Supercharging the Capital Stack: Treasurers Step Into a New Era of Funding Strategy

In an era marked by tightening credit conditions, regulatory reform, and an increasing appetite for yield, the capital stack is being redefined.

Once a rigid structure comprising straightforward layers of debt and equity, it is now being reimagined by forward-thinking Treasurers as a more flexible, strategic platform — one capable of fuelling long-term growth, improving risk profiles, and attracting a more diverse investor base.

At the recent session **Supercharging Your Capital Stack**, during the 2025 ACTA Conference, a panel of financial leaders came together to discuss how regulatory changes, corporate bond market reforms, and product innovation are opening new doors for Australian corporates.

What emerged was not just a technical briefing, but a strategic conversation: a shift from static capital sourcing to dynamic capital management. The message was clear — Treasurers have more options than ever before, and those who understand how to integrate them can unlock meaningful advantage.

Dr Kurt Smith, Director, Marengo Capital and Technical Director, ACTA.

Beyond the Traditional: Redefining the Capital Stack

Treasury has never been just about balancing the books. But today, it's increasingly about leveraging capital to advance business strategy. The capital stack — a term used to describe the mix of funding sources used by a company — is at the heart of this shift. Equity, senior debt, mezzanine finance, hybrid instruments, and now retail capital are each being reassessed for their role in future-proofing organisations.

Dr Kurt Smith, Technical Director at ACTA and Director of Marengo Capital, set the tone in his opening remarks:

> "These regulatory and market reforms aren't just changes on paper — they're enabling Treasurers to move beyond traditional wholesale debt markets and consider opportunities like retail investors and hybrid securities. It's about broadening your investor base and increasing your funding agility."

In today's climate of geopolitical tension, interest rate uncertainty, and evolving ESG mandates, that kind of agility is more than a nice-to-have — it's a competitive necessity.

> “The capital stack is being reimagined as a platform capable of fuelling long-term growth, improving risk profiles, and attracting a more diverse investor base.”

The Retail Renaissance

One of the most notable shifts explored in the session was the growing relevance of the retail investor. Historically underutilised by corporates, retail capital is now gaining traction thanks to reforms that improve transparency and reduce structural barriers to entry.

Rory Cunningham, Senior Manager – Business Development at ASX, highlighted the Australian Securities Exchange's evolving role in this space.

> "At ASX, we've always had a strong presence in fixed income through Austraclear. But what we're now seeing is a stronger desire — and regulatory alignment — to bring retail investors more meaningfully into the bond market. That's a major change, and one we're helping facilitate."

Austraclear processes over a trillion dollars' worth of securities, and ASX's ongoing work to modernise this system is laying the groundwork for broader access. For Treasurers, it's a signal to start exploring how public issuance, listed debt, and retail-facing structures can fit into a modern funding mix.

> “We're helping facilitate the change of bringing retail investors into the bond market.”
>
> *– RORY CUNNINGHAM, SENIOR MANAGER – BUSINESS DEVELOPMENT AT ASX*

Hybrid Securities: Bridging Debt and Equity

Hybrid instruments — those that combine characteristics of debt and equity — have long been a tool for banks and utilities. But they're now being explored by corporates across sectors, particularly those seeking balance sheet flexibility while maintaining investor confidence.

Kelly Amato, CFA – Senior Director at Fitch Ratings, noted the resurgence of hybrid securities in current market conditions.

> "We're seeing more interest in hybrids, particularly for non-financial corporates given bank hybrids are being phased out. They offer funding without necessarily diluting equity or affecting control, and they can be structured to qualify for equity treatment and therefore maintain favourable credit treatment for leverage metrics."

She pointed to the importance of transparency, clarity of terms, and whether features are conducive to maintaining them as a permanent part of its capital structure in determining how hybrids are rated. With interest rates holding higher and investors hunting for yield — suggests increased investor appetite for hybrids.

Left to right: Rory Cunningham, Senior Manager – Business Development, ASX; Kelly Amato CFA, Senior Director, Fitch Ratings; Lilly Cheung, Group Treasurer, Transgrid and Dr Kurt Smith, Director, Marengo Capital and Technical Director, ACTA.

Real-World Application: TransGrid's Perspective

As one of Australia's largest electricity transmission providers, TransGrid operates in a capital-intensive sector where strategic funding decisions are central to long-term planning. Group Treasurer Lilly Cheung provided insight into how reforms are being interpreted at the coalface.

> "At TransGrid, we're focused on supporting strategic growth — particularly the infrastructure needed for Australia's energy transition. That requires flexible, reliable capital, and these reforms offer new options for achieving that. But you have to take a proactive approach to capital management."

For companies like TransGrid, a well-calibrated capital stack is not just about efficiency — it's about national infrastructure, resilience, and sustainability. Cheung's comments underscored the broader implications of these reforms, especially for businesses supporting long-term public outcomes.

Regulation as Enabler, Not Obstacle

While compliance requirements are increasing, the panel made it clear that regulation — when well-designed — can be an enabler of innovation, not just a constraint. In fact, much of the progress in the Australian corporate bond market has been driven by efforts to simplify access for both issuers and investors.

Initiatives developed by the Australian Corporate Bond Market Reform Working Group to streamline documentation and lower the thresholds for retail bond issuance were flagged as game-changers.

> "Regulators and market participants are aware that the retail bond market has been underutilised by corporates in Australia. These changes are about levelling the playing field — particularly for mid-tier companies who previously felt shut out.," Cunningham added.

That levelling effect could dramatically alter the capital landscape, especially for private or unrated entities that have historically relied on bilateral facilities or syndicated loans.

> “These reforms offer new options for achieving flexible, reliable capital.”
>
> *– LILLY CHEUNG, GROUP TREASURER, TRANSGRID*

A Call to Action for Treasurers

What does all this mean for the Treasurer? It means now is the time to shift from passive capital management to active capital strategy. It's about embracing optionality — not for its own sake, but as a way to build resilience, optimise funding costs, and better align capital with business objectives.

> "Treasurers need to understand that the capital stack is no longer a fixed formula," said Smith. "It's a strategic lever. The more informed and intentional you are in building it, the more value it can create for your organisation."

He also noted that education and market awareness are critical. Understanding how investors — institutional and retail — assess risk, return, and governance is key to successfully expanding your capital base.

> “The more informed and intentional you are in building the capital stack, the more value it can create for your organisation.”
>
> *– DR KURT SMITH, DIRECTOR, MARENGO CAPITAL AND TECHNICAL DIRECTOR, ACTA*

Dr Kurt Smith, Director, Marengo Capital and Technical Director, ACTA.

Looking Ahead: Integration Over Innovation

While innovation is essential, the future of treasury won't be defined by any one new instrument or investor type. Instead, it will be defined by integration — the ability to assemble a cohesive funding strategy from diverse sources, each with its own risk profile, return expectation, and reporting requirements.

For many treasury teams, that will require upskilling, enhanced stakeholder engagement, and closer alignment with boards and executive teams. But the payoff is significant.

As Amato put it:

> “The Treasurers who will thrive in this next chapter are those who can confidently navigate between traditional and emerging structures — and explain to stakeholders why that mix is right for the business.”
>
> *– KELLY AMATO, CFA – SENIOR DIRECTOR AT FITCH RATINGS*

Conclusion: The Capital Stack as a Strategic Asset

The **Supercharging Your Capital Stack** session was a timely reminder that capital sourcing is no longer an operational task — it's a board-level conversation. Whether it's hybrid securities, retail investor engagement, or market infrastructure reform, the capital stack is becoming a canvas for strategic expression.

For Australian Treasurers, the challenge is not just to keep pace, but to lead the change. By proactively exploring the evolving funding landscape, embracing new sources of capital, and partnering closely with regulators, rating agencies, and exchanges, Treasurers can turn the capital stack into a competitive advantage — and in doing so, redefine the future of corporate finance.