



Australian Government

Australian Government response to the
House Committee on Economics report:

Inquiry into the implications of common ownership and
capital concentration in Australia

May 2024

Response to the recommendations

Recommendation 1

This inquiry has highlighted the significant growth of the funds management sector in Australia over the past decade, and the projected rise of large investment funds. The committee recommends that the Australian government considers a requirement for portfolio managers whose assets surpass a particular threshold to report their shareholdings on a quarterly or annual basis, similar to the 13F disclosure rule introduced by the Securities and Exchange Commission in the United States.

Australian Government response

The Government **notes** this recommendation. However, given the passage of time since this report was tabled, a substantive Government response is no longer appropriate.

Recommendation 2

Evidence gathered throughout this inquiry suggests that proxy advisors play a significant role in shaping the voting decisions of investment funds. Proxy advisors provide institutional investment funds with advice on how to engage with companies that they invest with, which often involves taking positions on remuneration resolutions and matters involving environmental, social, and governance concerns. This in and of itself would not be an issue, however, the current practices of proxy advisory firms requires greater scrutiny. The committee recommends the Australian government considers measures, such as the publishing of shareholder voting decisions, to ensure asset managers do not use proxy advisors to collude in their voting decisions. Additionally, the committee recommends the Australian government considers mechanisms to ensure asset managers engage with their owners in making voting decisions. Further, proxy advisory firms are currently only required to hold financial services licences for general financial product advice for interests in managed investment schemes (excluding investor directed portfolio services) and securities to wholesale clients. Given the full nature of the advisory work that these firms are engaging in, the committee recommends proxy advisors be required to also hold a financial services licence for broader services, including proxy advice, that extends beyond general financial products.

Australian Government response

The Government **notes** this recommendation. However, given the passage of time since this report was tabled, a substantive Government response is no longer appropriate.

Recommendation 3

Common ownership has the potential to undermine competition within the Australian economy. To prevent any such outcome, it is critical that Australia's market regulators are proactive in understanding the risks associated with this phenomenon. The committee recommends the introduction of an explicit legislative requirement for the Australian Competition and Consumer Commission (ACCC) to actively monitor the extent of common ownership in Australian markets, and that the ACCC also be empowered to take common ownership implications into account when assessing merger applications.

Australian Government response

The Government **notes** this recommendation. However, given the passage of time since this report was tabled, a substantive Government response is no longer appropriate.
