

Independent Syndications Submission

Review of ASIC Corporations (Horse Schemes) Instrument 2016/790

Submitted by:

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June 2026

Executive Summary

Independent Syndications supports the continuation of regulatory relief for horse racing syndications and acknowledges that the current framework can be expensive and administratively burdensome, particularly for syndications operating within the existing \$500,000 and 50 participant thresholds.

We believe the current Instrument has played a significant role in establishing a professional, transparent and well-regulated syndication industry in Australia.

Independent Syndications supports reform aimed at reducing unnecessary compliance costs and administrative duplication. However, we do not support the removal of existing consumer protection measures unless equivalent safeguards are introduced.

In our view, the current framework can be simplified without compromising owner protection, promoter accountability or industry integrity.

Introduction

Independent Syndications welcomes the opportunity to provide feedback regarding ASIC's review of the Horse Schemes Instrument.

I have been involved in the racehorse syndication industry and regulatory environment for more than 30 years and have worked extensively with trainers, syndicators, owners, racing authorities and regulators throughout Australia.

Over that period I have observed the substantial growth of racehorse syndication and the important role it has played in making ownership accessible to thousands of Australians.

The current framework has contributed significantly to the professionalism, transparency and credibility of the Australian syndication industry.

Existing Protections Under The Current Instrument

The current Instrument contains a comprehensive framework that balances industry participation with consumer protection.

These protections include:

- Australian Financial Services Licence requirements for promoters.
- Registration of promoters with an approved Lead Regulator.
- Product Disclosure Statement approval by the Lead Regulator.
- Oversight of advertising and promotional material.
- Complaint handling and dispute resolution processes.
- Financial reporting obligations.
- Separate syndicate bank account requirements.
- Ongoing regulatory oversight by both ASIC and the Lead Regulator.
- Requirements relating to ownership title and participant protections.

These measures have contributed significantly to maintaining public confidence in racehorse syndication.

Before any significant amendments are made, it is important to identify which protections are intended to remain and which are proposed to be removed or replaced.

Support For Reform

Independent Syndications acknowledges that aspects of the current framework are costly and administratively burdensome.

In particular:

- Preparation of full Product Disclosure Statements.

- Duplication of compliance requirements.
- Multiple approval processes.
- Ongoing administrative costs for smaller syndications.

There is merit in exploring ways to reduce these costs while preserving the key protections that currently exist.

Areas Where Compliance Can Be Simplified

Independent Syndications believes the following reforms should be considered:

Simplified Disclosure Documents

For syndications operating within the current \$500,000 and 50 participant thresholds, consideration should be given to replacing lengthy Product Disclosure Statements with standardised short-form disclosure documents.

Standardised Templates

ASIC-approved industry templates could reduce legal costs and improve consistency.

Digital Processes

Greater use of:

- Electronic signatures
- Digital disclosure
- Online lodgement
- Digital record keeping

would reduce costs and improve efficiency.

Reduced Duplication

Areas where both ASIC and Lead Regulators currently review similar information should be examined to eliminate unnecessary duplication.

Promoter Suitability Requirements

If licensing requirements are reduced or modified, promoter suitability requirements should remain.

Any person seeking to promote ownership interests to members of the public should be required to satisfy minimum standards relating to:

- Integrity
- Financial standing
- Competence
- Record keeping
- Professional conduct

At a minimum, consideration should be given to:

- Fit and proper person assessments
- Police checks
- Bankruptcy and insolvency checks
- Professional indemnity insurance
- Compliance with an approved Code of Practice

The current framework has helped establish a professional industry. Future reforms should preserve that outcome.

Protection Of Client Funds

Independent Syndications strongly believes that the protection of client funds should remain a cornerstone of any future framework.

Separate syndicate banking arrangements and appropriate controls over participant funds should continue regardless of whether the existing licensing framework is retained or modified.

Public confidence in racehorse ownership depends heavily on confidence that participant funds are appropriately protected.

Any future framework should clearly specify how client funds will be safeguarded.

Independent Syndications notes that many syndicators are responsible for collecting and administering owner funds over a number of years following the completion of a syndication. The ongoing management of those funds is a critical component of owner protection and should continue to be subject to appropriate oversight and accountability.

Role Of Principal Racing Authorities

Principal Racing Authorities already play an important role in the approval and oversight of racehorse syndications.

Independent Syndications supports the continued involvement of Lead Regulators in:

- Promoter registration
- Syndication approvals
- Advertising review
- Complaint handling
- Industry oversight

However, any future framework should clearly define the respective responsibilities of ASIC and the Lead Regulators to avoid uncertainty and maintain effective oversight.

Questions For Consideration

Independent Syndications believes the following questions should be addressed before any significant changes are implemented:

- Which existing consumer protections will be retained?
 - Which existing protections are proposed to be removed?
 - How will promoter suitability be assessed?
 - How will client funds be protected?
 - What complaint resolution processes will apply?
 - How will compliance with any future Code of Practice be monitored?
 - What sanctions will apply for breaches?
 - What role will ASIC continue to play?
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Conclusion

Independent Syndications supports a review of the existing framework and recognises the need to reduce unnecessary compliance costs and administrative burden.

However, we believe the current Instrument has played a significant role in creating a professional and credible racehorse syndication industry.

Any reforms should seek to preserve the protections that have contributed to owner confidence while reducing unnecessary complexity and cost.

Independent Syndications does not oppose reform of the current framework and acknowledges that there may be opportunities to reduce duplication and administrative burden. However, any reduction in licensing, disclosure or compliance requirements should only occur where equivalent safeguards are introduced to protect participant funds, maintain promoter accountability and preserve consumer confidence in racehorse ownership.

The focus of reform should be on removing unnecessary red tape, not removing accountability.

Respectfully submitted,

A solid black rectangular box used to redact the signature of the Managing Director.

Managing Director

Independent Syndications