



# Asia Securities Forum 2011

## Osaka, Japan

**New Zealand**

Presented by Paul Atmore CEO of the New Zealand Financial Markets Association



# Prospects for the NZ Securities Industry

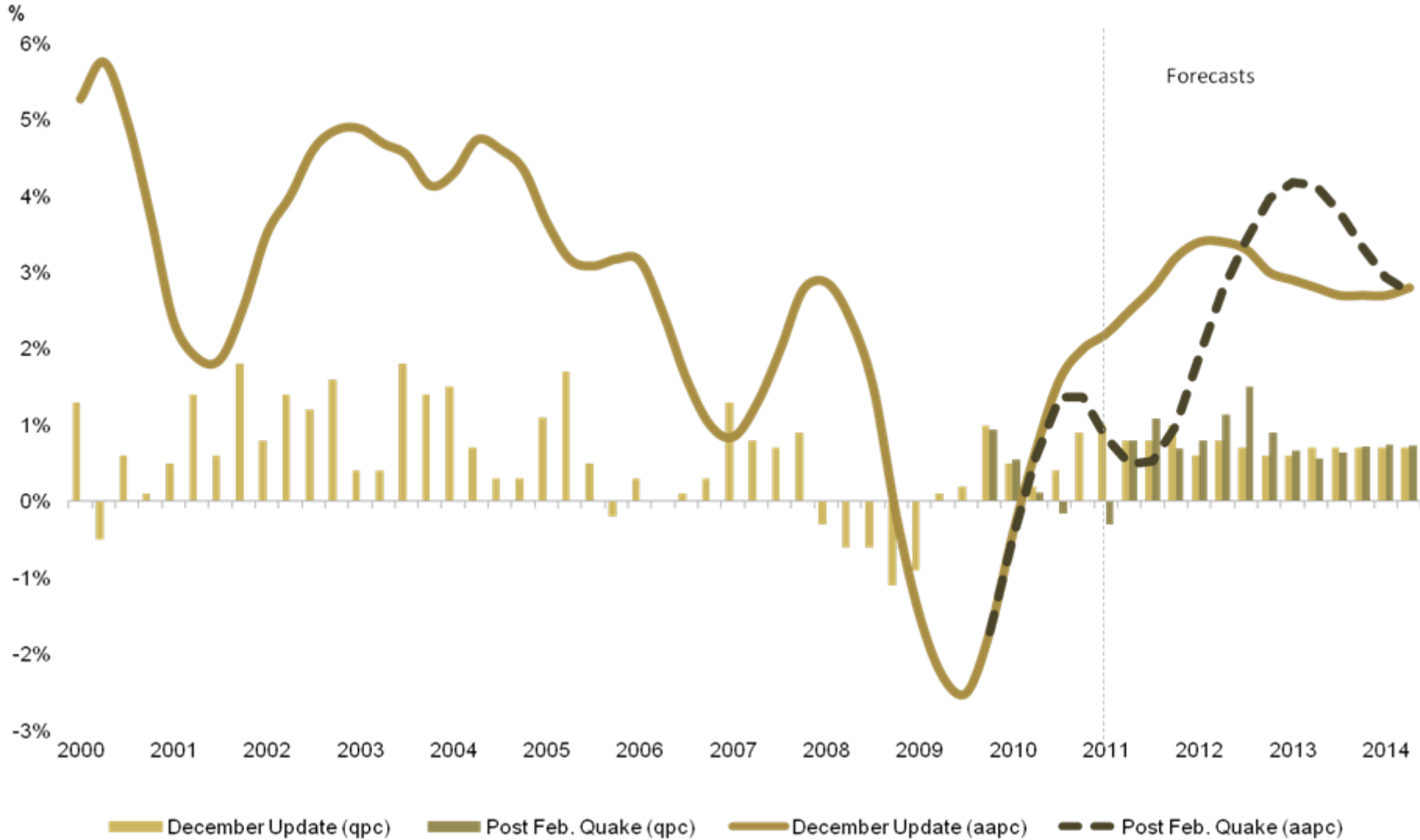
- Environmental factors affecting industry
- Government responses to these factors
- Industry developments
- Regulatory influences
- Market developments



# Association Activities

- NZFMA
- Accreditation & training
- Regulatory influence
- Market transparency
- New market development

# Real GDP Growth





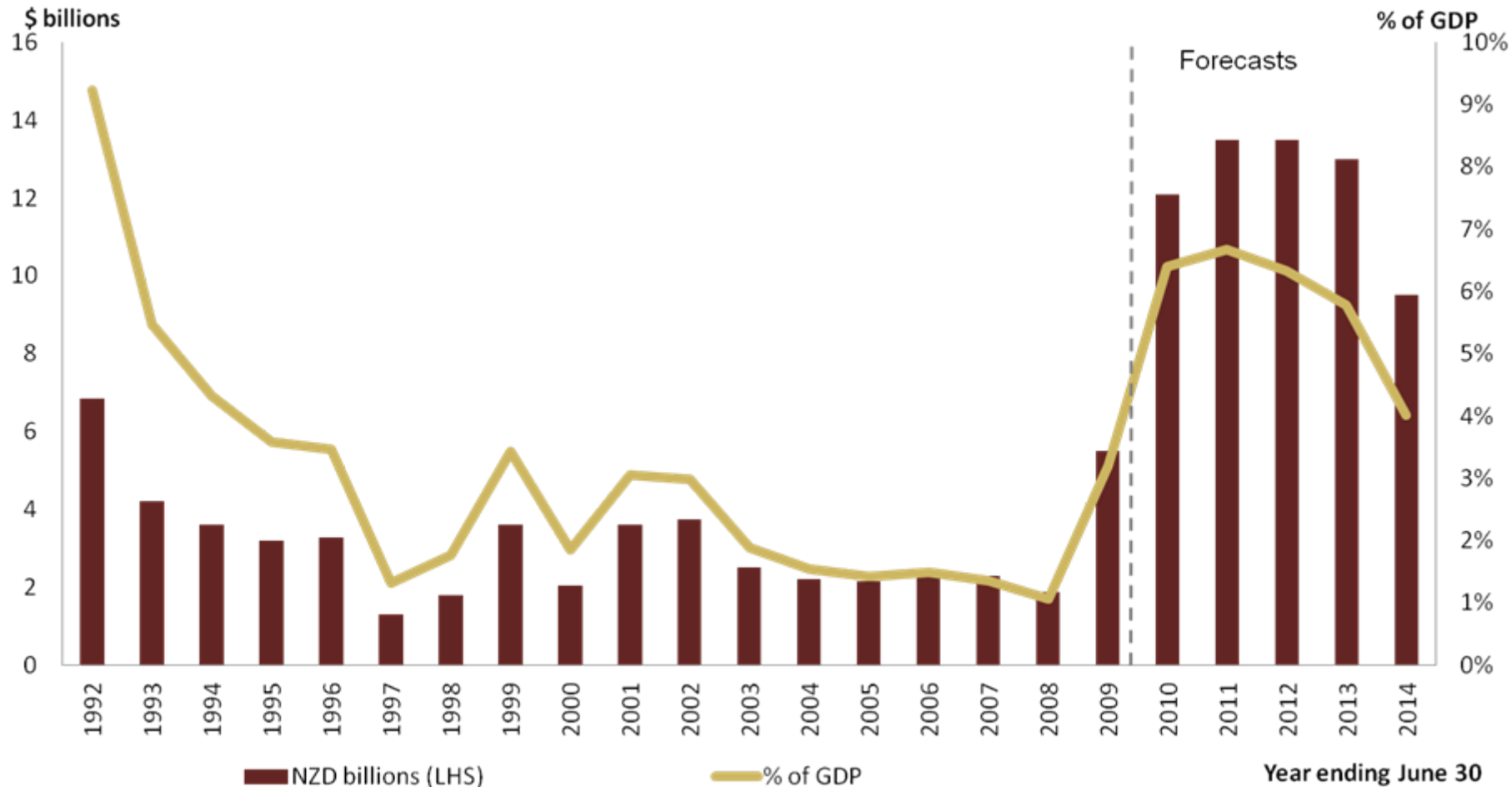
# Prospects for the NZ Securities Industry

- Environmental factors affecting industry
  - GFC lead to collapse of finance industry
  - Bank funding restricted by GFC
  - Christchurch earthquakes 2010/11 (8% GDP)
  - Spikes in oil, food and introduction of EMS
  - Strong growth in global commodity prices
  - Ballooning debt in US & Europe
  - Central banks in Asia cooling economies
  - Australia experiencing plunging consumer confidence

# Prospects Cont.

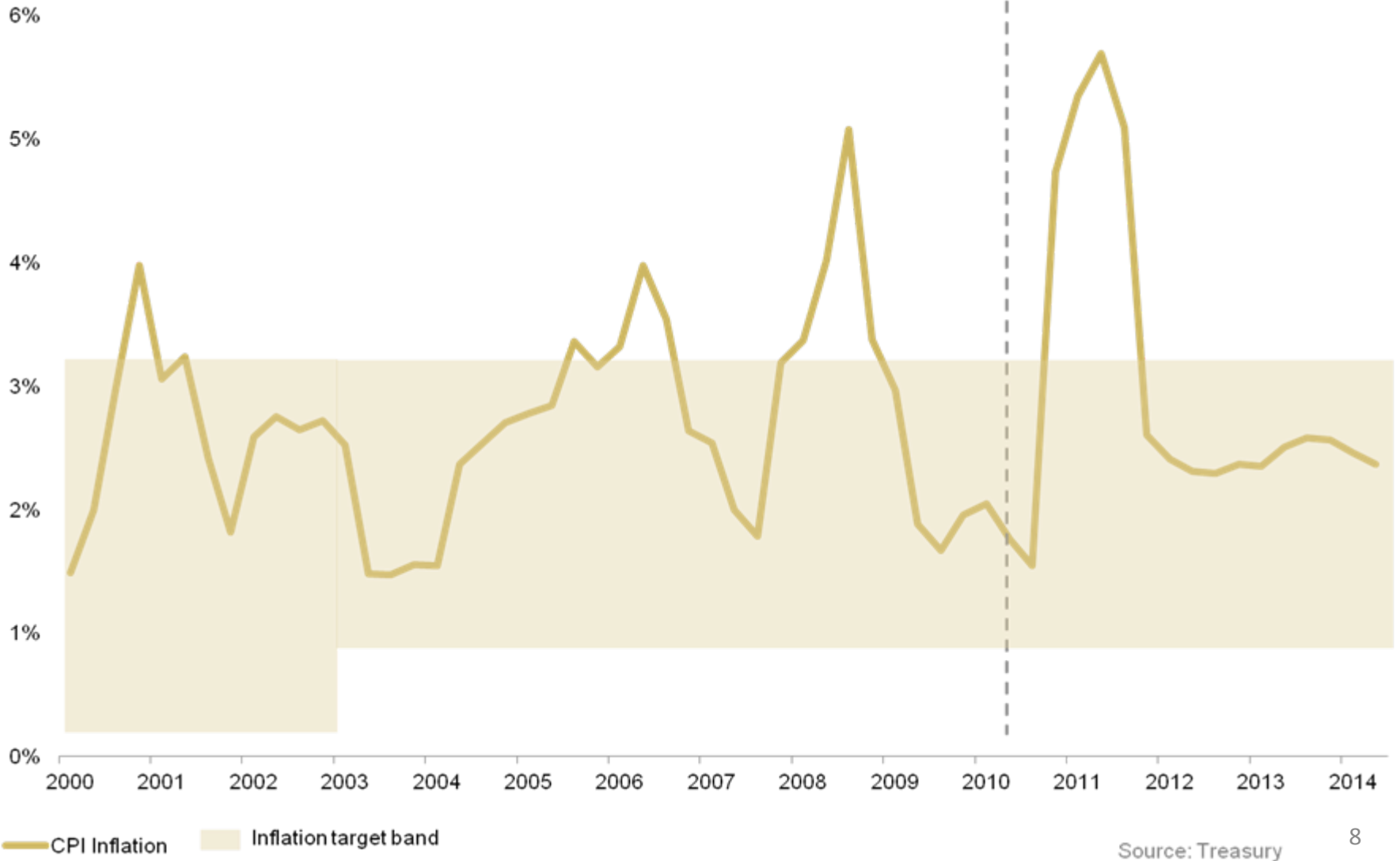
- Government responses to these factors
  - OCR lowered to 2.5% from peak of 8.25% in 2008
  - Introduction of retail & wholesale guarantee
  - Tax reductions in 2009
  - Accelerated infrastructure spending
  - Christchurch rebuild commitment \$15bn
  - SCF bailout 1bn
  - Crown debt will peak at 30% of GDP

# Gross issuance of New Zealand Government Bonds



# Inflation

Annual Percentage Change



Source: Treasury





# Prospects Cont.

- Industry Developments
  - Local Government Borrowing Bill
    - Establishment of the Local Government Funding Agency
    - LGFA will issue bonds to the wholesale & retail investors
    - On-lend funds to Councils
    - Local authorities will access lower cost of funds
    - The NZ Treasury will conduct the borrowing function
  - State Owned Entity Asset Sales
    - National Government has established advisory board
    - Target the sale of SOE via IPO on the NZX
    - 10% maximum holding by single entity



# Prospects Cont.

- Regulatory influences

- Financial Service Providers (Registration & Dispute Resolution) Act 2008

- FSPA requires registration of entity and activities

- Financial Advisers Act (FAA) protecting retail investor

- Financial Markets (Conduct) Bill

- Market developments

- The NZ Emission Trading Scheme

- Financial market – based approach to reduce emissions

- Predominant unit - NZU



# Association Activities

- NZFMA
  - Peak industry body for the wholesale markets
  - Some members deal with retail investors
- Accreditation & training
  - Focus has been on FAA compliance
  - Development of CE content
- Regulatory influence
  - Actively working with regulators to ensure members' interests are represented



# Association Activities

- Market transparency
  - Establishment of independent fixing capability
  - Provide official fixings for:
    - ON Cash
    - OIS
    - Bank Bills
    - Govt bonds
    - IR Swaps
    - Credit market instruments
    - Currency crosses & TWI
  - Developing
    - Carbon market fixing