



Corporations Amendment (Simple Corporate Bonds and Other Measures) Regulation 2014

Select Legislative Instrument No. 209, 2014

I, General the Honourable Sir Peter Cosgrove AK MC (Ret'd), Governor-General of the Commonwealth of Australia, acting with the advice of the Federal Executive Council, make the following regulation.

Dated 11 December 2014

Peter Cosgrove
Governor-General

By His Excellency's Command

Mathias Cormann
Minister for Finance
for the Treasurer

OPC60214 - A

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1 Name

This is the *Corporations Amendment (Simple Corporate Bonds and Other Measures) Regulation 2014*.

2 Commencement

This instrument commences at the same time as Schedule 1 to the *Corporations Amendment (Simple Corporate Bonds and Other Measures) Act 2014* commences.

3 Authority

This instrument is made under the *Corporations Act 2001*.

4 Schedules

Each instrument that is specified in a Schedule to this instrument is amended or repealed as set out in the applicable items in the Schedule concerned, and any other item in a Schedule to this instrument has effect according to its terms.

Schedule 1—Amendments

Corporations Regulations 2001

1 At the end of Part 6D.2

Add:

6D.2.04 Simple corporate bonds—base prospectus

- (1) For subsections 713C(5) and (6) of the Act, this regulation specifies:
 - (a) the information that must be contained in a base prospectus for simple corporate bonds; and
 - (b) the statements that must be set out in a base prospectus for simple corporate bonds.
- (2) Subregulation (1) does not prevent a base prospectus from containing other material or setting out other statements.
- (3) A base prospectus must contain a table of contents and sections dealing with the following matters:
 - (a) Section 1: What you need to know;
 - (b) Section 2: About the bonds;
 - (c) Section 3: About the issuer;
 - (d) Section 4: Risks;
 - (e) Section 5: Other information you should consider;
 - (f) Section 6: Glossary.

Section 1: What you need to know

- (4) The following statements, or statements to the same effect as the following statements, must be set out in section 1 of a base prospectus:
 - (a) This document will be the base prospectus for these bonds for 3 years from the time it is lodged with the Australian Securities and Investments Commission.
 - (b) There will be a separate offer-specific prospectus for each offer of bonds during the life of this base prospectus.

- (c) To make an informed investment decision about these bonds, you should read the offer-specific prospectus and this base prospectus before investing.
- (d) This base prospectus alone is not an offer. The offer is contained in the offer-specific prospectus, this base prospectus and other information that is incorporated by reference into the offer-specific prospectus and this base prospectus.
- (e) To find out more about the pros and cons of investing in corporate bonds, visit ASIC's MoneySmart website: <http://moneysmart.gov.au>.

Section 2: About the bonds

- (5) The following information must be contained in section 2 of a base prospectus:
 - (a) information on the program of the bonds (if applicable), including any pre-planned future issues of bonds;
 - (b) details of the key aspects of the bonds, including information about the following matters:
 - (i) the interaction between the coupon rate and yield;
 - (ii) the interest rate of the bonds;
 - (iii) the term of the bonds;
 - (iv) the maturity and redemption of the bonds;
 - (v) events that will constitute default;
 - (vi) guarantees in relation to the bonds and information about any guarantors;
 - (vii) security and ranking.

Note: If information mentioned in this subregulation is contained in another document that has been lodged with ASIC, a base prospectus may refer to that lodged document instead of setting out the information (see section 713E of the Act).

Section 3: About the issuer

- (6) The following information must be contained in section 3 of a base prospectus:
 - (a) brief information about the issuing body that includes a summary of the body's:
 - (i) business; and

- (ii) management personnel (including directors and senior managers); and
- (iii) business strategy; and
- (iv) governance arrangements;
- (b) the trust deed relating to the issuing body;
- (c) an explanation of the role of the trustee;
- (d) additional information about the issuing body that relates to the investment decision, and where that information can be obtained, including:
 - (i) a reference to the issuing body's annual report and financial report; and
 - (ii) a reference to any half-year report that the issuing body lodged with ASIC after it lodged an annual financial report and before it lodged the most recent copy of the base prospectus with ASIC; and
- (e) the key financial ratios, calculated in accordance with regulation 6D.2.06, that are relevant to the issuing body, accompanied by:
 - (i) an explanation of those key financial ratios; and
 - (ii) information about how a change to those key financial ratios may affect the bonds to be issued under the base prospectus.

Note: If information mentioned in this subregulation is contained in another document that has been lodged with ASIC, a base prospectus may refer to that lodged document instead of setting out the information (see section 713E of the Act).

(7) The following statements, or statements to the same effect as the following statements, must be set out in section 3 of a base prospectus:

A publicly listed entity must release financial reports and continuously disclose information that may have an impact on its share or bond price. This information is available publicly on the relevant market exchange. You should consider this information when making an investment decision about bonds. While this information is important, it is not considered part of the disclosure document for the offer of bonds using this base prospectus.

Section 4: Risks

(8) The following information must be contained in section 4 of a base prospectus:

- (a) the main risks associated with bonds and an explanation of those risks;
- (b) the issuing body's main business risks;
- (c) if other risks specific to bonds may be relevant to a consumer's investment decision—an explanation of those other risks;
- (d) if other business risks may be relevant to a consumer's investment decision—an explanation of those other risks.

Note: If information mentioned in this subregulation is contained in another document that has been lodged with ASIC, a base prospectus may refer to that lodged document instead of setting out the information (see section 713E of the Act).

Section 5: Other information you should consider

(9) The following information must be contained in section 5 of a base prospectus:

- (a) an explanation of the consequences, relating to taxation, of investing in bonds;
- (b) information relating to privacy in general and the issuing body's obligations under privacy laws;
- (c) any applicable selling restrictions.

Note: If information mentioned in this subregulation is contained in another document that has been lodged with ASIC, a base prospectus may refer to that lodged document instead of setting out the information (see section 713E of the Act).

(10) The following statements, or statements to the same effect as the following statements, must be set out in section 5 of a base prospectus:

- (a) More information on the tax implications associated with investing in bonds can be found on the Australian Taxation Office's website: <http://www.ato.gov.au>.
- (b) The following is a list of material referred to, but not set out in full, in this base prospectus. However, the material (or relevant extracts of the material) is incorporated by reference and, as such, forms part of the offer of bonds covered by this base prospectus.

(11) Section 5 of a base prospectus must contain a list of material referred to, but not set out in full, in the prospectus.

Section 6: Glossary

(12) The information that section 6 of a base prospectus must contain is information that is adequate to explain the meanings of terms required to understand the content of:

- (a) the base prospectus; or
- (b) the offer-specific prospectus that is combined with the base prospectus to create a 2-part simple corporate bonds prospectus.

Note: See section 713B of the Act.

6D.2.05 Simple corporate bonds—offer-specific prospectus

(1) For subsections 713D(6) and (7) of the Act, this regulation specifies:

- (a) the information that must be contained in an offer-specific prospectus for an offer of simple corporate bonds; and
- (b) the statements that must be set out in an offer-specific prospectus for an offer of simple corporate bonds.

(2) Subregulation (1) does not prevent an offer-specific prospectus from containing other material or setting out other statements.

(3) An offer-specific prospectus for an offer of simple corporate bonds must contain a table of contents and sections dealing with the following matters:

- (a) Section 1: What you need to know;
- (b) Section 2: Key dates and offer details;
- (c) Section 3: Offer-specific information you should consider.

Section 1: What you need to know

(4) The following statements, or statements to the same effect as the following statements, must be set out in section 1 of an offer-specific prospectus:

- (a) This offer-specific prospectus is not a summary of the information contained in the base prospectus.
- (b) This offer-specific prospectus is only relevant for this offer of bonds.

- (c) A base prospectus applies to this offer of bonds.
- (d) This offer-specific prospectus provides offer details, key dates and other relevant information for the offer. The base prospectus for this offer provides additional information that is also critical to your decision. You should take all of the information in the base prospectus into consideration before making your decision in relation to this offer.
- (e) To find out more about the pros and cons of investing in corporate bonds, visit ASIC's MoneySmart website: <http://moneysmart.gov.au>.

Section 2: Key dates and offer details

- (5) The following information must be contained in section 2 of an offer-specific prospectus:
 - (a) the terms of the offer, which must include the following:
 - (i) the name of the issuing body;
 - (ii) the size of the series, or tranche, to which the offer relates;
 - (iii) the face value of the bonds;
 - (iv) the term of the bonds;
 - (v) the maturity date of the bonds;
 - (vi) guarantees in relation to the bonds and information about any guarantors;
 - (vii) the interest rate of the bonds;
 - (viii) interest payment dates;
 - (ix) events that will constitute default;
 - (x) details of any existing security;
 - (xi) the structure of the offer;
 - (xii) the minimum size of an application for the bonds;
 - (xiii) the prescribed financial market on which the bonds will be listed;
 - (b) a short explanation of the circumstances in which the bonds can be redeemed;
 - (c) any fees and costs associated with the offer;
 - (d) either:
 - (i) if a provision of the base prospectus contains information about any selling restrictions—a reference to the provision; or

- (ii) if subparagraph (i) does not apply—information about any selling restrictions;
- (e) an explanation of where investors can obtain additional information about the offer, including:
 - (i) a reference to financial advisors or other professional advisors; and
 - (ii) the contact details of the issuing body.

Note: If information mentioned in this subregulation is contained in another document that has been lodged with ASIC, an offer-specific prospectus may refer to that lodged document instead of setting out the information (see section 713E of the Act).

Section 3: Offer-specific information you should consider

- (6) The following information must be contained in section 3 of an offer-specific prospectus:
 - (a) any significant information necessary to update the information in the base prospectus;
 - (b) any notices that the issuing body has issued to explain changes that have occurred to the base prospectus since it was lodged with ASIC;
 - (c) the key financial ratios, calculated in accordance with regulation 6D.2.06, that are relevant to the issuing body, accompanied by:
 - (i) details of any change in those key financial ratios since the last offer-specific prospectus was issued; or
 - (ii) if no offer-specific prospectus has previously been issued—details of any change in those key financial ratios compared with the key financial ratios at the time the base prospectus was lodged with ASIC;
 - (d) an explanation of how the issuing body will use the funds raised by issuing the bonds;
 - (e) a brief summary of the effect of the offer on the issuing body;
 - (f) the ranking of the bonds and any other debt on issue;
 - (g) an explanation of any changes to the risks disclosed in the base prospectus;
 - (h) the amount that anyone has paid or agreed to pay, or the nature and value of any benefit that anyone has given or agreed to give, to:

- (i) any directors or proposed directors of the issuing body; or
- (ii) a person named in the prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of the prospectus; or
- (iii) a promoter of the issuing body; or
- (iv) an underwriter (but not a sub-underwriter) to the issue or sale or a financial services licensee named in the prospectus as a financial services licensee involved in the issue or sale.

Note: If information mentioned in this subregulation is contained in another document that has been lodged with ASIC, an offer-specific prospectus may refer to that lodged document instead of setting out the information (see section 713E of the Act).

6D.2.06 Simple corporate bonds—key financial ratios relevant to issuing body

- (1) For paragraphs 6D.2.04(6)(e) and 6D.2.05(6)(c), the key financial ratios that are relevant to an issuing body are:
 - (a) the gearing ratio; and
 - (b) the working capital ratio; and
 - (c) the interest cover ratio.
- (2) The key financial ratios referred to in subregulation (1) must be calculated in accordance with subregulations (3) to (5), based on the issuing body's most recent financial statements or, if applicable, the issuing body's consolidated financial statements.
- (3) The gearing ratio must be calculated using the following formula:

$$\frac{\text{Total liabilities}}{\text{Total equity}}$$

- (4) The working capital ratio must be calculated using the following formula:

$$\frac{\text{Current assets}}{\text{Current liabilities}}$$

(5) The interest cover ratio must be calculated using the following formula:

$$\frac{\text{EBITDA}}{\text{Net interest expense}}$$

where:

EBITDA means earnings before net interest expense, taxes, depreciation and amortisation, for the period to which the issuing body's most recent financial statements relate.

net interest expense means the interest expense net of interest revenue, taking account of any related hedging arrangements recognised in the profit and loss statements, for the period to which the issuing body's most recent financial statements relate.

Note: The issuing body's most recent financial statements may relate to a period that is less than 12 months.