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NZX exploring global dairy derivatives partnership with Singapore Exchange (SGX)

13 October 2020 – NZX and Singapore Exchange (SGX) have today signed a Heads of Agreement in relation to a global partnership to grow NZX's dairy derivatives market together.

The non-binding agreement signed between both exchanges will explore the listing of NZX's suite of dairy derivatives contracts on SGX's trading and clearing platforms.

This would see NZX bring its dairy product development expertise and client relationships, while leveraging SGX's global market connectivity, strong Asian presence and international distribution, to scale growth and liquidity in the trading of dairy derivatives. Market participants could expect augmented access via current and new trading and clearing channels.

NZX launched its dairy derivatives market in 2010, enabling market participants across the dairy production chain – from farmers through to international manufacturers of dairy products – to efficiently manage price risks inherent within global dairy markets.

Over the past 10 years, NZX has grown the contract suite to include eight futures and options contracts across dairy ingredients including Whole Milk Powder (WMP), Skim Milk Powder (SMP), Butter (BTR) and Anhydrous Milk Fat (AMF) as well as liquid NZ Milk Price (MKP) contracts. NZX has five member firms connected to the market and two Independent Software Providers (ISVs).

NZX Chief Executive, Mark Peterson, says a partnership with SGX would be a showcase example of commercialising NZX's international alliance strategy and would propel future growth of the dairy derivatives suite.

The partnership builds on the Memorandum of Understanding signed between the two exchanges in 2018, to expand co-operation in the Asia-Pacific region and promote market development initiatives across multiple product sectors.

"This opportunity offers a further acceleration in liquidity for our global dairy derivatives contracts by harnessing greater access via SGX's global network of trading and clearing firms, while leveraging NZX's dairy market expertise, insight and ongoing marketing and sales in a franchise that has been built from the ground up."

NZX Chair James Miller says NZX's strategy refresh in 2017 clearly identified the importance of developing greater breadth of distribution and trading functionality.

"Through a global partnership with a large international exchange such as SGX, there is opportunity to unlock and accelerate growth in liquidity and market scale. As the world's largest exporter of dairy products, New Zealand is an integral part of the global dairy market. The intention of the partnership is to benefit all participants and put the New Zealand dairy industry on an equal footing with their global counterparts in their ability to manage risk," he added.

SGX Chief Executive Officer, Loh Boon Chye says: "Our partnership with NZX demonstrates that exchanges can collaborate for mutual benefit and the betterment of the wider industry."

“With its rising population and changing demographics, Asia will remain one of the largest consumers and importers of New Zealand’s dairy products. We believe our successful commodities derivatives franchise, with its established infrastructure and ecosystem, coupled with our global distribution network and strong Asian footprint, will enable us to work with NZX to fuel growth in the dairy derivatives market.”

Over the coming months, NZX and SGX will consult with their respective market participants and stakeholders, and seek regulatory approvals related to the proposed global partnership. Should this process be successful, the partnership is expected to be confirmed in the first half of 2021.

ENDS.

About NZX:

For more than 150 years we have been creating opportunities for Kiwis to grow their personal wealth and helping businesses prosper. As New Zealand’s Exchange, we are proud of our record in supporting the growth and global ambitions of local companies.

NZX operates New Zealand's equity, debt, funds, derivatives and energy markets. To support the growth of our markets, we provide trading, clearing, settlement, depository and data services for our customers. We also own Smartshares, New Zealand's only issuer of listed Exchange Traded Funds (ETFs), and KiwiSaver provider SuperLife. Our NZX Wealth Technologies subsidiary is an online asset management platform. Learn more about us at: www.nzx.com

About SGX:

Singapore Exchange (SGX) is Asia’s leading and trusted market infrastructure, operating equity, fixed income and derivatives markets to the highest regulatory standards. As Asia’s most international, multi-asset exchange, SGX provides listing, trading, clearing, settlement, depository and data services, with about 40% of listed companies and over 80% of listed bonds originating outside of Singapore.

SGX is the world’s most liquid international market for the benchmark equity indices of China, India, Japan and ASEAN and offers commodities and currency derivatives products. Headquartered in AAA-rated Singapore, SGX is globally recognised for its risk management and clearing capabilities. For more information, please visit www.sgx.com.

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