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(New Zealand Parliament, 2001)

New Zealand Stock Exchange: demutualisation, merger and othe issues

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1981 Sharebrokers Amendment Act 1981

As at date of publication Nov 2012 (Archive)

Executive summary

- The New Zealand Stock Exchange (NZSE) is the national corporate body representing its members, established by the Sharebrokers Amendment Act 1981 with the overall purpose of operating the national stock exchange.
- Demutualisation is the act of moving from a corporation with no shareholders that is set up by special statute to one that is shareowner-based and profit-seeking.
- The New Zealand Stock Exchange Restructuring Bill does not itself demutualise the NZSE. Rather, it enables demutualisation to take place should the NZSE so wish.
- Around 80% of stock exchanges around the world will have demutualised within the next two years, although few of these have plans to list.
- Three broad benefits of demutualisation are that it (1) increases the likelihood of the stock exchange acting in the interests of all stakeholders; (2) is likely to lead to more effective management decisions; and (3) makes it easier to raise capital. Demutualisation is also necessary if the NZSE is to merge with another exchange.
- Two issues that may be raised for consideration are (1) possible ownership restrictions and (2) stock exchange regulation.
- Despite many discussions, there have been few cross-border mergers of stock exchanges. There are many areas in which negotiations can break down, not least of which is the issue of national sovereignty.
- Public debate shows a split as to whether New Zealand would benefit by the NZSE and Australian Stock Exchange merging. Such a merger would impact differently on different groups of people.
- Looser alliances between stock exchanges may be a way of gaining some of the benefits of merger without losing national sovereignty.
- New Zealand's share market is very small by international standards, and has performed relatively poorly over the last decade.

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