

**Transforming New Zealand's
Capital Markets:
Will the CMDT Vision be
Realised?**

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- CMDT Report sets out a framework and 60 recommendations for transforming New Zealand's Capital Markets
- To assess whether the CMDT vision will be achieved we look at:
 - The CMDT's diagnosis and recommendations
 - The Government's response
 - Public awareness and acceptance of a change in the Government's role and policies

- Major capital markets initiatives currently underway
- Implementing the CMDT recommendations
- Finally I sum up and draw conclusions

- CMDT diagnosis of NZ capital markets
 - Produce poor results for retail investors
 - Shortcomings as an 'engine of growth' for NZ businesses
 - Poor regulatory settings
 - Tax and regulatory policies distort savings and investment choices and constrain the supply of capability and talent

- CMDT's mutually reinforcing recommendations:
 - Creating a healthy environment for investors
 - Making our capital markets a more effective 'engine of growth'
 - Clarifying objectives, improving enforcement and consolidating our regulatory agencies
 - Reducing tax and other policy biases
 - Specialising in providing capital markets products and financial services

- Government response can be measured on four fronts
 - Initial announcements indicated it adopted the CMDT framework and proposes to implement most of the recommendations
 - It is putting considerable effort into implementation and in some areas is ahead of schedule

- Tax changes announced in the budget are consistent with the recommendations of the CMDT (and the TWG)
- Discussion document on the Review of Securities Law explicitly acknowledges that it picks up many of the CMDT recommendations
- Government's response has been extremely positive

- Failure of central and local governments to 'partially' list SOEs / commercial companies:
 - Creates large gaps in breadth of the sharemarket
 - Reduces the choice of good quality investment products to investors
 - Affects size, depth, attractiveness of our sharemarket and effectiveness as an 'engine of growth'
 - Makes NZ an 'outlier' in OECD

- CMDT analysis has 'changed the game' in the debate on listing of government entities
- Listings of SOEs need to occur in the Government's next term

- A number of initiatives are underway that will “fill gaps and deepen our capital markets”
 - Dairy futures market
 - Energy derivatives market
 - Fonterra capital structure proposal
 - Local government debt vehicle
 - Fund management middle/back office service centre
- No ‘slam dunks’ but each would have a big impact

- Challenge is to translate CMDT recommendations into legislation / regulation and ensure proposed changes pass cost / benefit test
- Many of you will have responded to the MED Securities Law Discussion document. The proposed changes are fundamental

- I strongly recommend that you engage in the process
- Active engagement from capital markets professionals, participants and representative organisations is critical to get high quality outcomes

- NZ has an unprecedented opportunity to reform our capital markets and realise the CMDT vision
- The signs are very good
 - Government response
 - Greater public awareness and acceptance
 - A number of major initiatives are underway
 - Good start to implementation process

- Within five years we should see big changes in shape, size and quality of our capital markets
 - Bigger, better
 - Improved outcomes for NZ savers and businesses