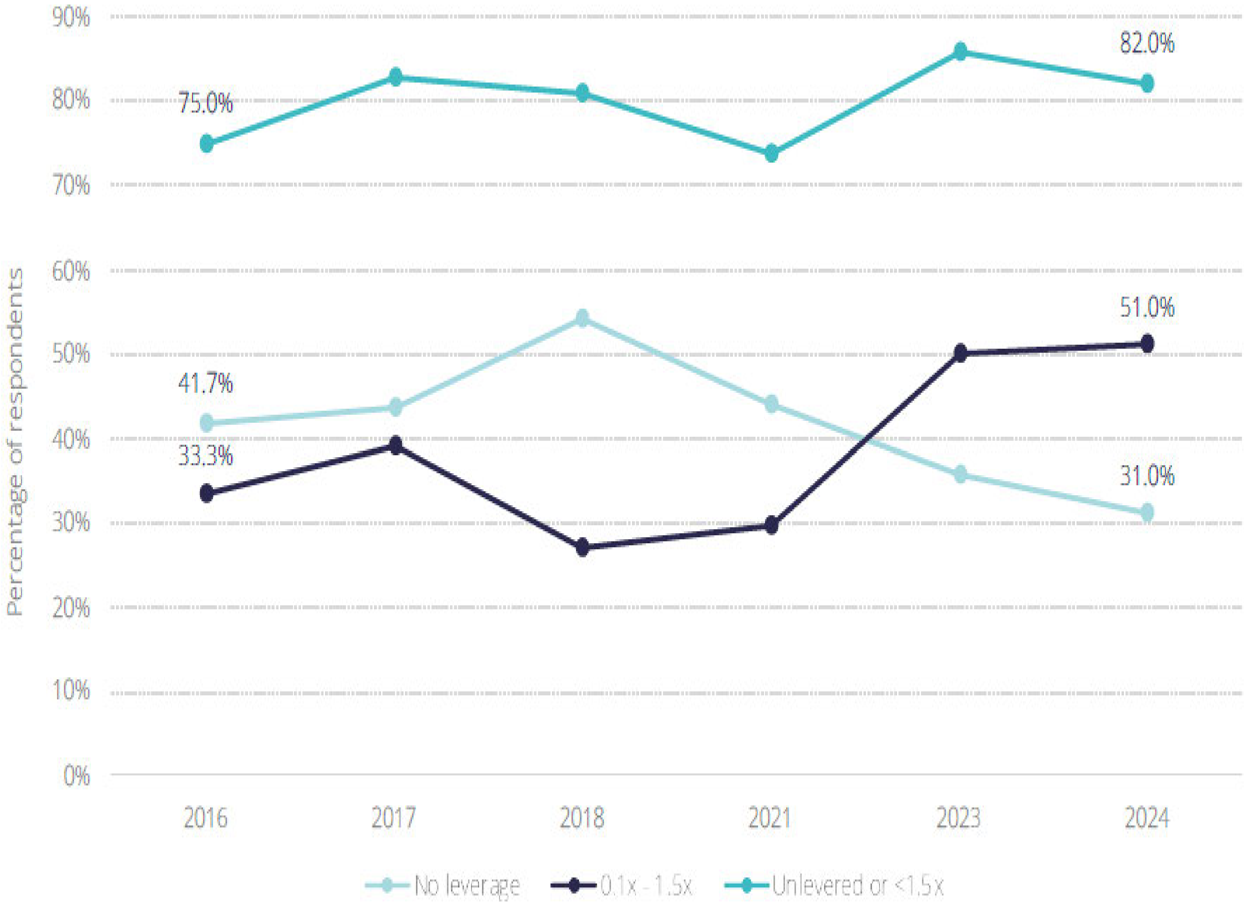


Figure 12: Which of the following types of financing/leverage does your firm use with respect to your private credit strategies? (select all that apply)[28]

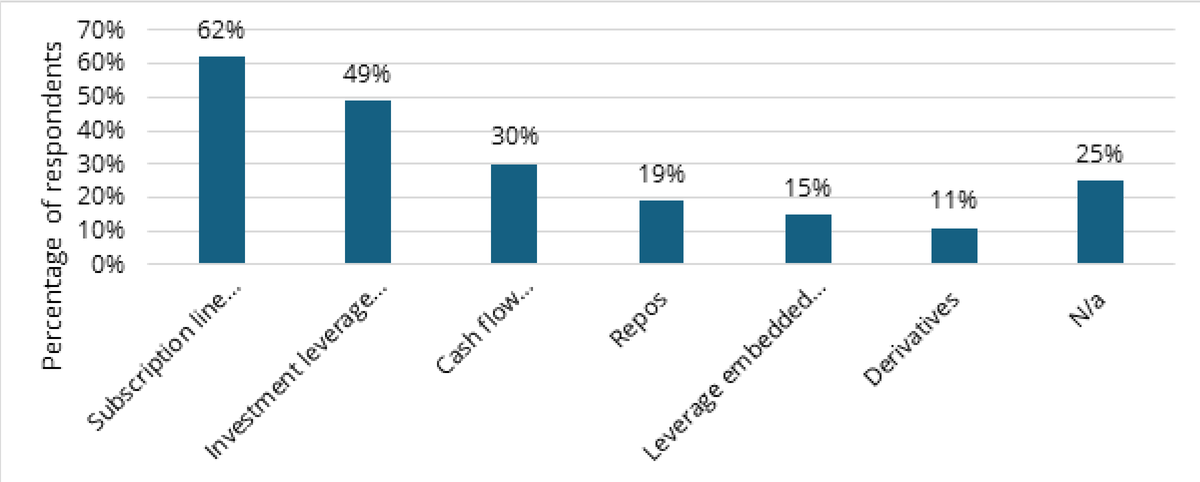
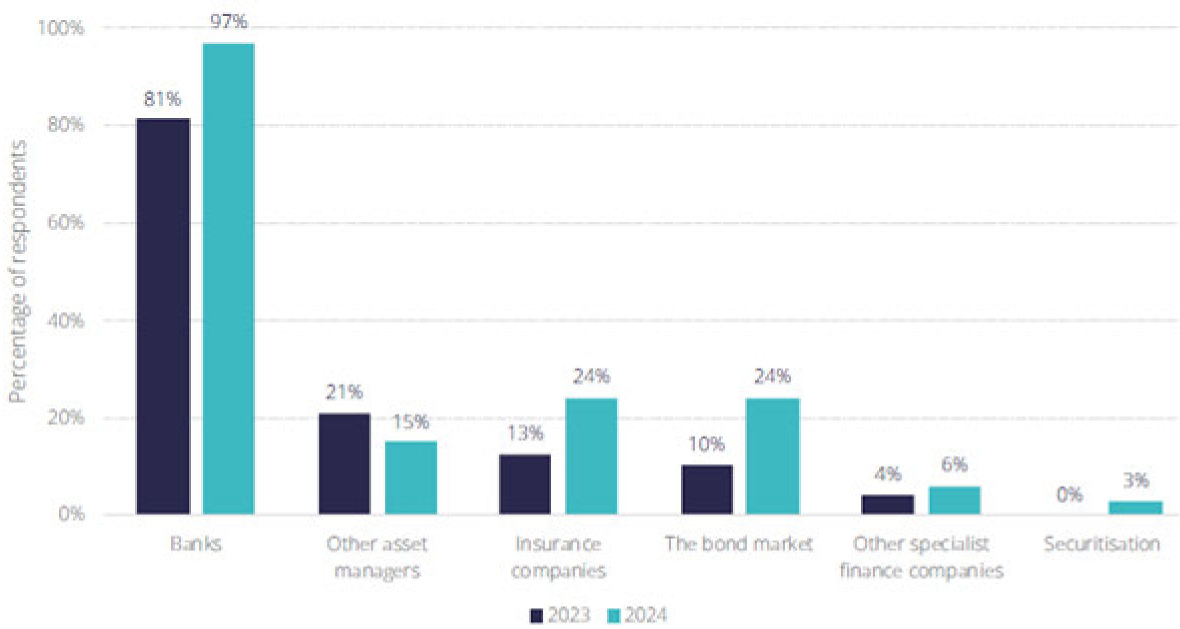


Figure 13: Who do you use as providers of leverage/financing to your funds (select all that apply)? 2023 vs. 2024[29]



Banks continue to be the primary providers of finance to private credit funds with superannuation funds, asset managers and insurers also active in the market (see figure 13). Any leverage provided by banks to private credit funds is subject to regulatory scrutiny and oversight. Being able to lend against a portfolio of assets is typically lower risk for the bank than if it were to have direct exposure to the individual loans. This is recognised in prudential regulation through differentiated capital weightings.

The terms of any borrowing will be matched to the asset and maturity profile of loans – and provided security against the investment. Many features of loans also make it easier to match the terms of the borrowing with the assets being lent against relative to other asset types.

- Fixed maturity profile: Loans have a fixed maturity which means they are repaid at the end of their life, distinguishing it from equity which is perpetual in nature. This means that there is higher certainty of liquidity/repayment of capital to which any borrowing can be matched. In fact, most typical corporate loans are repaid prior to their maturity as they have call features embedded in them, allowing borrowers early refinancing. Although the average maturity of the loans may be somewhere between five and seven years, the average 'life' of the loan is approximately three years.
- Amortisation: Loans can be granted on an amortising basis which means the borrower repays a portion of the capital alongside the interest rate. This provides further liquidity to the fund during its life while also continually reducing its exposure to the borrower through the term of the loan.
- Seniority: Loans are higher in the capital structure than equity. This means that obligations (i.e. loan repayments) are paid to creditors before equity holders and that losses are fully borne by equity holders before they impact creditors.
- Security: Almost all the loans originated by funds are also secured by collateral, providing further certainty of return of capital and the ability of the manager to pay down any borrowings obtained to finance the loan portfolio.
- Financial covenants: The majority of corporate loans originated by funds include two or more financial covenants, allowing managers to intervene early if borrowers' financial conditions deteriorate. This ability allows for proactive management and restructuring of obligations if needed, further decreasing the risk of hard defaults.

Some of these factors are not present in other private assets, meaning that lending against loans (and credit instruments more generally) is therefore comparatively less risky, more liquid and has more predictable cashflow than other types of assets, for banks and other leverage providers.

The modest levels of leverage used by private credit funds also means that there would need to be significant losses from investment activity for there to be an impact on leverage providers.
Using a simple example of a private credit fund which borrows on a 1:1 (debt to equity) basis: A leverage provider is effectively lending on a 50% loan to value basis, meaning that the fund would need to suffer catastrophic losses on its investment for there to be a material impact on the leverage provider. For a sector with historic loss/default rates of 1-2% and where private credit managers take an active role managing any stress arising from the investments, such a scenario is unlikely to materialise. Even at the higher rates of borrowing such as 3:1 or 4:1 (debt to equity) that some outlier private credit strategies employ, the leverage provider would retain a 25% or 20% equity cushion and have significant protection against any losses.

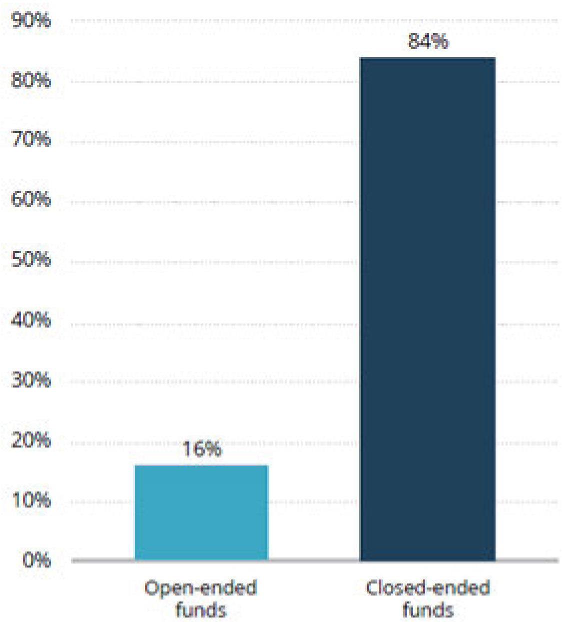
Liquidity

Our members have substantial experience managing investments in illiquid assets and ensuring that where investors have some right of redemption, this right is aligned with the liquidity profile of the assets and that such rights do not incentivise or create potential liquidity mismatches.

Our data shows that the majority of institutional capital allocated to private credit strategies remains invested in closed-ended structures (see Figure 14). Where redemptions rights are provided, the appropriate liquidity terms are established at the outset of the fund and work in a predetermined fashion consistent with the liquidity of the underlying portfolio. This contrasts with other forms of open-ended structures whereby restrictions on liquidity are imposed in times of stress and on an ad-hoc basis. It is also common for multiple liquidity management tools ("LMT") (see Figure 13 for a list of examples) to be employed within a single fund structure, potentially alongside a liquid asset allocation, to achieve the most appropriate liquidity profile for the fund.

For many investors, well-designed open-ended or evergreen structures provide an efficient way to gain exposure to private credit assets in a way which is customised to their needs. Such funds generally behave like open-ended vehicles with respect to subscriptions (e.g., in allowing new subscriptions over the life of the fund) and like closed-ended vehicles when it comes to redemptions (e.g., in returning value based on actual proceeds rather than a book valuation). As such, the liquidity associated with these vehicles is generally more limited in nature than the ability to redeem capital on demand. This is an important distinction given that the design of such structures often needs to reconcile potential mismatches between the less liquid profile of the assets and the liquidity profile of the investment fund.

Figure 14: Private credit assets managed within commingled structures – estimated percentage of assets managed within open and closed-ended fund structures[30]



There is no single or standard approach for private credit funds offering limited liquidity to investors, as this will be tailored to the specific characteristics of the fund, its assets and its investor base. Such structures, which can take multiple legal forms, operate on the basis that the liquidity offered to investors is pre-determined and limited in nature, as opposed to traditional conceptions of liquidity as the ability to redeem capital on demand, which is how open-ended funds operate in other markets.

Aligning the liquidity profile of the investment fund with the liquidity profile of the assets of investment strategy is typically achieved by employing a combination of LMTs. The exact combination of these LMTs will depend on the nature of the investment strategy, the investor base and the maturity of the underlying assets. Similarly, the specification of each individual LMT (length of lock-up period, size of gate, etc.) will also be calibrated relative to other LMTs to ensure a broad alignment. In practice this means that there is rarely a one size fits all approach, and few industry standards or minimums which are appropriate to all scenarios. Some of the key LMTs that all private credit funds will consider are described below:

Figure 15: Typical liquidity risk management tools employed by private credit fund managers[31]

Lock-up periods	• Preventing redemptions for a pre-determined period, typically at least a year from subscription.
Ex-ante investor gates	• Pre-determined limitation on the amount of invested capital a given investor can redeem at one time.
Ex-ante fund level gates	• Pre-determined limitation on the aggregate amount that all investors in a given fund can redeem.
Prescribed redemption windows	• Investors may only redeem at pre-determined intervals, can be monthly, quarterly or semi-annually.
Notice period	• Investors must provide minimum notice for redemption requests, typically at least 90 days.
Slow pay provisions	• Segregating an investor's share of the asset from the fund and returning it in line with the natural maturity of the asset.
Side pockets	• Arrangements that segregate assets from the main pool of assets in a fund until such time as they are realised.

It is also important to recognise that individual LMTs can be a sufficient mechanism to manage redemption requests. This is particularly the case with “slow pay provisions” whereby capital is returned to the investor in line with maturity of the asset rather than by reference to the NAV at the point of redemption. This LMT, which can be used both in open-ended and closed ended funds, ensures that the redemption policy is fully aligned with the liquidity of the asset, which means that specific private credit funds that employ slow pay provisions would not necessarily have an operational need to hold liquid assets or employ other LMTs to provide liquidity to investors.

As noted above, products invested in private assets that are marketed to retail investors, such as LTAFs and ELTIFs, often include specific requirements around liquidity to balance the illiquid nature of the underlying assets with the needs of retail investors for more liquid products. We believe that the approach taken by LTAFs and ELTIFs towards liquidity risk management effectively reconcile these two factors.

Valuation

The UK Financial Conduct Authority (FCA) recently published the findings of its Private Markets Valuation Review, assessing valuation practices across private equity, private credit, venture capital, and infrastructure. The review covered both good industry practices and areas requiring improvement, with a particular focus on governance, valuation methodologies, transparency, and third-party valuation processes. The review found that private market valuation processes are generally sound, albeit with some areas for improvement on things such as documentation.

Our FTE 2024 research paper included datapoints on valuation practices in private credit lenders (see figures below). Moreover, in 2023 AIMA published a Guide to Sound Practices for Valuation, which has promoted best practices in the market.

We believe that an industry led approach – including investors – is the best mechanism to support consistent practices and ensure investors have adequate transparency on valuations. Existing conduct rules regarding investor disclosure, identification and management of potential conflicts are also sufficient to address any specific challenges within private markets. This was recognised in the FCA's Private Markets Valuation Review which instead sought to highlight areas of good practice and key considerations rather than propose new rules.

Figure 16: How often are loans in your portfolio valued? (FTE 2024)

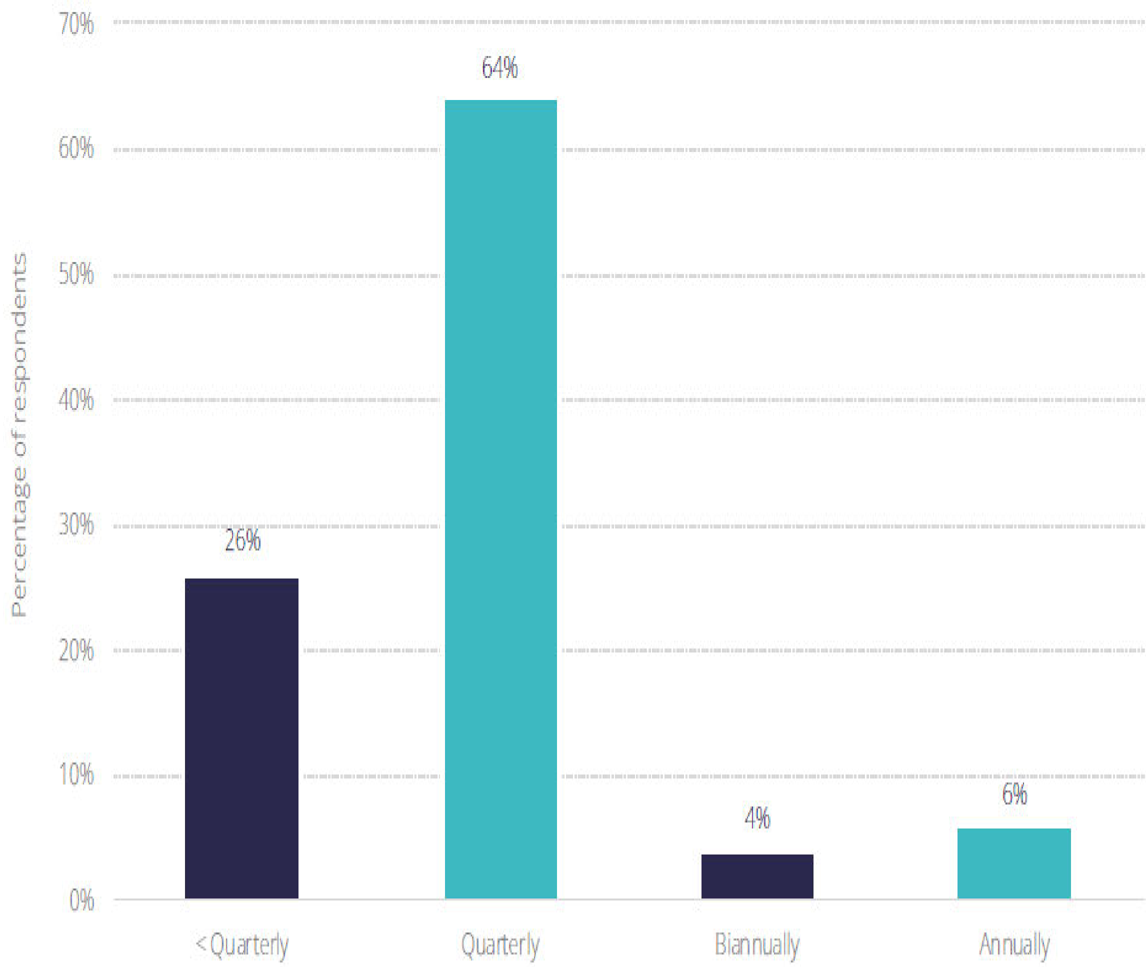
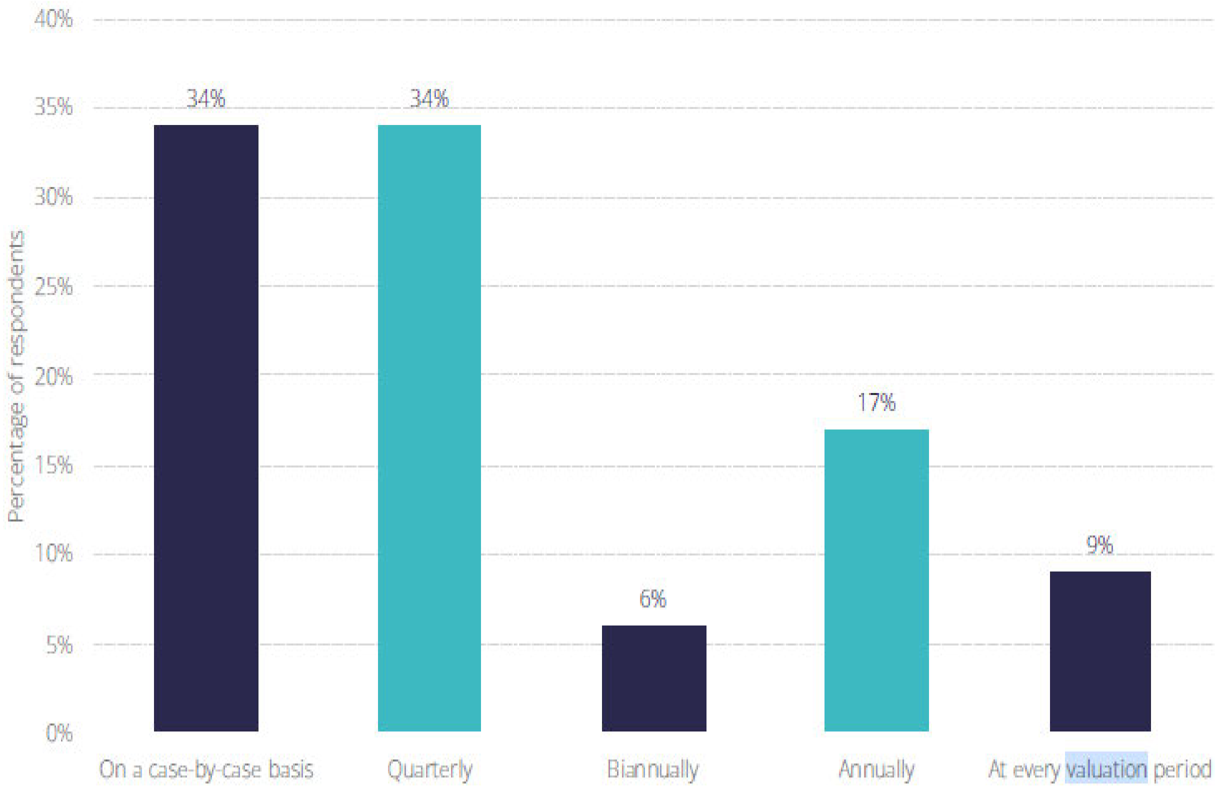


Figure 17: How often do you employ external valuation expertise? (FTE 2024)



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?**

We believe that any potential misaligned incentives and associated risks are already covered by the overarching regulatory framework for asset managers in Australia, as well as by the common market practice among asset managers and investors. For example, the issues highlighted by ASIC are part of the proper due diligence of any professional investor, as well as a key consideration when investors and asset managers negotiate and agree fees, transparency and disclosure arrangements to ensure an appropriate alignment of interest and support investors' risk management and performance review. The retail product distribution and design regime already impose obligations on product issuers and distributors to design financial products that meet the needs of retail consumers and distribute their products in a targeted manner.

Regarding valuations, we acknowledge that this may be an area for particular consideration given the specific challenges associated with the valuation of illiquid and private assets. However, we would highlight the development of industry practices around valuation and transparency, including governance, transparency and consistency, which address these issues. As per our earlier remarks we would encourage ASIC to consider the FCA Private Markets Valuation Review[32] which sheds light on common and good practices within private markets that are relevant for all private credit managers and their investors regardless of the jurisdiction they are operating within.

While we believe that regulatory frameworks for professional investors do not necessarily require specific rules to address potential risks within private markets, we recognise there may be a stronger case for funds marketed primarily to retail investors seeking exposure to private credit if a review of the existing regulatory requirements show the regime is not operating as intended. Well-designed and proportionate rules can support confidence amongst retail investors, and such an approach would be consistent with other asset management centres.

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

Our 2023 research paper on trends in private credit fund structuring documents the growing interest in raising capital from retail investors among private credit managers (See figures below). As noted in our comments above, we believe that well designed products such as BDCs, LTAFs and ELTIFs can support the ability of retail investors to participate in private markets while providing an appropriate degree of investor protection and regulatory oversight.

Figure 18: Percentage of survey respondents with retail clients (Source: Trends in Private Credit Fund Structuring)

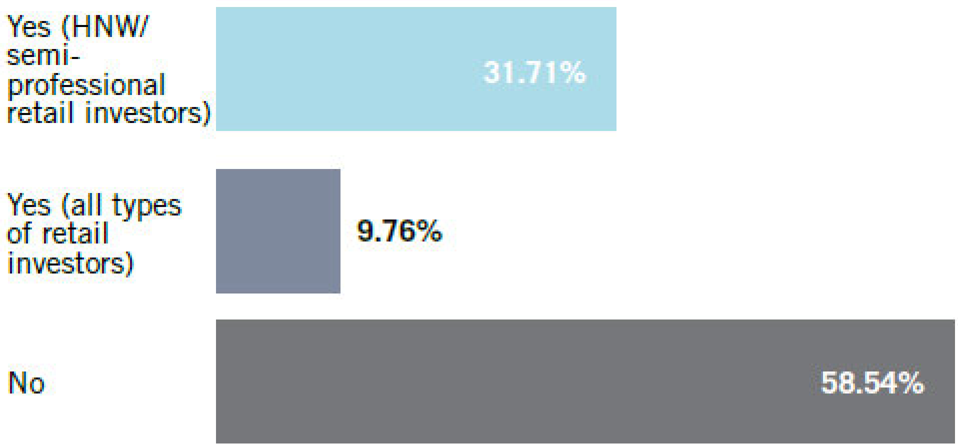
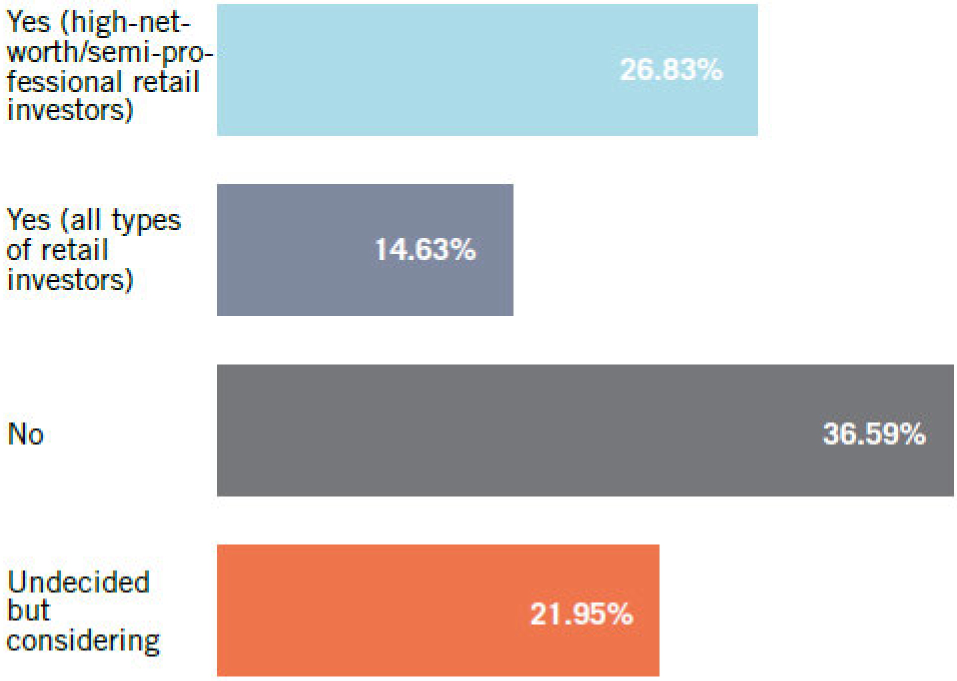


Figure 19: Percentage of survey respondents that intend to raise capital from retail clients in upcoming fund offerings (Source: Trends in Private Credit Fund Structuring)



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

Retail investors are increasingly being offered access to asset classes and investment opportunities that were previously unavailable to them. However, many managed investment schemes are unsuitable for listing due to the illiquid nature of their underlying assets and the strict rules around listing, which generally require inter-day pricing. These rules have created barriers to entry for managers seeking to raise retail capital.

One of the key benefits of retail participation in private markets is the ability to reduce investment risk through greater diversification. Retail investors typically face limited opportunities to invest in the wide range of assets, including private credit, that are available to institutional investors. These assets, however, are not well suited for public markets and would not be able to attract sufficient capital without the existence of private markets. We therefore believe that greater retail participation in private markets would be beneficial both to the growth of those asset classes, and to the diversification and returns of retail investor portfolios. The low retail exposure to private markets leads to a lack of diversification and increases the risk exposure of retail investors' portfolios, as modern portfolio theory demonstrates that risk is reduced when investments are spread across asset classes that are not highly correlated.

Currently, Australian investors remain heavily exposed to public markets, particularly domestic equities. According to the ASX's most recent Australian Investor Study (2023), "2023 has seen the highest number of on-exchange investors since 2010. More new investors than ever are entering the share market, many of whom are attracted to the simplicity and low cost of investing in exchange traded funds (ETFs), which makes index inclusion important for larger companies. As an investment instrument, shares remain the most popular investment choice."

The study also reports that 58% of investors hold Australian shares and 20% hold ETFs. This heavy concentration in public markets raises concerns, particularly in an environment where valuations may be elevated. Increased exposure to private markets offers the potential for improved diversification and can act as a natural hedge against public market volatility.

Retail investor participation in private markets also supports the growth of SMEs in Australia. For private credit, venture capital and private equity funds, access to additional investment pools would provide the capital needed to establish and grow new SME businesses. These businesses, which account for approximately AUS$500 billion of economic activity and represent one-third of Australia's GDP, often struggle to access traditional bank finance. This data is supported by the Australian Small Business and Family Enterprise Ombudsman's report from June 2023[33]. Furthermore, increasing retail access to private markets contributes to the growth of Australia's financial services industry, the country's third largest sector according to the Reserve Bank of Australia (February 2025).

While it is important to acknowledge the risks associated with retail investor participation in private markets, the assumption that retail investors are inherently safer when investing through public markets is misguided. Investment risk is primarily determined by the underlying asset class and the nature of the financial product itself. The means by which a financial product is offered to retail investors may influence liquidity and risk assessment but is not a determinative factor. Riskier financial products are available to retail investors in both public and private markets, and history has shown that public markets do not guarantee lower investment risk. The existing regulatory regime designed to protect retail investors applies equally to both public and private markets. In both cases, financial service providers are required to manage investor risk and ensure that financial products align with investors' risk appetite and investment mandates.

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)?**

We believe that the current Australian regulatory framework provides sufficient protections for retail investors. These protections are embedded across a range of legislative instruments, including the Corporations Act 2001 (Cth) and its associated regulations, the Australian Securities and Investments Commission Act 2001 (Cth), as well as a substantial body of related material such as legislative instruments and approximately 50 ASIC Regulatory Guides. Collectively, these sources of law and guidance establish a comprehensive regime governing various aspects of financial services and product offerings.

The framework encompasses obligations relating to Australian Financial Services (AFS) licensing, as well as the content requirements for offer documents and marketing materials. It mandates the development of Target Market Determinations and the preparation of Financial Services Guides. It also sets out requirements for registered constituent documents for managed investment schemes and imposes obligations on responsible entities and superannuation trustees, covering areas such as risk management, compliance standards, investment governance, and appropriate resourcing. Provisions addressing misleading and deceptive conduct, as well as practices such as hawking, are also included. For retail funds, product issuers are required to develop a compliance plan that is subject to independent audit. Similarly, disclosing entities must prepare financial statements which are also independently audited. In addition, ASIC is vested with product intervention powers to further protect retail investors.

In recent times, there appears to be an increased regulatory focus on private credit as an asset class. Interestingly, many sophisticated investors engage in private credit-style investments through public market vehicles, such as Listed Investment Trusts and Listed Investment Companies. Several of our members actively participate in this space. In these instances, the underlying investments are private credit, but capital is raised via public markets, which introduces additional layers of governance. These vehicles are subject not only to the aforementioned legislative framework but also to additional obligations under the ASX Listing Rules and continuous disclosure requirements. The active roles played by both the ASX and ASIC further enhance the regulatory oversight of these vehicles, reinforcing an already robust system.

Taken as a whole, the regulatory architecture in place forms a complex and thorough matrix designed to protect investors. This framework is so extensive and intricate that the Australian Law Reform Commission has undertaken the significant task of reviewing and simplifying it, a process they anticipate will take a decade to complete, as outlined in their report *Confronting Complexity: Reforming Corporations and Financial Services Legislation (ALRC Report 141)*.

Operation of Investment Flows within the Regulatory Framework

In practice, the regulatory framework is underpinned by the fact that the majority of retail investment flows occur through licensed financial advisors and dealer groups. Research conducted by ASIC, as well as the experience of our members, confirms that approximately 85% of all retail investment flows are channelled through these intermediaries. These advisors and dealer groups are bound by fiduciary duties to act in the best interests of their clients. Their role within the regulatory framework is therefore critical, ensuring that retail investors are made aware of the risks associated with various financial products and that any investment aligns with their investment mandate and risk appetite.

An additional element of the regulatory environment relates to data visibility and integrity. Throughout the consultation process, ASIC has highlighted concerns about the lack of visibility over certain financial activities. Under the Financial Services Data Collection Act (FSCODA), issuers and credit providers are required to register and report to the Australian Prudential Regulation Authority (APRA) when the value of debts due exceeds $50 million. However, compliance with this reporting obligation has been inconsistent, and APRA's interpretation of which entities are required to report has varied. It would be worthwhile to explore how the FSCODA regime could be applied more simply and consistently. Enhancing the application of this legislation would provide regulators with clearer visibility of lending activities, thereby enabling them to conduct more targeted and effective reviews.

Another key area of practical focus should be the observation and enforcement of Australian Financial Services Licence (AFSL) compliance obligations, particularly those related to disclosure of related party transactions. Appropriate disclosure is essential to ensuring that investors are informed and that conflicts of interest are adequately managed.

Balancing Regulatory Costs and Benefits

A key question that arises in this context is whether the cost of complying with the regulatory framework outweighs the benefits it delivers. It is important to acknowledge that the growth of the private market and the corresponding reduction in the size of the public markets is not necessarily indicative of systemic regulatory failures. The Australian market's evolution reflects broader global trends. For instance, in the United States, the number of IPOs has decreased significantly over the past few decades. In the 1990s, the U.S. market averaged around 412 IPOs annually, compared to only 248 in the past ten years.

Before considering any additional regulatory changes, it is crucial to fully understand the nature of the perceived gap that reform efforts seek to address. From our members' perspective, there is no clear regulatory gap requiring legislative change that is not already covered by the existing framework. While our members remain open to supporting regulatory changes that are underpinned by robust factual analysis and a clear understanding of any gaps in legislation, we urge caution against overregulation. Excessive regulatory requirements may increase compliance costs and complexity without delivering meaningful improvements in investor protection. This can ultimately result in higher costs being passed on to retail investors without a corresponding benefit.

A pertinent example of this is ASIC's *Regulatory Guide 97: Disclosing Fees and Costs in Product Disclosure Statements (PDSs) and Periodic Statements* (RG 97). This guide has undergone multiple revisions over time, each iteration introducing additional complexity. In our view, the compliance burden and associated expenses required to maintain offer documents in strict accordance with RG 97 outweigh its benefits in its current form. While the guide's underlying objective – to achieve uniform and transparent disclosure of fees and expenses – is commendable, its implementation has resulted in disclosures that are overly complex. This deviates from the Corporations Act's fundamental requirement that disclosure documents be clear, concise, and effective for retail investors.

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/or regulators?**

We believe that additional transparency measures for investors in private credit are unnecessary. As outlined above, we believe that the current Australian regulatory framework provides a comprehensive regime governing various aspects of financial services and product offerings, including as it relates to transparency.

Our view remains that regulatory frameworks for professional or wholesale investors do not require product-specific rules. For retail investors, retail private credit funds are already subject to rigorous disclosure obligations under the existing regulatory framework given Product Disclosure Statements (PDS) must clearly outline investment risks, fund structure, fees, governance, and the nature of underlying assets. Such measures already ensure that investors receive the relevant information that they need to make informed investment decisions.

There is growing market coverage of private credit by analysts and data providers[34] providing investors with additional data and analysis of the sector's performance, historical track record, and factors expected to influence performance in the future. This supports investors' ability to understand and manage risks as well as compare, where appropriate, with other private assets in their portfolios or their exposure to other credit of fixed income assets.

We would also highlight that many jurisdictions have a proportionate approach to reporting from asset management firms. These typically involve thresholds that must be met before certain or full reporting requirements apply in recognition of the additional costs these reporting obligations impose on smaller and mid-sized firms. We would encourage ASIC to consider proportionality when considering transparency, both in terms of ensuring Australian managers do not face competitive disadvantages, and being sensitive to the potential burdens on global firms who will also face reporting requirements in other jurisdictions.

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

As noted above, we believe that retail investors are adequately protected by Australia's current regulatory framework. Accordingly, we do not consider that additional transparency measures are required for retails investors investing in products that provide exposure to private markets.

ASIC already possesses significant powers in relation to AFS licensees in addition to its powers in relation to products that are offered to Australian retail clients. Issuers of products to wholesale clients are also subject to generally applicable market misconduct prohibitions (e.g. in relation to misleading or deceptive conduct). It is expected that an increasing number of private funds will involve an AFS licensee as part of their structure.

We note that it is also common for investors in the private markets to negotiate and agree transparency and disclosure arrangements with issuers. Most investors in private funds have their own disclosure requirements, which means that they typically require private funds to provide substantial amounts of information that ultimately feed into the investors' own reporting processes. As such, even where retail investors are exposed to these assets (e.g. through their superannuation fund), they have the benefit of transparency and disclosure arrangements.