

Sydney Stock Exchange response to ASIC Discussion Paper re Public & Private Markets

Question	Response
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.	<p>More capital formation is taking place 'off' public securities exchanges where companies can scale to billion dollar valuations (so called Unicorn status) whilst remaining private. This is prevalent across Asia Pacific, the US and Europe.</p> <p>Currently there is a IPO drought globally. Australia's biggest tech IPOs have also chosen to IPO on NASDAQ, attracted by its critical mass of global tech listings.</p> <p>Venture capital / speculative investment dollars, which previously were attracted to public securities exchanges, have been diverted to private markets and Bitcoin / other cryptocurrencies.</p>
2. Do you have any additional insights into the attraction of private markets as an issuer or an investor?	Not applicable.
3. In what ways are public and private markets likely to converge?	Due to new fintech developments, private markets are becoming increasingly transparent and therefore attracting more investors.
4. What developments in public or private markets require regulatory focus in Australia in the future?	Not applicable.
5. What would make public markets in Australia more attractive to entities seeking to raise capital or access liquidity for investors while maintaining appropriate investor protections?	<p>Australia should be more innovative and flexible in approving new capital raisings and subsequent listings based on relatively lower level of risk of certain asset classes.</p> <p>For example, global debt securities, notably low-risk bonds/fixed income. The success of Euronext Dublin (the former Irish exchange) has attracted a substantial amount of listed bonds from global issuers by having a simplified and streamlined approval process and supportive regulatory framework.</p>
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?	<p>We agree.</p> <p>To mitigate adverse effects, Australian capital markets should do more to attract international listings and investors.</p> <p>Sydney Stock Exchange (SSX) is endeavouring to become an innovative financial hub that attracts international listings, especially Asia Pacific listings, and global investors.</p>
7. 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?	Not applicable.
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 ?	Yes.
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.	Yes, we believe ASIC has identified the key risks for investors from private markets.
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?	Not applicable.
11. What is the size of current and likely future exposures of retail investors to private markets?	Not applicable.
12. What additional benefits and risks arise from retail investor participation in private markets?	ASIC already has a regulatory framework for high-risk retail investments to be accessed by retail investors, e.g. crowdfunding platforms.
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)?	Yes.
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?	Not applicable.
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?	We believe that both public and private markets are important parts of Australia's capital markets, and both will continue to evolve. However, regulators need to treat the two markets differently and should strive to strike a balance in the regulation of private markets that does not stifle innovation and growth.