



FINANCIAL SERVICES FEDERATION

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Ministry of Economic Development
PO Box 1473
WELLINGTON

Attention: Bianca Garwood
Regulatory and Competition Policy Branch

**Trans Tasman Mutual Recognition of Offer of
Securities and Managed Investment Scheme Interests**

Background

The Financial Services Federation Inc (FSF) appreciates having the opportunity to comment on the proposals outlined in the joint Australian and New Zealand discussion document.

By way of background, we record that 25 of the 45 companies that make up the FSF's membership currently issue debt securities or participatory securities to fund their lending activity. As non-bank financial institutions, these organisations issue interest-bearing securities on a continuous basis. Some members also make discrete debt and equity issues. These comments relate only to the continuous issue of interest bearing securities.

A full list of FSF members is available from www.fsf.org.nz .

We are happy for these comments to be made public.

Consultation Points

1. We are unable to quantify the costs imposed on issuers under the current regime but suggest that they would approximate the sum of the cost of issuing in New Zealand and the cost of issuing in Australia. The only obvious efficiencies that are possible are internal to an issuer and would appear to arise where information brought together by the issuer in one country was able to be used in the same or similar format in the other. There is no obvious way in which external cost efficiencies would be possible.

A National Federation of Financial Institutions

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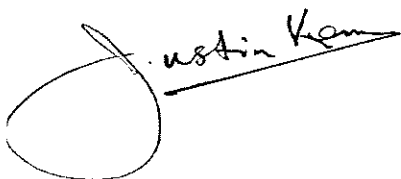
2. We see merit in such a scheme being put in place on the broad basis outlined in the paper. If securities regulations in both countries are similarly focused and robust, the very considerable additional costs imposed at present because they are not identically specified are highly likely to exceed the benefits to investors.
3. We note the paragraph 5.2 provision that “the particulars of any general exemption granted by the home jurisdiction regulator that is relevant to the offer” be provided by the offeror. For our membership, this would be very important as they make continuous issues and certain current exemptions from NZ Securities law requirements are significant to them.

Apart from issues such as this, which may arise from the need to develop detail around the proposals if they are to be made workable in practice, we see no major obstacles to the regime achieving its objectives.

4. No.
5. We are not able to suggest any changes to the proposed exemptions.
6. We have no wisdom to offer on the suggested approach to enforcement. Broadly we subscribe to the view that with freedom comes responsibility.
7. We note that any New Zealand issuer under this regime would still want to obtain legal advice on both sides of the Tasman. The need to comply with the laws of both countries regarding the application of the mutual recognition regime would be important and in practice few New Zealand lawyers would be qualified, or prepared, to sign off on Commonwealth and/or state laws in Australia.

There is another area of potential difficulty. This is the provision of Australian State stamp duties or financial services duties that might apply to issuers of debt securities in Australia made by New Zealand issuers. While New Zealand issuers would need to take advice on this we note that the discussion document is very much concerned with Commonwealth laws and is not clear if and how State law in this area might apply. This federal issue is a complexity for New Zealand issuers that would need to be resolved before the proposals could advance.

Yours sincerely

A handwritten signature in black ink that reads "Justin Kerr". The signature is written in a cursive style and is positioned above a horizontal line that extends to the right.

Justin Kerr
Executive Director