

Proposal to structurally separate regulatory function

31 MARCH 2020 – NZX today announced a proposal to structurally separate the Exchange's commercial and regulatory roles.

NZX Chairman, James Miller, says the proposal is ground-breaking in the 150-year history of New Zealand's capital markets, and aligned with global best practice – in terms of the structure, governance and the operating model for NZX Regulation.

The NZX Board is proposing to adopt a new regulatory operating and governance model, similar to models used by other international exchanges such as the Singapore Stock Exchange (SGX).

Mr Miller says a wholly-owned operating subsidiary of the Exchange will perform all frontline regulatory functions in support of NZX's obligations as a market operator and as operator of the designated settlement system.

The proposed entity will be:

- Structurally separate from the NZX's commercial and operational activities
- Governed by a separate board, with an independent Chair (and the majority of members independent of the NZX Group)
- Targeting to operate on a cost-neutral basis. It will not be expected to generate profit for the Exchange.

As part of the announcement today, NZX named an Establishment Board chaired by Trevor Janes, along with Elaine Campbell and Mike Heron QC – with a fourth member still to be confirmed. The entity will be led by Joost van Amelsfort as CEO, who has served as NZX Head of Market Supervision since 2014.

"Regulation is a central tenet of a healthy and well-functioning capital market. We believe this proposal and the calibre of the Establishment Board will give a good sense of the significance of this change, as a positive evolution of NZX and our role in New Zealand's capital markets."

The recommendations come out of a full review of NZX's regulatory operating model completed in 2019, which was prompted by the increasing complexity of governance arrangements.

Mr Miller says the structural separation of the proposed model also provides the NZX Board increased capacity to focus on NZX's commercial mandate and initiatives, to deliver shareholder value.

Implementation of the proposed model requires amendments to be made to NZX's market rules, as well as to the designation order in place for the NZX Clearing settlement system.

Mr Miller says implementation was planned within the 2020 calendar year. However, consideration would be given to the delay of several months, respecting the additional pressures on listed companies and broader market participants along with the NZX Regulation team – due to the current market volatility, along with the proactive steps being taken to support customers in the context of COVID-19. During this time, NZX Regulation will continue to provide full regulatory services in support of NZX's listed markets.

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About NZX:

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. NZX Wealth Technologies is a 100%-owned subsidiary delivering rich online platform functionality to enable New Zealand investment advisors and providers to efficiently manage, trade and administer their client's assets. Learn more about us at: www.nzx.com