

Share 101

Navigating Challenges and Considerations in the USX Market

The Unlisted Securities Exchange (USX) serves as a platform for small to medium-sized businesses to offer liquidity in securities trading with informed investor participation and also provides the opportunity for capital raising based on price transparency. Operating as a cost-efficient and straightforward share trading market place for equity securities, it caters to the needs of various stakeholders.

Despite its many strengths, the USX market poses challenges and considerations for investors, issuers, and brokers navigating its landscape.

Liquidity Dynamics:

While USX provides a pathway for liquidity, the inherent nature of the securities listed can present challenges regarding trade execution vis-à-vis a licensed financial product market. Investors should consider potential liquidity constraints, as exit strategies may differ from more established markets.

Market Volatility:

USX listed securities' dynamic nature might expose investors to increased market volatility. Valuation fluctuations could be more pronounced compared to those listed on the licensed financial product market, necessitating prudent risk assessment and a long-term investment outlook.

Regulatory Compliance:

USX's exemption from specific sections of the Financial Markets Conduct Act can materially reduce issuers compliance costs. However, market multiples for securities which have lower levels of regulatory oversight will likely be discounted. As such valuation benchmarks may differ to comparators on a licenced financial product market depending upon the trade-off between regulatory compliance costs and benefits.

Broker Engagement:

Trading on USX relies on orders being placed by registered brokers. For Investors this means that the broker attends to all clearing and settlement which reduces risk.

Technology and Infrastructure:

Despite robust technology supporting the trading platform, continual commitment to upgrading infrastructure is essential due to the evolving technological landscape. Cybersecurity measures are vital to safeguard sensitive financial data and trading activities. Share registries are maintained by the issuer or its agents who maintain responsibility for the integrity of this data.

Market Education:

Educating stakeholders about the unique dynamics of the USX market remains a critical USX focus. Comprehensive knowledge about trading securities listed on the USX is necessary for investors, issuers, and brokers to make informed decisions.

Partnership and Governance:

The USX is operated by Efficient Market Services which is managed by Armillary. Both entities emphasize strong governance and strategic partnerships. Collaborative efforts in managing operations and fostering relationships are crucial for market integrity and growth.

While the USX market has achieved significant trade facilitation and capitalisation, acknowledging and addressing these challenges is vital for sustained success. Investors, issuers, and brokers using this platform should approach it with a balanced perspective, leveraging opportunities while mitigating associated risks.