



CHARTERED ACCOUNTANTS  
AUSTRALIA + NEW ZEALAND

17 November 2017

Hamish McDonald  
General Counsel and Head of Policy  
NZX Limited  
Level 1/NZX Centre  
11 Cable Street  
Wellington NZ

Submission via email: [consultation@nzx.com](mailto:consultation@nzx.com)

Dear Hamish

### Submission on NZX Listing Rule Review – Discussion Paper

Thank you for the opportunity to comment on the NZX Listing Rule Review – Discussion Paper (the DP).

We are supportive of the objectives of the review of the NZX listing rules to reduce complexity and unnecessary compliance costs, enhance investor protections and accommodate a wider range of products. In providing our comments we have focused on the aspects of the DP which have implications for trans-Tasman harmonisation, dual-listed entities, and the audit profession in New Zealand. Our specific comments on the questions set out in the Discussion Paper are included as Appendix A. Appendix B contains more information about Chartered Accountants Australia and New Zealand.

Please contact me at [liz.stamford@charteredaccountantsanz.com](mailto:liz.stamford@charteredaccountantsanz.com) for further expansion or clarification of the points made in this submission.

Yours faithfully

**Liz Stamford**  
**Head of Policy, Leadership & Advocacy**  
**Chartered Accountants Australia & New Zealand**

**Chartered Accountants Australia and New Zealand**

33 Erskine Street, Sydney NSW 2000  
GPO Box 9985, Sydney NSW 2001, Australia  
T +61 2 9290 1344 F +61 2 9262 4841

**[charteredaccountantsanz.com](http://charteredaccountantsanz.com)**

Chartered Accountants Australia and New Zealand ABN 50 084 642 571 (CA ANZ).  
Formed in Australia. Members of CA ANZ are not liable for the debts and liabilities of CA ANZ.



## Appendix A: Specific comments on the discussion paper questions

We have excluded the questions for which we have no specific comments.

	Question
<b>Part 1 – Context to Review</b>	
1.	Do you agree with the stated objectives of the review? If not, why not? (page 6)  Yes, we support the objectives. Reducing complexity and unnecessary compliance costs while enhancing investor protection and the listing of a wider range of entities and products is in the public interest.
2.	Do you agree with the proposed timetable and process for review? If not, why not? (page 6)  Yes.
<b>Part 2 – Proposed structure of updated rules</b>	
<b>Market Structure</b>	
3.	Do you agree that NZX should retain the current requirements under the Listing Rules (subject to addressing drafting issues) as the basis for the updated rules? (page 8)  Yes.
4.	Do you agree that NZX should adopt a modular approach to updated rules? If not, why not? (page 8)  Yes. A modular approach allows the organisation of the rules to be more understandable for users.
<b>Differential standards for equity issuers</b>	
5.	Do you agree with NZX's preferred approach of delivering an updated market structure via a single rule set with differential standards for equity issuers? If not, why not? (page 10)  Yes.
6.	Do you agree that NZX should have differential requirements for equity issuers? (page 11)  Yes.
7.	What criteria should be used to determine whether differential requirements should apply (e.g. options 1 or 2 above or something else)? (page 11)  We support Option 1 as we believe it is appropriate for the top tier of entities, however this is to be determined, to have full compliance obligations with the requirements.
9.	What branding should NZX use for the separate equity listing categories? (page 11)  We do not have specific suggestions but encourage the NZX to consider the potential impact on perceptions of quality of the individual entities of the terminology used.
<b>Part 3 – Specific Rules Settings</b>	
<b>Equity – Premium Issuers</b>	
18.	Do you agree with our proposal to no longer review and approve constitutions for new listings? (page 15)  Yes. If the entity has obtained a solicitor's opinion that the constitution is compliant, it seems unnecessary for the NZX to also review.
19.	Do you agree with our proposals to: a. Reduce the spread requirement to 300 holders for Premium Issuers? b. Reduce the free float requirement to 20% for Premium Issuers? (page 15)  We support the adoption of requirements which will align with the ASX in the interest of trans-Tasman harmonisation.

24.	<p>Do you agree NZX should align its NZ residential director requirement with legislation i.e. a requirement to have at least one NZ resident director? (page 16)</p> <p>We support the alignment of the requirement so that the NZX requirements are not more onerous than the legislative requirements. The reduction of the requirement from two to one NZ director would achieve this. We note that the discussion paper states that the legislative requirement is for one NZ residential director or one director who is an Australian resident and a director of an Australian company. We believe NZX should align with this requirement.</p>
25.	<p>Should NZX retain a requirement to have a minimum number of independent directors within its mandatory rules or, alternatively, introduce a “comply or explain” recommendation (potentially for majority independence) within the NZX Corporate Governance Code? (page 18)</p> <p>We support a ‘comply or explain’ rule which allows for appropriate flexibility.</p>
26.	<p>If you support inclusion within the NZX Corporate Governance Code, should NZX recommend that boards are majority independent (noting that companies will be able to explain why they may not meet such a recommendation)?</p> <p>a. If not, should NZX retain the current minimum independence requirements within the rules? If not, why not? (page 18)</p> <p>See comment above.</p>
27.	<p>Do you agree that NZX should move to a more principles based test of independence? (page 18)</p> <p>Yes.</p>
28.	<p>If not, should NZX delete Listing Rules 1.8.3, 1.8.4 and 1.8.5 in their entirety? (page 18)</p> <p>N/A</p>
29.	<p>Do the auditor rotation requirements within the Listing Rules achieve outcomes that could not be met by auditing standards? (i.e. are these valued by investors)? (page 18)</p> <p>Our preferred approach would be that the Listing Rules require compliance with the requirements set out in PES 1 <i>Code of Ethics for Assurance Practitioners</i>. If this approach is not taken, then we strongly encourage NZX to work with the XRB to achieve an outcome where the requirements set out in the Listing Rules align with the auditing and ethical standards. We do not support the inclusion of auditor rotation requirements within the Listing Rules that impose more onerous requirements than those set out in PES 1.</p>
30.	<p>If submitters support retention of these requirements, should NZX make any further amendments to respond to the current XRB review – for example, to ensure greater alignment with Australia? (page 18)</p> <p>See our response above.</p>
31.	<p>Should the additional audit committee requirements within the Listing Rules (i.e. to have an audit committee, its composition and role) be moved into the NZX Corporate Governance Code? Why/why not? (page 18)</p> <p>We believe it is appropriate for there to be a listing rule requirement to have an audit committee for certain entities. The recommendations for the composition and role of the audit committee could be moved to the NZX Corporate Governance Code. This is consistent with the approach taken in Australia.</p>
<b>Equity – Standard Issuers</b>	
41.	<p>Do you agree with the proposal for a spread requirement of 100 holders and free float requirement of 20% for Standard Issuers? (page 22)</p> <p>We support the alignment of requirements with the ASX.</p>

43.	<p>Do you agree with the proposal to allow more flexibility in governance requirements for Standard Issuers? Why/why not? (page 23)</p> <p>Yes, we believe it is appropriate to allow flexibility for entities who are likely to be smaller.</p>
44.	<p>What should the minimum governance requirements be for Standard Issuers? (page 23)</p> <p>We believe that it is appropriate to have minimum governance requirements. We repeat our comments from Q24 that if requirements such as director residency are imposed, they should be consistent with any legislative requirements.</p>
45.	<p>Should Standard Issuers be required to report against the NZX Corporate Governance Code or a tailored version of this? (page 23)</p> <p>It would be appropriate to require disclosure on a 'comply or explain' basis.</p>
46.	<p>Should NZX allow more relaxed time frames for periodic reporting obligations under the rules? (page 24)</p> <p>Yes. Such entities may have more limited resources for report preparation. Extending timeframes also reduces time pressure on audit firms where there are audit requirements which supports audit quality.</p>

## Appendix B: About Chartered Accountants Australia and New Zealand

Chartered Accountants Australia and New Zealand is a professional body comprised of over 117,000 diverse, talented and financially astute members who utilise their skills every day to make a difference for businesses the world over.

Members are known for their professional integrity, principled judgment, financial discipline and a forward-looking approach to business which contributes to the prosperity of our nations.

We focus on the education and lifelong learning of our members, and engage in advocacy and thought leadership in areas of public interest that impact the economy and domestic and international markets.

We are a member of the International Federation of Accountants, and are connected globally through the 800,000-strong Global Accounting Alliance and Chartered Accountants Worldwide which brings together leading Institutes in Australia, England and Wales, Ireland, New Zealand, Scotland and South Africa to support and promote over 320,000 Chartered Accountants in more than 180 countries.

We also have a strategic alliance with the Association of Chartered Certified Accountants. The alliance represents 788,000 current and next generation professional accountants across 181 countries and is one of the largest accounting alliances in the world providing the full range of accounting qualifications to students and business.