



Australian Government

Department of the Prime Minister and Cabinet Office of Best Practice Regulation

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Jenny Wilkinson
Acting Executive Director
Markets Group
The Treasury

Dear Ms Wilkinson

Single-Stage Regulation Impact Statement – Reducing regulatory obligations on simple retail corporate bonds

Thank you for forwarding the single-stage single Regulation Impact Statement (RIS) for the above proposal for final assessment on 5 March 2014. I note that you have formally certified the single-stage RIS as required by the best practice regulation requirements.

The OBPR assesses single-stage RISs for consistency and adequacy – consistency relates to following the prescribed process and adequacy relates to the quality of the analysis. I note our comments of 3 February 2014 on the initial draft have been appropriately addressed, as you confirmed in your letter certifying the final version of the RIS.

Treasury has been consistent with the RIS guidelines, having twice provided a certified single-stage RIS (addressing all seven elements) to the OBPR for the two-pass assessment before the decision-maker considers the RIS.

The single-stage RIS is adequate as it does not contain obvious errors and has a degree of detail and depth of analysis that is commensurate with the magnitude of the problem and the size of the potential impact of the proposal. The Office of Best Practice Regulation (OBPR) considers that the RIS is a category ‘C’ RIS, reflecting that the issue is of medium significance in the broader economy with limited competition impacts.

The regulatory cost estimates have been agreed with the OBPR.

The problem outlined in the RIS relates to the excessive disclosure requirements for entities issuing corporate retail bonds and the level of liability risk borne by directors of companies issuing corporate retail bonds.

I note that three options, including the status quo, were considered.

The RIS considers that the most noticeable impact will be to increase the ability of companies to access finance and of investors to diversify their financial portfolios further. I

also note that there is potential for a secondary market in retail corporate bonds to develop as a result of this regulatory change.

The RIS also considers that other information disclosure requirements are sufficient to maintain current levels of investor confidence in their investments.

I note that potential corporate retail bond issuers are generally supportive of this proposal.

Consistent with the best practice regulation requirements I note that, since there was no initial decision, an options-stage RIS was not required.

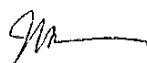
The Government's *Best Practice Regulation Handbook* (June 2013), at paragraph 6.4, requires that for legislation which is tabled in the Parliament, a copy of the RIS must be included in the explanatory memorandum (for primary legislation) or the explanatory statement (for legislative instruments). Please ensure that your officers provide the OBPR with a copy of (or link to) the explanatory memorandum or explanatory statement when these are made public.

Additionally, the Office of Best Practice Regulation (OBPR) maintains a RIS website and the Government requires that single-stage RISs be posted within 5 business days of a regulatory decision being publicly announced. We would appreciate you advising us when a decision on this proposal is announced, and forwarding a final copy of the single-stage RIS in *Microsoft Word .doc* format in a form meeting the Australian Government's *Web Content Accessibility Guidelines*. We suggest liaising with your web services team to ensure these guidelines are met. The OBPR should be consulted if the single-stage RIS is amended. It is the agency preparing the RIS, not the OBPR, which is responsible for the content of the published single-stage RIS.

The website provides a public comment facility on RISs posted on the site. The OBPR moderates this facility for offensive content but does not moderate debate.

Please retain this letter as a record of the OBPR's advice. Our reference number for this issue is 16291. If you have any further queries, please do not hesitate to contact me.

Yours sincerely



Jason McNamara
Executive Director
Office of Best Practice Regulation
6 March 2014