

CORPORATIONS LAW
SIMPLIFICATION PROGRAM

PLAN OF ACTION
STAGE 2

TASK FORCE
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STAGE 2 PRIORITY AREAS

Plan of Action - (Stage 1)

The Task Force's Plan of Action (December 1993) identified 7 priority areas for simplification:

- Small business – proprietary companies
- Share buy-backs
- Share capital rules
- Annual reporting provisions
- Company registers
- Company names
- Company meeting.

The Task Force has released for public comment proposals on 4 of these topics:

- Share buy-backs (March 1994)
- Small business – proprietary companies (March 1994)
- Company registers (April 1994)
- Annual reporting requirements (May 1994)

The first Bill

The First Corporate Law Simplification Bill (July 1994) deals with the first 3 proposal released by the Task Force.

Community Consultation – During Stage 1

The Bill was developed through extensive consultation and testing processes:

- each proposal was discussed with the Corporations Law Simplification Consultative Group before being released
- many valuable submissions were received on each proposal. Not only from peak bodies and key organisations, but also from companies, firms and individuals
- as the different parts of the Bill were developed, testing sessions were held with everyday users of the Law, to test the Bill's structure and content for ease of understanding.

The Task Force has held meetings with business and professional groups and bodies such as the Australian Securities Commission and the Australian Stock Exchange Limited to discuss both the priorities and general direction of the Simplification Program and the content of particular proposals.

Criteria for Selection New Priorities

In selection new priority areas, the Task Force considered the following factors:

- practical impact
- number of companies affected
- other law reform initiatives
- relationship between priorities.

Practical Impact

Some provisions in the Corporations Law, even though they may not be as complex as others, have a greater practical impact because they impose unnecessary paperwork or other compliance burdens.

The 7 initial priority areas include a number of topics of this nature (eg annual returns, register keeping obligations), and the Task Force sees advantage in continuing this emphasis.

Number of Companies Affected

Some of the more complex provisions in the Corporations Law apply to only a few companies.

The Task Force considers that a higher priority should be accorded to areas of the Law which affect greater number of companies.

Other Law Reform Priorities

Areas of the Law which have recently been substantially amended (eg most of the insolvency provisions and many of the fundraising provisions) should not be simplified in the second Bill. Delaying the simplification of these areas will enable the Task Force to take into account practical experience with the amendments, so that the eventual simplification of those parts results in the best possible Law.

It is also desirable to avoid areas which are the subject of developing law reform proposals (eg compulsory acquisitions in a takeover situation, derivatives).

Relationship Between Priorities

The 7 initial priorities covered a number of discrete areas of the Law. Over time, the Program must address whole areas of the Law in contiguous fashion, so that users of the Law will the time have to alternate between simplified and unsimplified law.

The Task Force would like to begin this process of consolidation with the second Bill, by concentrating its work within a few Chapters of the Law.

Stage 2 priorities

In the light of these criteria, and following discussions with business and community groups, the Task Force has identified the following priorities for the second Bill:

New Projects

- incorporation and constitution of companies
- the accounts and audit provisions
- investment companies
- defunct companies – cancellation and reinstatement.

From Stage 1

- share capital rules
- annual reporting provisions
- company names
- company meetings.

Structural Changes

The second Bill will also carry out some restructuring of the core company law Chapters. In particular, consideration will be given to removing distracting material which is not relevant to the bulk of Australian companies (eg provisions on foreign companies) to the back of the Law. They will then be available when needed, without interrupting the flow of the central provisions in the Law.

Future Directions

The general emphasis for the Task Force will be to complete the core company law provisions in Chapters 2, 3 and 4 of the Corporations Law. The Task Force will then turn to the Chapters in the Corporations Law which deal with the securities and futures markets.

Implementation

The central objective of the Program will continue to be to simplify the Corporations Law so that the users can act on their rights and carry out their responsibilities. Stage 2 will focus on the same 3 interlocking components which underlay the first stage of the program:

- simplification of content
- clarification of drafting
- comprehensive consultation.

The Task Force anticipates releasing proposals on the Stage 2 priorities during coming months.

Community Consultation

The Task Force would welcome comments on any aspect of the Simplification Program and on its plan of action.