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(New Zealand Parliament, 2001)



New Zealand Stock Exchange: demutualisation, merger and other issues

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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.

1981 Sharebrokers Amendment Act 1981

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