Unleashing the power of Australia’s Corporate Bond market

June 2026

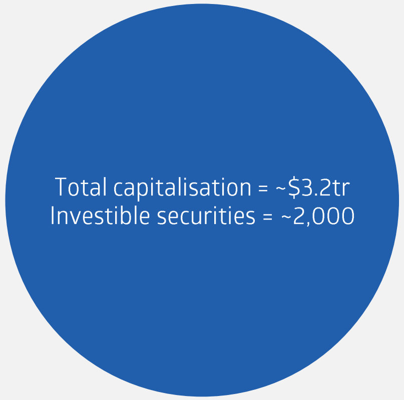
Executive summary

- Despite the many benefits Corporate Bonds offer to individual investors and companies, the Australian Corporate Bond market remains underdeveloped and small compared to other comparable countries
- Current regulatory settings are impacting retail investor access to quality fixed income investment opportunities – a vital asset class for Australia's ageing population
- Valuable lessons can be drawn from New Zealand, where a thriving listed corporate bond market has grown to represent 30% of its listed equity market following reforms introduced in 2013
- We believe that similar reforms could unlock up to $1 trillion in investable assets for Australian retail investors
- Unleashing Australia's corporate bond market benefits retail investors, businesses, and the Australian economy more broadly

Current state of Australia's Corporate Bond market

Current regulatory settings are impacting investor access to quality fixed income investment opportunities

Despite the benefits of Corporate Bond investments, there is almost a complete absence of corporate debt accessible to retail investors



Size of Australian listed Equity market[1]

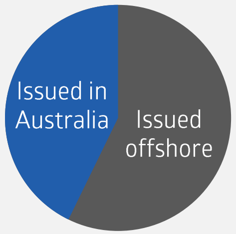
Total capitalisation = ~$600m
Investible securities = 4

Represents <1% of the size of the listed equities market

Size of Australian listed retail Corporate Bond market[1]

The Australian unlisted wholesale corporate bond market is sizable, however Australian corporate borrowers are heavily reliant on offshore lenders

FV on Issue = ~$900bn



Size of Australian unlisted wholesale Corporate Bond market[2]

- Australia has a vibrant listed equity market with high retail participation[3]
- Robust equity market has far-reaching impacts across the Australian economy
- Equity market is equivalent to ~125% of annual GDP

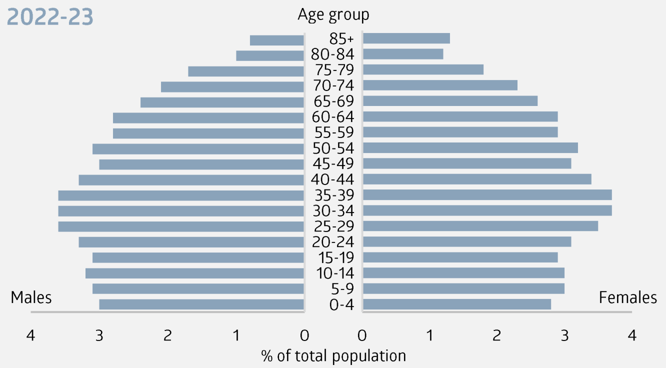
- Although sizable Australia's debt market is relatively small on a global scale
- Many issuers rely on offshore issuance – although these markets are deep and liquid they are harder to access for smaller corporates, introduce currency risk into funding decisions, and may be harder to access during market dislocations
- Retail investors precluded from directly accessing wholesale market

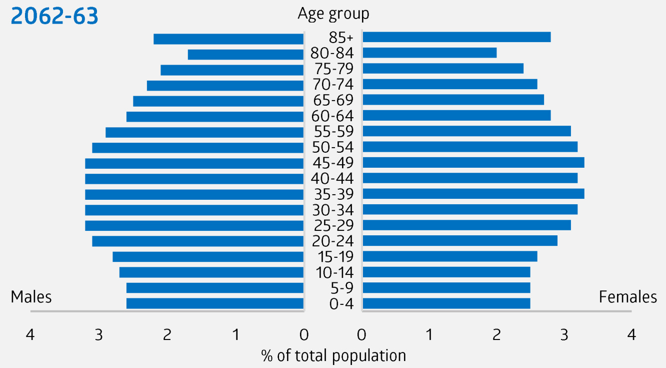
1. Source: ASX internal
2. Source: RBA Debt Securities Outstanding / Statistical Table D4; Long-term non-government securities issued in Australia [Total] less ASX-listed corporate bonds (April 2026)
3. ~30% of ASX200 held by retail investors. Source: MUFG Corporate Markets IR April 2026, estimates based on investor holdings data.

Current investor allocation to corporate bonds

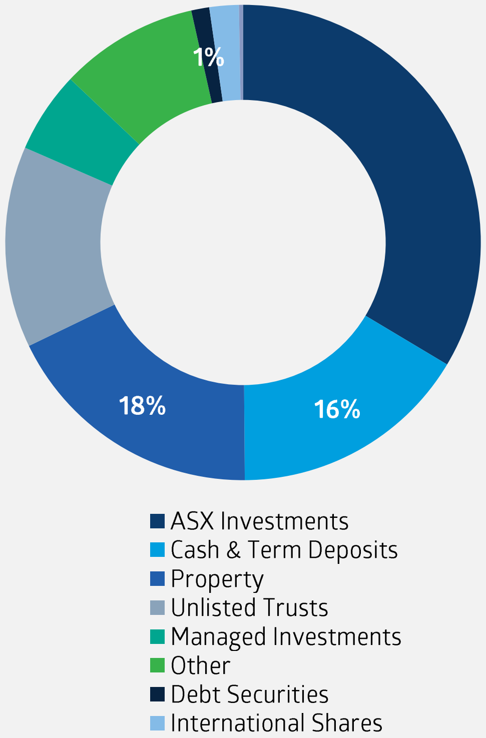
Australian retail investors are under-allocated to bonds compared to other jurisdictions – a vital asset class for Australia's ageing population

Population ageing will continue over the long term driving the need for greater certainty in income streams and less volatile capital values[1]

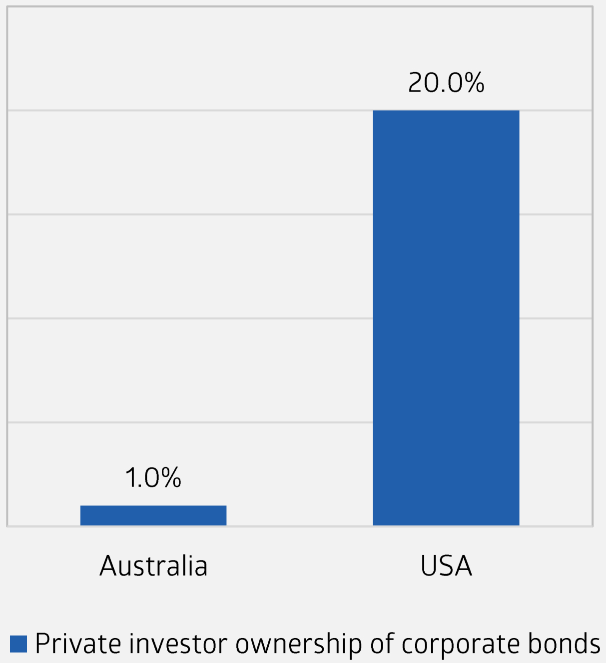




Only 1% of $1.1tr in SMSF assets held in debt securities – ~one third of assets held in term deposits which provide less long-term cash flow certainty and illiquid real property[2] -



Direct market participation by Australian retail investors is low compared to other countries: retail investors hold less than 1% of all corporate bonds on issue in Australia compared to almost 20% in USA[3]



1. Source: Australian Government Intergenerational Report (2023)
2. Source: APRA Self-Managed Super Fund Statistical Report (March 2026)
3. Source: Deloitte Corporate Bond Report (2018)

Potential future state

New Zealand’s corporate bond market presents as a potential model for Australia to draw upon

NZ’s 2013 reforms have streamlined the process for borrowers….

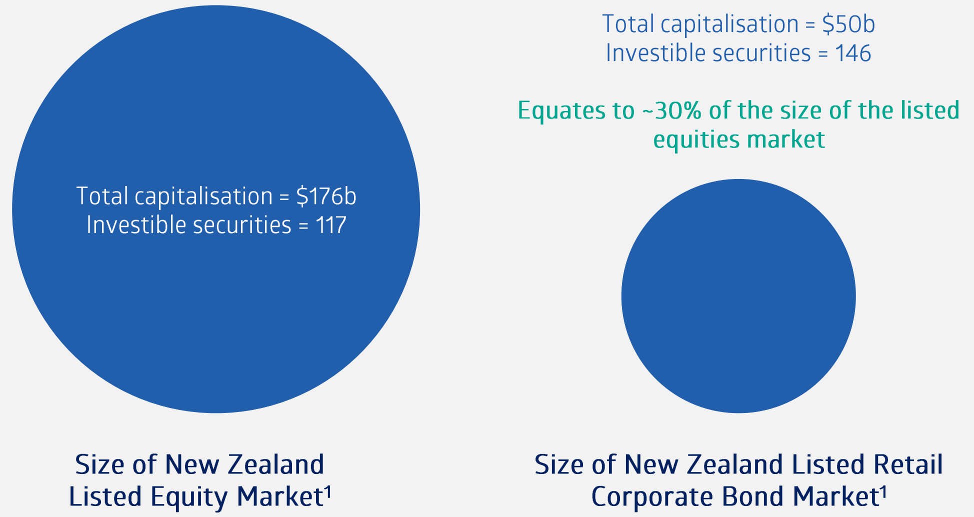
- ✓ **Streamlined disclosure:** non-prospectus disclosure for most debt issuance by listed borrowers already governed by CDO, reducing costs & complexity
- ✓ **Early redemption flexibility:** retail and wholesale issuances in the New Zealand market now fungible, supporting liquidity in both markets

… and improved accessibility for investors

How the NZ listed bond market has evolved since 2013[1]

- ✓ **Increased market size:** from $12b (2013) to $55b (2026) – ~12% CAGR
- ✓ **Increased number of issuers:** from 29 (2013) to 47 (2026) – ~4% CAGR
- ✓ **More diversified issuers:** expanding from local authorities, large banks and utility companies to mid-sized issuers covering broader industries
- ✓ **Growth of green bonds:** notable increase in the market capitalisation of green bonds, supporting NZ’s transition to Net Zero
- ✓ **Expanding retail investor base:** in addition to traditional full-service broking firms, there is a growing number of online platforms allowing a younger generation of retail investors to participate in the retail bond market

NZ boasts a thriving listed corporate bond market which has grown to represent 30% the size of its listed equity market



We believe potential reforms could open up to $1 trillion of investable assets to Australian retail investors and help Australian fund business investment, growth and job creation

1. Source: NZX Debt Market Statistics (May 2026)

We recommend the following changes to unlock the growth potential of Australia's Corporate Bond market

Streamline disclosure regime

1. Streamline disclosure requirements to eliminate duplication for listed entities already subject to continuous disclosure obligations
2. Review approach to financial ratios to allow more flexibility for the issuer to use more relevant ratios

More flexible terms

3. Allow early redemptions of simple corporate bonds to enable issuers to refinance bonds prior to their maturity date as able to in wholesale markets

Priority reforms

Reduce burden on service providers

4. Review regulatory obligations applicable to trustees with the aim of increasing the availability of trustees for the retail bond market
5. Review licensing regime for credit rating agencies to minimise access barriers for small and medium enterprises and retail investors

More details in Annexure A

The benefits

Corporate bond reform benefits individual investors, companies, and the Australian economy more broadly

Improve retirement outcomes for Australians

- An ageing population and the expansion of self-managed superannuation is driving the need for greater certainty in income streams and less volatile capital values
- Australian investors current under-allocation to bonds creates risks for investors and the Government
- A vibrant Corporate Bond market could help diversify and reduce the volatility in returns of Australia's savings pool

Improve Australia's economic and corporate competitiveness

- Access to capital is important to help fund business investment, growth and job creation
- Reduced financing costs improves Australia's economic competitiveness
- A vibrant retail Corporate Bond market would provide competition to banks and wholesale debt markets to finance corporate Australia's borrowing requirements
- This reduces their financing costs relative to typically more expensive alternatives such as equity

Reduce Australia's reliance on and exposure to offshore funding

- Mobilising domestic savings to finance corporate debt will reduce Australia's reliance on offshore investors and exposure to external shocks and movements in foreign exchange rates

Corporate Bond Reform Working Group (CBRWG)

Our purpose is to promote the development of a vibrant corporate bond market – delivering improved investment outcomes for Australian retail investors and an alternative funding source for Australian businesses

Our members

- faaa Financial Advice Association Australia
- asa Australian Shareholders' Association
- ASX
- Commonwealth Bank
- Barrenjoey
- UBS
- Stockbrokers and Investment Advisers Association – Serving the interests of investors
- SMSF Association – Self Managed Super Fund Association
- nab
- Gilbert + Tobin
- morgans
- Corrs Chambers Westgarth
- Acacia Partners
- FSC Financial Services Council
- ACTA Australian Corporate Treasury Association
- Westpac
- ANZ
- Telstra
- King & Wood Mallesons
- BondAdviser – Invest Intelligently
- Equity Trustees
- AFMA
- Australian Securitisation Forum
- Wesfarmers
- Australian Unity
- Norton Rose Fulbright
- Morgan Stanley
- MSC Group

The Group represents key stakeholders from across Australia's capital markets including stockbroking and financial advice professionals, corporate borrowers, financial market infrastructure providers and industry service providers

Annexures

A. Further information on the proposed recommendations (1 of 8)

1. Streamline and regularise disclosure requirement

Prospectus level disclosure requirement is costly, complex and duplicative for listed entities that are already subject to continuous disclosure requirements

Streamlining disclosure requirements is a priority for Australia's corporate bond market. We believe this can be best achieved by leveraging the existing disclosure regime for rights issues and continuously quoted securities by allowing ASX-listed issuers to rely on a 'cleansing notice' regime to make an offer of bonds to retail investors (whether the bonds are "debentures" or "simple corporate bonds" under the Corporations Act 2001 (Cth) (**Corporations Act**)).

Where an issuer is already a "disclosing entity", a 'cleansing notice' style regime should be permitted for bonds. The 'cleansing notice' regime should require the publication by the issuer of a notice on the ASX (or other prescribed financial market) within the 24 hour period before the offer of the bonds is made.

The existing cleansing notice regime in section 708AA of the Corporations Act could be adapted to allow for the offering of bonds by way of a cleansing notice. The regime should also incorporate some elements of section 713 (which provides for the 'transaction-specific' prospectus regime for issuers of continuously quoted securities) and ASIC Corporations (Regulatory Capital Securities) Instrument 2016/71.

We have prepared a detailed overview of suggested amendments to the Corporations Act which we would be happy to share

A. Further information on the proposed recommendations (2 of 8)

2. Review approach to financial ratios to allow more flexibility for the issuer, while maintaining investor confidence

The prescribed financial ratios are not suitable for all business models, funding models and accounting standards

Background

Section 713B of the Corporations Act requires simple corporate bonds to be offered under a two-part simple corporate bonds prospectus, consisting of a base prospectus and an offer-specific prospectus, each of which have prescribed content.

Section 713C, together with Corporations Regulations 6D.2.04(6)(e) and 6D.2.06, require section 3 of the base prospectus to specify the key financial ratios of the issuer (being the issuer's gearing ratio, interest cover ratio and working capital ratio), and include an explanation about what these ratios mean to investors, including how a change to them may affect the bonds to be issued.

Issues

The current approach of reporting prescribed financial ratios set out in Regulation 6D.2.05 and 6D.2.06 doesn't sufficiently recognise the diversity of business models, funding models and accounting standards which apply to different corporates.

Under the current regime, while complying, issuers need to contemplate whether financial ratios required to be included under the Corporations Act may be misleading to investors. While well intended, this seems to be a perverse situation in which the pursuit of consistency may potentially leave investors more confused rather than better informed.

Implementation recommendation

ASIC's approach to financial ratios should be reviewed to provide more flexibility to bond issuers while maintaining investor confidence in a standardised approach:

a) This can be implemented by removing the Corporations Act requirement for prescribed financial ratios to be specified in the base prospectus for simple corporate bonds. Instead, an issuer should be required to "explain and disclose the key financial ratios which it believes are relevant to its capacity to service and repay or refinance SCBs". Under this approach, investor confidence is achieved through disclosure rather than prescribing legislative ratios.

b) This change can be achieved by:

   i. deleting Corporations Regulation 6D.2.06; and

   ii. amending Corporations Regulation 6D.2.04(6)(e) to read as follows:

   "(e) the key financial ratios that the issuing body believes are relevant to its ability to comply with its obligations to pay principal and interest under the bonds, accompanied by:

   A. an explanation of those key financial ratios; and

   B. information about how a change to those key financial ratios may affect the ability of the issuing body to comply with its obligations to pay principal and interest under the bonds."

A. Further information on the proposed recommendations (3 of 8)

3. Allow for the early redemption of simple corporate bonds

The restrictions on early redemption of retail corporate bonds increases an issuer's refinance risk to an unacceptable level for many issuers

Background

A simple corporate bond is a debenture with terms of issue that meet certain criteria set out in section 713A of the Corporations Act. These criteria include (under section 713A(13)) that the bond must not be redeemable (other than at the end of the fixed term) except in one or more of the following circumstances:

a) at the option of the holders of the securities;

b) as a result of the acceptance of offers made to the holders by the issuing body to buy back the securities;

c) a change in a law, or in the application or interpretation of a law, with the effect that interest payable on the securities is not, or may not be, deductible by the issuing body for the purposes of calculating its taxation liability;

d) a change in a law, or in the application or interpretation of a law, with the effect that:

   i. the issuing body, or any guarantor for the body, would be required to deduct or withhold an amount in respect of taxes from a payment to the holders; and

   ii. under the terms of the securities, that deduction or withholding would result in the body, or any guarantor, being required to pay an additional amount to the holders in relation to the amount deducted or withheld;

e) there is a change of control of the issuing body (as defined in the terms of the securities) and the redemption does not take effect unless all securities issued under the offer are redeemed; and

f) fewer than 10% of the securities issued under the offer remain on issue and the redemption does not take effect unless all securities issued under the offer are redeemed.

Issues

Issuers often refinance maturing bonds by the issue of new bonds. Given their dependence on market conditions for a new issuance, issuers often require the flexibility to restructure the bonds in advance of a refinance by either seeking to redeem the bonds early or extending their maturity date. The restrictions on redemptions and bond tenor under the SCB regime reduces this flexibility, increasing the refinance risk for issuers. Moreover, early redemption rights for SCB investors will be fully disclosed, and in this sense, investor protection is achieved through disclosure rather than prescribing legislative restrictions.

Implementation recommendation

To enable issuers to refinance bonds prior to the maturity date, this can be achieved by either deleting section 713A(13) of the Corporations Act, which would remove the fixed term requirement altogether or alternatively, or by amending section 713A(13) of the Corporations Act by inserting a new paragraph (aa) as follows: "at the option of the Issuer".

A. Further information on the proposed recommendations (4 of 8)

4. Review regulatory trustee obligations with a view to increasing trustee availability

There is limited availability of trustees to service the retail corporate bond market due to the onerous regulatory requirements imposed upon them

Background

Chapter 2L imposes a number of obligations on issuers of retail bonds (including simple corporate bonds), including the requirement to have a trust deed and appoint a trustee before making an offer of bonds under a prospectus.

The duties owed by the trustee to the bondholders are of a fiduciary nature, subject to a common law and statutory duty of care. These duties entail exercising reasonable care and skill, avoiding conflicts of interest, acting in the beneficiaries' interests and acting in good faith and with honesty and integrity.

Issues

Trustee duties

In addition to general fiduciary duties imposed on trustees at law, Chapter 2L of the Corporations Act requires that trustees appointed for the benefit of holders of bonds must (among other duties):

a) exercise reasonable diligence to ascertain whether the property of the issuer and of each guarantor that is or should be available will be enough to repay the amount lent when it becomes due;

b) exercise reasonable diligence to ascertain whether the issuer or a guarantor has committed any breach of the terms of the debenture, the trust deed, or Chapter 2L; and

c) do everything in its power to ensure that the issuer or a guarantor remedies any breach known to the trustee of any terms of the debentures, the trust deed or Chapter 2L, unless the trustee is satisfied that the breach will not materially prejudice the debenture holders' interests or any security for the debentures.

Trustees are currently unwilling to assume the broader Chapter 2L duties, due to the additional costs and risks and liability that this involves, which they are not paid to assume. The statutory position is also inconsistent with the common law position in Australia in that a trustee's equitable duty to use due diligence and care in the administration of a trust has not been extended by the Australian courts to require a note trustee to investigate, monitor or police the performance of any party under the note documents. This common law position reflects the approach taken in other jurisdictions such as the United States of America, England, Singapore and Canada.

Trustee licensing

There are a limited number of entities that are traditional trustees that can provide trustee services for Chapter 2L transactions. This limits the number of service providers and often excludes smaller corporates from finding a suitable trustee, resulting in the issue of more equity-based products with a higher risk profile to retail investors. A change in the trustee licencing requirements would allow more participants in the market, assisting the promotion of the Corporate Bond market in Australia.

Continued on following page

A. Further information on the proposed recommendations (5 of 8)

Trustees who hold notes on trust for third party noteholders (retail or wholesale) will require an Australian financial services license (AFSL) to do so. If a trustee also wishes to provide trustee services under Chapter 2L, it must also satisfy the criteria in section 283AC, which requires a Chapter 2L trustee to be:

a) a public trustee or a body corporate authorised to take in its own name a grant of probate of the will, or letters of administration of a deceased person's estate;

b) a company registered to carry on life insurance business;

c) an Australian ADI;

d) a licensed trustee company;

e) a body corporate (trustee) which is wholly owned by one or more body corporates which satisfy any one of the above criteria and is fully liable for the trustee's liabilities or its shares in the trustee is subject to an uncalled liability of at least $500,000, that is only callable on the external administration of the trustee; or

f) a body corporate approved by ASIC under section 283GB of the Act.

The entities referenced in paragraphs (a) and (b) above are not generally in the business of providing Chapter 2L trustee services, and therefore most Chapter 2L trustees are either licensed trustee companies or approved by ASIC.

A company can only be a "licensed trustee company" if it is prescribed by the regulations to be a trustee company for the purposes of the Act (see Schedule 8AA of the Regulations for a full list of the prescribed trustee companies) and have AFSL authorisations in respect of traditional trustee services.

A company will only be eligible to be a prescribed trustee company if it provides one or more of the following traditional trustee company services referred to in section 601RAC (1):

a) the performance of estate management functions (as defined in section 601RAC (2));

b) preparing a will, a trust instrument, a power of attorney or an agency arrangement;

c) applying for probate of a will, applying for a grant of letters of administration, or electing to administer a deceased estate;

d) establishing and operating common funds; or

e) any other services prescribed by the regulations (none have been prescribed to date).

There are two key issues with the section 283AC eligibility requirements:

a) given the estate management, administration and common fund components of the traditional trustee services have no direct relationship to the provision of Chapter 2L trustee services, it is not clear why trust companies that do not provide these traditional services are not eligible for a Chapter 2L role unless they qualify under the ASIC approval process set out in section 283GB; and

Continued on following page

A. Further information on the proposed recommendations (6 of 8)

b) a section 283GB approval may allow the relevant applicant to act as trustee:

i. in any circumstances;

ii. in relation to a particular borrower or particular class of borrower; or

iii. in relation to a particular trust deed,

and may be given subject to conditions, including capital, net tangible asset and insurance requirements. The process may take up to 4 weeks at a cost of $16,040 for each application.

Where a body corporate is required by ASIC) to obtain a section 283GB approval on a trust deed or borrower basis (as opposed to in any circumstances), this exposes issuers to execution risk in the event that at the end of this process, ASIC chooses not to approve an application, and there is no alternative trustee company available at short notice to replace the original applicant. It is more common for trustees to apply on a particular trust deed or borrower basis given these are the least expensive options, and would usually result in the imposition of a less onerous set of conditions.

There are several alternatives to the section 283GB approval process that would address these issues:

- option one – amend the definition of licensed trustee company so that this is also satisfied by any trustee company with an AFSL authorisation for Chapter 2L services (or a form of this), with specific licence requirements that must be met for this to be effective; or
- option two - retain the section 283GB approval process, but have ASIC publish clearer guidance on what it expects section 283GB applicants to demonstrate (or codify this in the Regulations) so that the application process is more accessible. Provide relief, if a licensee already has authorisations to hold notes on trust for third party noteholders, from having to apply under a section 283GB approval.

Implementation recommendation

To increase the availability of trustees for the retail bond market, the following changes are recommended:

a) amending the definition of licensed trustee company so that it can also be satisfied by a trustee company that holds an Australian financial services licence covering Chapter 2L trustee services; and

b) the inclusion of provisions in Chapter 2L which:

i. expressly exclude a trustee's responsibility to:

A. monitor the financial performance of the issuer;

B. monitor the issuer's compliance with its covenants; and

C. ensure the issuer or a guarantor remedies any breach, and

ii. provide that a trustee is entitled to assume that the parties will comply with their obligations and may assume that no event of default or potential event of default has occurred until a trustee has “actual knowledge or written notice” to the contrary.

A. Further information on the proposed recommendations (7 of 8)

5. Review regulatory regime for credit rating agencies to minimise access barriers

The cost to obtain a credit rating which can be disclosed to retail investors is too high for many issuers due to current regulatory requirements imposed on ratings agencies.

Background

Since 1 January 2010, section 911A of the Corporations Act 2001 has required credit rating agencies (CRAs) to hold an Australian Financial Services (AFS) licence.

A CRA may choose to apply for an AFS licence that either authorises it to provide advice to:

- retail and wholesale clients; or
- wholesale clients only.

Under section 912A of the Corporations Act, general AFS licensee obligations require credit rating agencies (among other matters) to:

a) manage conflicts of interest that may arise in their businesses;

b) have resources available (including financial, human and information technology resources) that are adequate for the nature, scale and complexity of their businesses;

c) ensure their credit analysts are trained and competent to be involved in the preparation of credit ratings;

d) ensure credit rating services are provided efficiently, honestly and fairly; and

e) have in place risk management systems.

CRAs that wish to give credit ratings for investment products offered to retail investors must also comply with a general licensee obligation under section 912A(1)(g) of the Corporations Act to have a dispute resolution system comprised of:

- an internal dispute resolution procedure; and
- membership of an approved external dispute resolution scheme, such as the Financial Ombudsman Service.

In addition to the general licensee obligations, ASIC imposes specially tailored conditions on AFS licences granted to CRAs. These tailored licence conditions (CRA Conditions) require CRAs to:

a) comply with the with International Organization of Securities Commissions (IOSCO) Code of Conduct Fundamentals for Credit Rating Agencies;

b) annually lodge with ASIC an IOSCO Code Annual Compliance Report;

c) disclose procedures, methodologies and assumptions for ratings;

d) have in place arrangements to monitor and regularly review credit ratings;

Continued on following page

A. Further information on the proposed recommendations (8 of 8)

e) review ratings affected by material changes to rating methodologies within six months of the change;

f) have in place training program for credit analysts that have been externally assessed as adequate and appropriate;

g) refrain from 'notching' credit ratings for an anti-competitive purpose (e.g. with an anti-competitive purpose, threatening to issuer a lower credit rating for a structured finance product because an asset underlying the product is not also rated by the credit rating agency); and

h) consent to information sharing between ASIC and foreign regulators.

Issues

One of the consequences of section 912A(1)(g) of the Corporations Act is that CRAs choose not to provide credit ratings to retail clients. Accordingly, out of the six licensed CRAs operating in Australia is licensed to provide services to both retail and wholesale clients in Australia. The other five CRAs are only licensed to provide services to wholesale clients.

These circumstances have resulted in wholesale investors having access to credit ratings that are not available to retail investors, resulting in information asymmetry that is clearly undesirable and a barrier to the development of an efficient and well-informed domestic retail corporate bond market.

Implementation recommendation

To minimise access barrier to credit ratings, the following changes are recommended:

a) Exempt credit rating agencies that hold an Australian financial services license (AFSL) from the dispute resolution requirements set out in section 912A(1)(g) of the Corporations Act, to the extent they are subject to the specially tailored conditions that apply to AFSLs granted to credit rating agencies. This change would recognise that so long as credit rating agencies comply with international conduct standards it should not be necessary to impose additional Australian regulatory standards on them.

b) This change can be achieved by:

   i. amending section 912A(1)(g) of the Corporations Act to read as follows:

      "(g) if those financial services are provided to persons as retail clients by a financial services licensee (other than a financial services licensee that has been granted a licence that is conditional on the financial services licensee complying with the CRA Conditions):

      A. have a dispute resolution system complying with subsection (2); and

      B. give ASIC the information specified in any instrument under subsection (2A); and"

   ii. inserting the following definition in section 761A of the Corporations Act:

      "CRA Conditions means the conditions which are applied by ASIC to Australian financial services licences granted by it to certain financial services licensees who are in the business of providing credit ratings in respect of companies and securities issued by companies."

B. Standing Committee on Tax and Revenue 2021 report

In late 2021, the Standing Committee on Tax and Revenue released a report outlining twelve recommendations to foster the growth of a deep and liquid retail corporate bond market

- 01 Ensuring investors have access to important information about corporate bonds
- 02 Raising awareness of the benefits of corporate bonds
- 03 Lowering the minimum investment parcel to $1,000 for corporate bonds
- 04 Reviewing the licensing regime for credit rating agencies
- 05 Streamlining disclosure requirements
- 06 Allowing for the early redemption of SBCs
- 07 Reviewing the approach to financial ratios
- 08 Reviewing Chapter 2L of the Corporations Act
- 09 Reviewing New Zealand's corporate bond market
- 10 Increasing tax incentives
- 11 Engaging with mature and sophisticated international capital markets
- 12 Investigating options for the investment of superannuation in Australia's corporate bond market

In May 2024, the Australian Government provided a response to the Report which noted the recommendations however, given the passage of time since the Report was tabled, a substantive Government response is no longer appropriate. The regulatory barriers identified in the Report remain relevant and continue to impede the development of Australia’s Corporate Bond market today.