



I N F I N Z CONFERENCE
LOOKING OVER THE HORIZON

Capital Market Development Taskforce

Rob Cameron, Chair

Premier Sponsor



Wednesday, 24 & Thursday, 25 September 2008
SKYCITY Convention Centre, Auckland



I want to talk today about:

- Our terms of reference
- How we are approaching our work
- The process we'll be following
 - How we will engage with stakeholders
 - The timeline
- Working with INFINZ





Refining our terms of reference

- The terms of reference were deliberately permissive:
 - “To develop and launch a blue print to improve New Zealand's financial system for the benefit of the New Zealand economy and its businesses.”
- Our first task is to determine the scope of our task and identify key areas for focus.

Premier Sponsor





Our approach (I)

- What are capital markets and why do they matter?
 - Capital markets are one (important) part of the broader financial system and that's where our focus will be
- They perform a range of functions in the economy:
 - Facilitate the flow of household savings to capital investment by firms and others
 - Provide risk pooling and risk sharing opportunities
 - Allow management and risk bearing to be separated
 - Provide information and prices to inform saving and investment decisions

Premier Sponsor





Our approach (II)

- We need to clearly describe and define
 - The component markets
 - The key factors which influence the markets
 - The participants and their roles

Premier Sponsor





Role of government

- Governments:
 - Participate directly in capital markets (e.g. issuing debt securities)
 - Act as an innovator or competitor (e.g. leading the introduction of new products or services)
 - Legislate and enforce rules
 - Negotiate rules with other countries
 - Intervene unwittingly via policies in other areas of the economy





Our approach (III)

- We'll also need a solid understanding of:
 - Trends and developments in global capital markets
 - Both the current turmoil and also longer-term drivers and trends
 - New Zealand's current capital markets – their size, composition and performance

Premier Sponsor





Our approach (IV)

- We will need to create vision based around a couple of key organising ideas
 - The vision should not necessarily represent unobtainable targets
- Success will be a meaningful set of recommendations that can be actioned by government, industry or the two jointly

Premier Sponsor





Our approach (V)

- We'll be looking for opportunities for change in two broad areas:
 - How can we enhance New Zealand's capital markets as they currently are?
 - Can we reposition New Zealand's capital markets in the global market and capture a share of that business?





Ultimately it is not just about what government can do

- Recommendations for actions will be in three areas:
 - Where the government needs to take actions
 - Where industry can take action
 - Where industry can act, but needs some initial rule changes or other support from government

Premier Sponsor





The process going forward and engagement with stakeholders (I)

- Even after narrowing the scope, the range of issues are broad
- We're grateful for the extent to which people have offered to support and contribute to what we are doing
- We are in the process of establishing focus groups to take forward the work





Engaging with stakeholders (II)

- We will recruit organisations and people into our processes:
 - We don't have all the answers ourselves so will look for your input and expertise
 - We want to ensure that we build support for our analysis and eventual recommendations
- We will use broad industry bodies where possible, but also engage with experts in particular areas (e.g. tax and regulatory settings)





Engaging with INFINZ

- INFINZ is a major stakeholder covering a broad range of finance sector participants
- INFINZ Board and executive have offered to help
 - we'll be taking them up on that offer and working out the best ways to do so

Premier Sponsor





Timelines

- We are due to report in September 2009
- Working back from that, we will need to finalise our views and analysis in June/July
- We will have identified and analysed solutions to the issues that are raised
- Our initial focus (to the end of this year) is to clearly understand our capital markets and identify issues or problems





Conclusion

- This is an important initiative
 - Government wants to work with industry to maximise the contribution capital markets can make to our economic prosperity.
 - Ministers have told me that they want us to explore all the options
 - We want to work with you to make the most of this opportunity.

Premier Sponsor

