

29 March 2021

To the Senate Select Committee on Financial Technology and Regulatory Technology

During the public hearing on 5 March, dual listing rules were raised by Safety Culture:

Would you please outline the current dual listing rules, what steps a company needs to take, what countries are covered, the average length of time the process takes, the cost and examples of companies which are dual listed.

A straightforward and relatively inexpensive process is currently available for foreign companies listed in other major markets to dual list on ASX under the 'Foreign Exempt' listing category. This category is for companies listed on another securities exchange that wish to have a secondary listing on ASX and that meet certain eligibility criteria. Companies in this category are expected to comply primarily with the Listing Rules of their home exchange and are exempt from complying with most of ASX's Listing Rules.

To be admitted as an ASX Foreign Exempt Listing, companies must have at least A\$200 million operating profit before tax for each of the last three years or, at the time of admission, have net tangible assets of at least A\$2 billion or a market capitalisation of at least A\$2 billion.

Lower thresholds apply for NZ companies – see below.

A foreign company must also meet the requirements in Listing Rule 1.11. The key requirements are:

- the company must be a foreign company listed on an acceptable overseas exchange . The main boards of the principal exchanges in developed markets are generally acceptable to ASX;^
- the company must be subject to, and comply with, the rules of its overseas home exchange.

Some additional requirements apply for NZ companies admitted under the lower thresholds.

When listing on Nasdaq or NYSE, Australian entities often reincorporate offshore. For example ResMed is incorporated in the US, Atlassian is incorporated in the UK, and hence the Foreign Exempt listing category would be appropriate in such cases. ResMed has been dual listed on ASX under the Foreign Exempt listing category since 1999, Atlassian is currently only listed in the US.

A company must apply for admission to the ASX official list, and provide supporting documentation including items such as corporate details, capital structure and recent periodic filings. A Foreign Exempt Listing is relatively straightforward and inexpensive because a prospectus is not required, home market filings can be used (instead of additional ASX filings) and the company's ASX listing fees are based only on the number of shares held on the Australian share register (as opposed to the total number of shares on issue)^^. An additional share registry is required in Australia, which is often carried out by the same service provider the entity uses in the home market and so attracts a nominal fee.

Typically, an application for an ASX Foreign Exempt Listing will take ASX around four to six weeks to process, from the time a completed application for listing and all other required documents are lodged with ASX until a decision is made on whether or not to admit the applicant to the official list and quote its securities.

It should also be noted that a number of Australian companies have a 'full' or 'standard' ASX listing as well as being listed on one or more other markets, for example BHP (ASX/LSE/NYSE), Rio Tinto (ASX/LSE), Westpac (ASX/NYSE/NZX), James Hardie (ASX/NYSE). In these situations companies are usually required to separately comply with the rules of each market.

A specific suggestion was to make it easier for businesses listed on the Nasdaq to list on the ASX. What challenges do they currently face in doing this?

The Foreign Exempt listing category provides a straightforward and cost effective listing process for entities already listed on a major market. However, ASX listing rules do not currently allow for Australian *incorporated* companies to make use of this option.

An example of measures taken by ASX to facilitate dual listings from appropriate jurisdictions is the 'NZ Foreign Exempt' listing category introduced in 2015 to allow NZX-listed companies to also list on ASX under a Foreign Exempt regime, but with significantly reduced size requirements. Some additional requirements apply, consistent with those for Australian companies. This change aligned with ASX's general admission requirements, and reflected the close economic and regulatory relationship and equivalence between Australia and NZ. For companies in other jurisdictions that would like to dual list on ASX but do not meet the Foreign Exempt thresholds, ASX may grant relief to its rules on a limited basis to help facilitate the dual regulatory requirements.

The ASX Listing Rules also interact with the Corporations Act, particularly regarding capital raisings.

What work is the ASX doing to improve the listing environment?

ASX recognises and monitors the evolving nature of market dynamics and periodically assesses its rules and guidance to ensure they remain fit for purpose. A key formal mechanism for this is the public consultation process, where ASX consults with the market on specific issues.

By international standards Australia currently has a robust and balanced regulatory environment for capital markets. This was demonstrated last year in the way ASX-listed companies were able to access large amounts of capital through secondary offerings in order to shore up balance sheets during the crisis and, in the case of companies in higher-growth sectors like technology, raise capital to accelerate growth initiatives. This tremendous mobilisation of capital is testament to Australia's superannuation system as well as ASX's efficient capital-raising framework, where there was effective use of placements, rights issues, and share-purchase plans.

^ Includes main boards of exchanges Borsa Italiana, Deutsche Börse, Euronext (Amsterdam), Euronext (Brussels), Euronext (Lisbon), Euronext (Paris), Frankfurt Stock Exchange, HKSE, LSE, SGX, SIX Swiss Exchange, TASE (Israel), TSE (Tokyo), TSX (Toronto), NASDAQ, NYSE and NZX

^^ Indicative ASX listing fees

Market capitalisation*	Initial fee	Annual fee
\$50m	\$120,755	\$35,347
\$100m	\$159,177	\$45,901
\$500m	\$345,799	\$62,964
\$1,000m	\$554,376	\$84,292

* Fees are calculated on the value of the securities that are quoted.

Fees do not include GST. Fee information is available for larger market capitalisations.