

A New Zealand Approach to Clearing and Settlement

TERMS OF REFERENCE

1. Cabinet approved the introduction of the Settlement Systems, Futures, and Emissions Units Bill to Parliament in August 2008 (CAB Min (08) 30/10). The Bill was read for a first time on 23 September 2008 and referred to select committee. Parliament will seek comments on the Bill through the select committee process.
2. Cabinet has also asked the Minister of Commerce to review broader issues around New Zealand's approach to the clearing and settlement of securities (CAB Min (08) 30/10). The Minister has been asked to report back before the end of March 2009. The review will consider issues that fall outside the scope of the Settlement Systems, Futures and Emissions Units Bill.
3. Capital markets more broadly are an important part of our economy and the Government has recently signalled its interest in the development of New Zealand's markets by the establishment of the Capital Market Development Taskforce. Clearing and settlement systems for securities are a key part of the infrastructure underpinning capital markets, including through supporting product innovation and risk management.
4. The purpose of the review is to facilitate a longer term outcome that:
 - a. ensures that securities clearing and settlement services are responsive to the demands of users for risk management and product development;
 - b. supports innovation of products and services in the financial sector;
 - c. delivers reliable securities clearing and settlement services to the financial sector at a reasonable cost; and
 - d. addresses any public interest concerns (as appropriate).
5. The review will:
 - i consider whether competition or existing competition regulation provides adequate protection for participants and users of securities clearing and settlement services;
 - ii seek to provide an environment in which stakeholders can explore: the desirability of efficient interoperability between services; and potential models for the efficient delivery of those services to meet New Zealand's infrastructure needs in the longer term; and
 - iii identify potential models of stakeholder involvement in the provision of securities clearing and settlement services (consistent with relevant international standards) to ensure that providers continue to be responsive to the needs of the users of those services.