



26 August 2026

By email.

Dear Sir/Madam

Re: CS 59 Proposed updates to RG 264

AFMA welcomes the opportunity to provide comment on Simple Consultation 59 *Proposed updates to RG 264*.

AFMA supports balanced regulation of sell-side research, a critical part of the capital raising infrastructure. There are real risks that have been demonstrated where the various conflicts and processes are not well-managed. Nevertheless, the need for regulation to be carefully calibrated and, from time to time, updated and optimised remains. This submission expresses strong support for many of the changes already proposed and encouragement for further optimisations.

In our view, ASIC's draft regulatory guide responds well to the feedback received by ASIC re *Australia's evolving capital markets: A discussion paper on the dynamics between public and private markets*. AFMA very much welcomes the blank sheet design of the draft RG 264 which, in its final form, will supersede previous requirements. There is much to be said for the level of consistency and clarity that comes with starting afresh with a much shorter principles-based design. By not being bound by its previous positions, ASIC has allowed itself significant flexibility to reshape expectations.

The regulatory reset in relation to sell-side research is much needed and will assist the development of the Australian financial markets and economy.

Industry Standards and transitional regulatory engagement

AFMA sees the completion of the Regulatory Guide as an important but not final step in the process of reforming and standardising practices in capital raisings in Australia and moving them more in line with international standards.

The next stage should involve a regulatory dialogue as industry works with ASIC to assist firms understand and build confidence in their wider range of options under the new arrangements.

As part of this work AFMA has commenced thinking on draft Industry Standards to support the final Regulatory Guide. The draft Regulatory Guide steps up in the level of detail from the legislation but

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down in level of compulsion. So too an Industry Standard will provide a further level of detail on a variety of standard practices, but a step down in compulsion to a voluntary basis.

While voluntary, an Industry Standard will have a consensus view of the industry that the practices are aligned with legal and regulatory requirements and better practice. This is the appropriate place to construct practical reference points and examples that can assist licensees to understand how ASIC's expectations around legal obligations can be met in practice, including obligations relating to insider trading, conflicts of interest, and misleading or deceptive conduct.¹ Such a standard would be of particular use to smaller firms and those with less experienced research compliance functions to understand how concepts such as 'managing conflicts during pitching' might need to be built out in practice.

We thank you for considering our comments in relation to the proposed Measures.

Yours sincerely

A handwritten signature in dark ink, appearing to read 'Damian Jeffree', written in a cursive style.

Damian Jeffree

Head of Financial Markets, Exchanges and Digital

¹ For example, similar to the current *Section D - Managing research conflicts during the capital raising process*, industry standards could provide examples of how to navigate capital raising processes, including pitching-sequence requirements for corporate advisory teams and research analysts.

Changes for which AFMA would particularly like to note our support

Shorter, principles-based guidance

The present draft is a substantial improvement over the existing Regulatory Guide ('current guide') both in form and in function. The shortened and simplified structure increases clarity, usability and makes plain the policy intention of ASIC in relation to each section. The summary at the end is welcome aid for those involved in processes to keep the key points of focus at top of mind.

While below we request further engagement and clarification, the draft guide gets the level of guidance about right. Too much guidance can be counterproductive as, while nominally guidance, practically it has effects similar to prescriptive regulation. Too little can leave key questions unanswered and the regulator's main aims and interests unknown.

To be clear, *nothing in this submission should be taken to be a request for more prescription in the guidance.*

We support that the draft RG264 is reshaped around the core legal and regulatory obligations regarding handling inside information, managing conflicts of interest (and maintaining research independence), as well as the need for market participants to have comprehensive policies in place governing these matters, including research and investor education, and to implement proper compliance processes and oversight.

While these core obligations are universal, we suggest there may be benefit in express acknowledgement that they may be realised by licensees via control environments that take into account the size, complexity, business model and organisational structure, as long as equivalent outcomes are achieved. For example, firms may allocate control and management activities to different functions.

Removal of notional stages

Functionally, the draft addresses a number of the concerns about the prescriptive requirements associated with the notional stages of a capital raising in the existing guide. The current guide's effective prescription had an unfortunate impact on the capital raising process as the complexities of real-life raisings would often not accord with the staged process envisaged by the guidance. It also imposed requirements to Australian capital market practices that are not in line with those of other international markets.

The more principles-based approach in the draft will better support the flexibility firms need to ensure the integrity outcomes of interest to ASIC in a way that is an appropriate fit for the details and circumstances of the particular raising.

Removal of single briefing

Another point of disconnection from standard practice in the current guidance was the suggestion that there would be a single briefing accompanying the raising. Industry raised concerns with the drafting that suggested this when the industry was consulted on the current guidance but the suggestion that there should be a single briefing remained in place. In particular, it can be challenging to implement a single briefing under an efficient IPO timetable and due to the significant amount of information that needs to be communicate at that briefing.

Consistent with global standard practice there will typically be multiple briefings on different aspects of the transaction as part of a capital raising. The removal of the suggestion that there should be one briefing in the draft is welcomed.

Fewer restrictions on analyst involvement

Another welcome feature of the revised draft is that firms are able to manage analyst involvement around limited situations as long as 'strong and effective controls [are in place to] to identify and manage potential conflicts of interest and avoid them where possible'. We suggest in the below sections how this could be further improved.

AFMA's recommendations for further improvements and closer international alignment

AFMA strongly encourages ASIC to complete the transition to further move towards a principles-based approach.

Our key recommendations in order of significance are:

1. Valuation methodology – Principle 3

The draft suggests a requirement:

‘A policy that any valuation information in the IER will be: – expressed as an enterprise value or total value for the issuing company; and – based on the financial information in the prospectus.’

AFMA holds that this is an unnecessary restriction on analyst involvement. Analysts should be free to choose the valuation methodology they consider most appropriate to the issuer and transaction. The choice of valuation methodologies is one of the key insights that analysts bring to investors. The purpose of the limitation of analysts to express valuation information as an enterprise value or total value for the issuing company is unclear and may unnecessarily restrict legitimate analytical approaches and be a net negative for investors.

While the prospectus is the primary disclosure and offer document on which investment decisions should be based the Investor Education Report (IER) serves a different purpose by providing brokers, institutional and other professional investors with an education about the sector and a long-term view of the company based on the analyst's expertise and judgement which are independent of the company.

Valuation methodology remains one of the most significant areas where the current guidance may constrain the usefulness of sell-side research. There are many standard valuation metrics that are commonly used by research analysts and enterprise value methodologies are not suitable for all sectors. Equity research analysts typically select valuation methodologies based on the sector, business model, capital structure and commonly accepted investor framework for the company being analysed. These include Discounted Cash Flow (DCF), Sum-Of-The-Parts (SOTP), Price/Earnings (P/E) ratio comparison, and others that may be the most appropriate methodology to value the relevant business. For financial companies, valuation methods such as price-to-book, return on equity, dividend yield, embedded value, earnings multiples or other equity-based approaches, are more commonly used to assess valuation, depending on the nature of the business. Preserving analyst discretion in this area is important for both the quality of research and its utility to investors. We note that prescribed valuation methodology requirements on IER is not typical practice in major markets.

Mandating EV/total value methodology therefore risks requiring analysts to present analysis and valuation ranges that are less relevant and potentially confusing to investors. Information in the IER may also then be inconsistent with how an analyst covers the same issuer on an ongoing basis once it is a public company. Further, it is not clear what particular harm is being addressed by ASIC mandating only EV/total value methodology be used. Whilst the current RG 264 refers to potential inside

information concerns, it is not clear why this concern is somehow only triggered by other valuation approaches (but not the mandated ones). In any event, in our view, the management of inside information risks should be left to licensees to manage as part of their ordinary course governance requirements.

Equity value expressed as a range should not necessarily be viewed as assigning a specific market price to the issuer. As an alternative approach, ASIC may consider explicitly stating that a per-share valuation or price or fair value target should not be included in the investor education report (instead of prescribing the type of methodology that should be used).

In other comparable markets which pre-deal investor education is produced as standard in connection with the IPO process, the valuation methodology is not prescribed. This is because, as mentioned above, the IER is not intended to form the basis of an investment decision or to seek to predict the price of shares in an IPO or a company's market capitalization at listing.

2. Research content – Principle 3

We agree with the principle that the company should only provide the analyst with financial information that is material to the issuer if that information is to be included in the prospectus. The concern with the draft is that it suggests that the financial information provided for inclusion in the prospectus is the only information that the analyst may utilize in preparing the IER. In our view, analysts should not be limited to forming their analysis based on the financial information in the prospectus, but should be able to avail themselves of other relevant information. This may include relevant and well-understood industry data and forecasts that provide important context in the discussions of the company's business and prospects.

Limiting analysts to the financial information in the prospectus also inherently limits the time period of the forecasts that analysts may produce based on information from prospectus data and the usefulness of the report as an independent view of the company and the industry it operates in. Additionally, this may not align with the valuation methodology chosen by the analyst as the most appropriate. For example, valuations and forecasts for high-growth technology firms or biotechnology companies are heavily dependent on future earnings and as such may be valued on a multi-stage DCF model. Such a DCF model would likely require inputs beyond the prospectus forecast.

Research analysts frequently apply methodologies that incorporate longer forecast horizons, sector assumptions and peer analysis. For example, where a prospectus includes only a one-year forecast but the relevant sector is commonly assessed using a longer-term forecast period, limiting analysis solely to prospectus information may reduce the usefulness and analytical value of the IER to professional investors.

3. Investor Education Reports Fact-checking – Principle 3

While there are risks in the interaction of corporate advisory and analysts, these can be managed. As such, blanket prohibition on the interaction would be a disproportionate response to risks.

Corporate advisory participation in the fact-checking of IERs and research models should be permitted within a controlled framework. Corporate advisory can provide objective factual verification on the issuer's business and provide clarification to the analysts regarding the draft prospectus, the company's business model and complex financial arrangements.

Corporate advisory teams are often closely involved in the due diligence process, preparing the offering materials (including the draft prospectus) and familiar with audited financial statements. The Corporate advisory team's additional review of factual information can enhance the process particularly when issuer's management team is likely to be in a very busy period in the IPO preparation process. Compliance is not well placed to identify factual inaccuracies in IERs. The role of compliance should be to assist with managing the fact checking process to help ensure there is no inappropriate influence from corporate advisory or an issuer and its representatives. This includes assisting with the administration of the fact-checking process and ensuring that feedback is limited to factual verifications. Allowing appropriately controlled input from corporate advisory would help enhance the accuracy of IERs without compromising analyst independence.

A fact-checking process does not undermine analyst independence where it is confined to verifying factual accuracy and steps are taken during the review process to mitigate the risk of pressure or non-factual comments. For example, in other jurisdictions, the fact-checking process is facilitated by external counsel who receive the draft IER, arrange for review by the issuer and corporate advisory and provide consolidated comments back to the research analysts. The provision of factual comments may be intermediated internally by compliance or another control function.

In our view, the compliance team's primary role should be to establish frameworks for the management of conflicts and independence risks, rather than substantive verification of transaction-specific factual content. We therefore support a framework that permits corporate advisory's participation in fact-checking, provided appropriate controls, escalation processes and compliance oversight are maintained.

We understand this is common practice in Hong Kong, Singapore and other APAC jurisdictions and reflected in external counsel research guidelines.

4. Investor Education Reports (IERs) - Communications between the Research Analyst and the Issuer / Corporate Advisory (Principle 3)

AFMA supports the principle that analyst expertise can be appropriately utilised where supported by effective controls. We suggest that some considerations listed under Principle 3 may be unnecessarily restrictive against this principle.

We also consider that the proposed restriction on discussing 'valuation' in issuer briefings would benefit from further refinement. As drafted, it is unclear whether this is intended to prohibit discussion of previously published research views, sector valuations, methodologies, industry trends or other analytical observations. It should not do so.

Appropriately controlled interactions between Research and corporate advisory teams may assist Research analysts in developing a better understanding of the issuer's business, industry dynamics and transaction context, particularly within the often-compressed timelines associated with capital raising transactions. Subject to appropriate safeguards to preserve Research independence and manage conflicts of interest, such interactions can contribute to more informed analysis and more effective investor education, ultimately supporting the quality of information available to the market and investors. This is also consistent with practices adopted in other APAC jurisdictions, such as is permitted in Hong Kong.

A framework focused on controls, supervision and conflict management should achieve the underlying regulatory objective more effectively than a on the more restrictive interactions that are proposed in the draft. Accordingly, we encourage ASIC to adopt a principles-based approach that permits appropriately supervised communications between Research, issuers and corporate advisory personnel, supported by effective policies and procedures designed to identify and manage conflicts of interest. This would better accommodate differing business models.

5. IER – Prospectus time gap – Principle 3

The draft suggests a requirement:

‘To maintain the primacy of the prospectus, procedures that ensure there are no material time gaps between the release of IER and the draft (or pathfinder) prospectus’

In the event that ASIC’s intent is for the IER publisher to publish close to the prospectus date, AFMA notes that it is not up to the licensee to manage the time gap. There can be unpredictable delays that affect the release of the draft (or pathfinder) prospectus. Transaction timetables regularly change and rigid timing expectations may be difficult to satisfy in practice.

AFMA holds that this is not the time gap that should be the focus. The main concern should be that the prospectus should be released with sufficient time for investors to properly consider it and make an informed decision. Moving up the prospectus time is not helpful as the prospectus is the actual selling document. Requiring the IER and prospectus to be published in close proximity may even increase risk of the IER being perceived as part of the offering documents or relied on by an investor to make an investment decision.

If ASIC's concern is ensuring that information contained in the IER remains current and appropriately aligned with prospectus disclosure, consideration could be given to alternative controls, such as a confirmation by the Company to the relevant analysts prior to IER that the information provided by the Company to the analysts remains accurate, or disclaimers within the IER, rather than requiring the IER and prospectus to be issued within a closely compressed timeframe.

In AFMA’s view, the proposed requirement for firms to maintain procedures ensuring that there is no material time gap between publication of the IER and the prospectus should be removed. In practice, timing differences may arise for reasons outside a firm’s control, and the prospectus should remain the primary document for investors. Rather than imposing a strict timing requirement, AFMA

considers that the regulatory focus should be on ensuring investors have sufficient time to review and understand the prospectus before making an investment decision.

We also suggest ASIC consider the following refinement:

‘Procedures to ensure drafts of IERs, including research analyst models and working files, are not shared outside research **and applicable control functions** until the IER has been widely released.’

6. Head of corporate advisory - annual declaration

The draft suggests a requirement:

‘You may consider requiring the head of corporate advisory to provide an annual declaration to compliance that they, or members of the corporate advisory team (after making reasonable enquiries), have not sought to influence the research team.’

AFMA recommends the proposal to require the head of corporate advisory to provide an annual declaration should be removed given unclear benefits, and where firms have implemented more appropriate controls, such as regular training on research independence and conflicts, approval requirements for communications between research and corporate advisory teams and information barriers between the research and corporate advisory teams.

Corporate advisory and Research staff are subject to established physical and electronic separation controls, and analysts already provide attestations at the time of publication confirming that they do not possess “inside information” and that they have not been influenced by corporate advisory.

There does not appear to be a material benefit to an additional annual declaration, particularly given the operational complexity of identifying the appropriate attesting individual within a large global organisation.

Similarly, we note the consideration for analysts to confirm that issuers or other parties have not attempted to influence research before research publication. For many foreign firms, such matters are already covered by the Regulation Analyst Certification which requires analysts to certify that the views expressed in research reports and public appearances accurately reflect their personal views and to disclose whether they have received any compensation related to the specific recommendations or views expressed in those reports and appearances. These are additional examples of where licensees should be able to implement controls according to the size, scale and complexity of their businesses. Therefore, we propose removing this requirement given the broader principle-based approach being proposed to allow flexibility for firms to design appropriate controls appropriate to their governance framework.

7. *Conflict of interest management - Principle 2*

‘Controls around the limited situations where research analysts may be involved in aspects of a capital raising transaction (e.g. deal selection, material due diligence issues and underwriting decisions) where there are increased risks of the research analyst being influenced.’

AFMA suggests that rather than framing this restriction around ‘limited situations’ it would be better framed as a requirement for firms to have policies and procedures designed to identify and effectively manage conflicts of interest related to (i) preparation, content and distribution of research reports, (ii) public appearances and (iii) interactions between research analysts and those outside research, including corporate advisory, sales and trading personnel, issuers and customers.

‘A policy that research analysts will not be involved in pitching for capital raising transactions, unless they have been wall-crossed.’

‘Once wall-crossed, the research analyst cannot produce research in relation to the issuing company or the transaction until the transaction has been completed.’

‘limit research analyst role in capital raisings including wall-crossing if involved in pitches’

ASIC may wish to consider rephrasing to ensure it is clear that merely being wall-crossed is not sufficient for analysts to participate in pitching activities. Our view is that research analysts should not be involved in any sales-aspect of pitching or any solicitation (whether wall-crossed or not) until the end of appropriate restriction.

‘Disclosure of interests in research that are prominent, specific, meaningful and clearly describe your (and your associates’) conflicts.’

We agree that disclosures of interests in research should be prominent, specific, meaningful and clear. However, we suggest the principle expressly refers to *material* conflicts of interest (which would be in line with the position taken by ASIC in RG 181). It would better align the disclosure obligation with ensuring that investors receive information that is relevant to assessing the objectivity and credibility of research reports. We also highlight that the matter of disclosure of conflicts of interests is already covered in RG 79.35, 36, 122.

This approach is consistent with the principles-based disclosure framework under FINRA rules, which requires disclosure of material conflicts of interest applicable to the member or analyst preparing the research report. It would also recognise the existing global control frameworks maintained by many international firms with global research distribution models. These frameworks typically include comprehensive research governance policies, internal controls and information barriers between research analysts and other business units.

In that context, requiring firms to identify and disclose immaterial conflicts—particularly information unknown to the research analyst and therefore incapable of influencing the views expressed in the research report—may not meaningfully advance ASIC’s investor protection objective.

8. Research Structure and Segregation - Principle 5

AFMA suggests the references to physical and technological segregation in Principle 5 should not operate as absolute requirements. While independence of research remains fundamental, firms should retain flexibility to implement an appropriate combination of physical, technological, supervisory and procedural controls to achieve that outcome.

In particular, the reference to 'technological segregation' may be interpreted broadly and could imply a requirement for separate technology infrastructure or systems. ASIC should clarify that the objective is the maintenance of effective information barriers and access controls, rather than mandating a particular technology architecture or operating model.

The use of shared technology resources are increasingly common and can support appropriate information barriers. We encourage ASIC to focus on the effectiveness of controls rather than mandating a particular organisational or operational structure.

9. Definition of Research and IER. Research covers desk notes and similar

While we understand the need to prevent firms from circumventing the regime by relabeling research products, the proposed definition is broader than necessary. In particular, the inclusion of 'desk notes, emails and flash notes' may capture a broader range of ordinary market communications that are *not* produced through the formal research function and do not present the same conflicts or risks that RG264 is intended to address.

Major corporate advisor firms already maintain clear structures, controls and governance framework around the type of formal research that is relevant for the purposes of ASIC's guidance. Research that should be subject to restrictions is managed under separate departmental structures, subject to various controls, such as policies, physical and electronic segregation, that allow it to be clearly separated from the desk notes, emails and flash notes that do not warrant inclusion in the regime. Given these controls, the incremental risk of adopting a narrower definition that is more closely aligned with international market practice is low.

AFMA suggests revising the wording RG264.8(a) to the following:

Sell-side research includes:

research you prepare in relation to a capital raising transaction (usually an initial public offering (IPO)) that you release before an issuing company's securities are listed.

10. Inside Information Definition

In the reference to 'inside information' consider referring to the Corporations Act for the definition.

‘Research analysts obtain information from and about companies that may include inside information as defined in s1042A of the Corporations Act.’

Areas where AFMA requests further information from ASIC via dialogue

AFMA would support an industry dialogue to better understand ASIC’s positioning on some particular drafting changes.

Research Report Definition

Sell-side research is now proposed to be described as ‘general financial advice you prepare *and distribute* to your clients (or potential clients)’ [emphasis added]. However, Principle 5 imposes controls on unpublished research and drafts regardless of the updated definition. We seek to understand how these requirements interact.

The new definition no longer includes the wording ‘directly or indirectly’, we seek more information on how this change affects the intended scope.

Noting again that we are not seeking more prescription, AFMA is interested to understand how bespoke research fits into the new regime. We suggest a dialogue might be a good way to understand the various edge cases.

Table 1 – Principles and Considerations

Principle 1 - Noting the phrasing used in Table 1 – ‘You should consider’, we seek confirmation that the listed ‘*Principles and Considerations*’ in Table 1 (e.g. the annual declaration by head of corporate advisory) are examples of acceptable controls only, rather than a minimum requirement.

Transition period

While the draft guidance is more accommodative than the current requirements, given the need to update internal policies and Research Guidelines, to avoid incentivising haste in making these changes, we seek a 6-month transition period.

Principle 2

‘A policy that research analysts will not be involved in pitching for capital raising transactions, unless they have been wall-crossed. Once wall-crossed, the research analyst cannot produce research in relation to the issuing company or the transaction until the transaction has been completed.’

AFMA seeks clarification on the meaning of ‘transaction has been completed’.

‘A policy that your corporate advisory team will not:

...commit to providing research when seeking to be appointed to a capital raising transaction.'

AFMA suggests ASIC consider redrafting as:

'A policy that your corporate advisory team will not:

commit to providing **IER or research coverage** when seeking to be appointed to a capital raising transaction.'