



FMOA

FINANCIAL MARKETS
OPERATIONS ASSOCIATION

NZ FMOA Chairperson's Report MAY 2002

Welcome readers to another edition of the New Zealand Financial Markets Operations Association newsletter, where we look to bring you updated information about our association as well as a bit of a look as to what is going on around our marketplace.

If you are reading this, you will note that we have moved with the times and now publish our newsletter via email, as well as "Online" via our web site . Please forward this link to your staff so everyone has the chance to keep up to date with what is going on in our market. Just a reminder to you all, the web site also has a market directory, which lists all the contact names and numbers of all the members of FMOA. If your company information is incorrect, please send any changes to admin@fmoa.org.nz

In this edition, amongst other things, we have our regular columnist Ivor Biggins providing us with a humorous look at the economic world, an article from committee member Neil Brydges on goings on at the ASX, a list of objectives for the Association over the coming 12 months and our regular Movers and Shakers item. The key addition to our objectives for this year is to increase our membership base. At the semi annual conference in May I will present a number of options we are looking at, around fee structure and membership rights to help us achieve this objective, so I look forward to some feedback from you all.

Another highlight for the May meeting will be the presentation by Craig Stuart, Chief Financial Officer at Kiwibank, on the topic "Setting up a New Bank". I'm sure this will be of interest to us and I know Craig is looking forward to fielding all your questions! Please remember the after match function, will be held on Level 3, BNZ Tower, 125 Queen St Auckland, and encourage where possible, all your staff to attend. This is a great way to get to meet the other participants in the market and put a face

to the voice on the phone, plus of course the chance for some free drinks!

Coming up on the 11th & 12th September 2002 we will again be sponsoring the Operational Risk training course, presented by Deloitte-Risk Matters. We will shortly be sending out the promotional brochures, so get your registrations in early and take advantage of the early bird price. This is an excellent course which we have run in the market for some years, and it provides an excellent insight into the risks within the Financial Markets environment, and I have heard nothing but positive feedback from previous attendees.

One of the other initiatives we are progressing this year is closer links with the Australian Financial Operations Association, or AFOA (Previously known as ATOA). They have plenty of market information on their web site , and in future we will be looking to get updates from the Australian marketplace out to our members as well.

That's about it from me for now, look forward to seeing you all on the 17th of May in Auckland.

Cheers

Peter Thomas

Chairperson

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MEETING AGENDA

FMOA Six Monthly Meeting

FRIDAY 17 MAY 2002

**BANK OF NEW ZEALAND TOWER
LEVEL 3, 125 QUEEN STREET,
AUCKLAND**

12.00pm – 12.50pm	Lunch
1.00pm – 2.30pm	Austraclear User Group Meeting
2.30pm – 3.00pm	Afternoon tea followed by Peter Thomas, FMOA's Chairman - Chairman's chat and proposed fee structure
3.00pm – 3.15pm	"Proposal" Bill Foster - New Zealand Stock Exchange
3.15pm – 3.45pm	"Trials and Tribulations of Setting up Kiwibank" Craig Stuart (Chief Financial Officer – Kiwibank)
3.45pm – 4.30pm	"How a Small New Zealand Business went Global" Denise L'Estrange-Corbet – Director of "World" Design
4.30pm-5.00pm	"Bank Notes – What do you really know about them?" Brian Lang (Head of Currency – RBNZ)
5.15pm – 7.30pm	Drinks and Nibbles for Austraclear/FMOA members and operations and settlement staff at Level 3, 125 Queen Street, BNZ Tower

FINANCIAL MARKETS
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Pop Will Eat Itself. By Ivor Biggins

The US economy is looking up, providing a brighter outlook for the global economy. However, in looking up, the US economy resembles a cat scrambling to the side of a swimming pool. Kids, don't try this at home, use your neighbour's cat.

The US economy is treading above massive household debt, over investment, poor profitability, and asset overvaluation – especially the US dollar.

In order to spur growth, the US consumer has stunned even itself by managing to stuff more of their house into their mouth – eat your home. Rising house prices has spurred another round of consumerism in the US, with TV ads teaching people to suck the equity out through some cunning financial straw. It's un-American not to. So, what happens when the house has been eaten? Crap bricks.

The US sharemarket and US dollar are struggling to gain headway, despite the current economic recovery. Over investment in the late-1990s has led to poor returns in many sectors, while a strong US dollar has destroyed US competitiveness and led to a domination of imports. The only way US industrial production can get back on their feet is through becoming more competitive – or anti-competitive. More competitive implies a lower US dollar, and job cuts – not fun for those dining on their drainpipes. Or, the US can stop imports through trade blocs – yep, the steel industry is #1.

Watch this space.

Back home we appear oblivious to the bloated world economy. Economic growth nearing 3% is enough to keep us in a house buying frenzy. But remember – 3% growth has been achieved via a 40cent

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exchange rate and the perfect run of weather, commodity prices, and foreign agricultural diseases. To only achieve 3% growth, despite the big downhill slope, should ring alarm bells. In fact the Good Dr Brash has again started raising interest rates as the kiwi 'happiness index' again reaches giggle level. The need to raise interest rates despite such modest economic growth shows our lack of grunt.

We still appear to be driving a 4 cylinder Anglia that, while looking cool, will always get left behind. As soon as the economy hits 70kmph the wheels wobble and the Guv steps in with higher interest rates. Meanwhile, policymakers continue

to saddle the boot with debt, and put an ever-growing government in the back seat shouting directions.

It's election year, which means we again get to choose who gets to ride where in the Anglia. This time, when it comes to the economy, rather than the seating plan, focus on an upgrade.

Any policies that slow the vehicle and/or add more weight must be questioned. Economic policy offerings can be judged on two simple criteria: will it motivate me to invest in myself and/or some entrepreneurial activity?

And, will the policy make it easier for me to participate in the economy? Simple eh!



Thanks to Ivor Biggins for contributing this article.

ASX Changes the Rules

Last year the Australian Stock Exchange (ASX) announced a proposal to increase the threshold for “foreign exempt” companies listed on the Exchange. The increase will mean that all of the New Zealand companies with foreign exempt status will have to satisfy the full ASX criteria if they want to maintain their listing. For most affected companies this will lead to increased listing costs and inconvenience where the ASX’s and New Zealand Stock Exchange’s (NZSE) rules or practices are not aligned.

A “foreign exempt” listing allows non-Australian listed companies to have their shares quoted and traded on the ASX without having to comply with most ASX listing rules. The exemption continues provided a primary listing is retained in the company’s home jurisdiction.

The ASX currently provides “foreign exempt” listings to foreign listed companies with net tangible assets of at least A\$50m or profit before tax of at least A\$10m in each of the previous three years. The ASX proposes to increase the thresholds from 30 June 2002. The new thresholds would be A\$2bn of net assets and A\$200m profit after tax in each of the previous three years. Unlike the current threshold, the new test requires satisfaction of both limbs. That is, the company must meet both the net asset and profit before tax requirements, rather than one or the other.

No New Zealand company would currently meet the proposed new criteria. This includes NZSE market heavyweights such as Telecom, Carter Holt Harvey and The Warehouse Group. Furthermore, the ASX’s announcement indicated that there would be no “grandfathering”

for existing foreign exempt companies.

When the proposal goes ahead, all foreign exempt New Zealand companies will need to consider the future of their ASX listing. The transaction costs, additional application and on-going listing fees and, for some, greater compliance obligations, will need to be weighed against the benefits of continuing with an ASX listing.

One option would be to discontinue an ASX listing altogether. For some New Zealand foreign exempt

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companies, possibly the smaller ones, the additional ASX compliance obligations and the cost of a full ASX listing may outweigh the benefits of listing.

For most, however, this would likely be a negative step. It would exclude the company from a much larger capital market, reduce the company’s profile in Australia and, for those included in the ASX indices, lead to removal from those indices. The alternatives then are to move the company’s primary listing to Australia or to have a dual listing on both sides of the Tasman by complying with the listing requirements of both the ASX and NZSE.

While ASX listing rule requirements are different to those of the NZSE in a number of respects, for most

companies they are not likely to be so different that dual, full listing is impractical. The application of ASX listing rules consequent on the foreign exempt threshold changes are therefore unlikely to necessitate a shift of primary listing to the ASX. This is particularly so given the proposed change to NZSE listing rules that bring the local Exchange’s disclosure regime more in line with the ASX.

Some have suggested that the difficulties with dual listings could encourage further flight of New Zealand companies across the

Tasman, thus further reducing the capital market and tax base in New Zealand. Although an ASX full listing will be more costly and will have its inconveniences, it should be remembered that the current foreign exempt status is relatively recent. Before it came into force, a number of New Zealand companies fully

complied with the ASX listing rules. Consequently, the proposed change is unlikely to be the primary cause of companies moving to Australia.

To conclude, the proposed changes to the foreign exempt rules will not necessarily result in further capital flight across the Tasman. There are other alternatives available to foreign exempt companies including a dual full listing on the ASX and NZSE as well as simply maintaining only a NZSE listing. The companies own particular circumstances will necessitate what option is chosen.

Neil Brydges

Movers & Shakers

Movers and Shakers is a reference guide to those people within our industry. We would really appreciate institutions keeping the FMOA up to date with staff movements both for the newsletter and the web site.

Please send an email to admin@fmoa.org.nz if you know of anyone who has moved.

Name	from	to
Michael Knowles	AUSMAC	AXA Funds Management
Emma Charman	ANZ Funds Management	AXA Funds Management
Jane McCormick	Corporate Registries	National Nominees
Nathan Lewer	Westpac	Tower Trust
Neil Brydges	Deutsche Bank	Macquarie NZ Ltd
Helen Stevens	CSFB NZ Securities	Maternity Leave
Dougall Donaldson (And Continuing)	CSFB Australia Equities Ltd 'NZ Securities	Managing Ops For CSFB

FMOA Objectives for 2002/2003

Continue to publish FMOA's newsletters in May and November, to coincide with our meetings. This will be emailed to our members, unless a hard copy is requested.

Continue to provide good quality speakers at our meetings in Auckland and Wellington.

Provide an opportunity to network with fellow industry colleagues at after-function drinks at the completion of the Auckland and Wellington meetings.

Continue to update the Members' Directory in March, July and November each year. This can be viewed through our web site .

Provide the upcoming meeting agenda through our web site and email.

Establish closer links with the Australian Financial Operations Association (AFOA)

Through Deloitte-Risk Matters, hold an Operational Risk workshop in Wellington on 11/12 September.

Increase our membership by 20% (or 6 members).

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