

RIU EXPLORERS CONFERENCE

Fremantle, 20th February 2018

Thank you very much for the fabulous opportunity to speak here today. It's great to be in Western Australia again.

My name is Ann Bowering, and I am the CEO and Managing Director of the National Stock Exchange of Australia.

As the second largest stock exchange in Australia, the National Stock Exchange has an important role to play as a growth platform, enabling Australian entrepreneurs to access capital to:

- Explore,
- Develop, and
- Expand their businesses.

By targeting companies with sub \$50m market-cap, we see ourselves as funding innovation and facilitating diversification in the Australian economy.

Our goal is to provide a compelling alternative to the ASX:

- By leveraging an integrated distribution model to facilitate liquidity;
- By tailoring product delivery to focus on customer needs; and importantly,
- By driving innovation.

Currently more than 80 securities, totalling over \$4.5 billion are traded on NSX, via the 23 participating brokers. These brokers include, amongst others:

- Paterson Securities,
- State One Stockbroking,
- Morgans,
- Ord Minnet
- Macquarie,
- Bell Potter,



- Baillieu Holst;
- CPS Capital,
- DJ Carmichael Stockbrokers,
- Tripple C Consultants; and
- Open Markets.

The size of companies listed on the exchange has ranged from \$0.5 million - \$2.0 billion.

The corporate governance expectations, prospectus, continuous disclosure and period disclosure requirements are the same, irrespective of which exchange you are listed on. This is really important as it goes to the heart of market integrity and investor confidence, which obviously underpin liquidity.

It is also worth noting that NSX companies are traded through IRESS, matched using a Nasdaq trading system, and settled through CHESS, using your shareholders existing HIN.

So if that is how we are the same as the ASX, I think it is also important to articulate how the NSX is different.

In my mind, a key point of difference between NSX and ASX is our minimum spread of 50 shareholders, which is targeted at allowing companies access to the capital markets, without the need to invest in excessive distribution.

This is a significant advantage to:

- Allow companies to access the capital markets at an earlier stage, and at a much lower cost;
 - Which is sometimes relevant for earlier stage projects and companies;

But also for:

- Mature private family owned companies who are looking for a path to succession.

Over the last 18 months, NSX has undergone a substantial transform into an exchange that can compete with ASX in Australia and ultimately, sit comfortably among global marketplaces with similar missions, NASDAQ being one of them.



Transforming the business meant closing our Newcastle and Melbourne offices, and opening a new head office in Sydney. That move has given us an opportunity to engage with our stakeholders, and importantly, demonstrate relevance and role of the NSX to the market.

We are included in conversations that we weren't previously part of, influencing outcomes and contributing thought leadership on industry changes such as CHES replacement.

It has also meant hiring a new team. We are incredibly fortunate to have found such an experienced, entrepreneurial, and engaged team who are committed to creating something new in the Australian equities market.

Our strategy is very clear. Build a globally competitive exchange, with vibrant, liquid and diverse debt and equity markets, competing head to head with ASX to attract the best listings from our market.

Having gone a long way to achieving the changes required, we are now thinking about how we differentiate ourselves.

A wave of entrepreneurial activity coupled with the high retail participation rate in Australia, opens up new opportunities for us.

The ASX top 200 has remained largely unchanged for almost ten years and yet our economy and the global economy have changed dramatically over that time.

In my view, the lack of competition for listings has created an inefficiency in the allocation of capital.

On a global basis, Australia has the fourth largest pool of investable funds and yet many fund managers look offshore to allocate new capital flow.

It's important that ASX has competition in order to fund innovation and broaden investment opportunities.

One of my favourite quotes comes from Steve Jobs,

“You can't look at the competition and say you are going to do it better. You have to look at the competition and say you are going to do it differently.”



Our incumbent market here in Australia has held a monopoly position for over 20 years. With the benefit of hindsight, it is now possible to see the impact that a lack of competition has had on innovation and investment in our market infrastructure and practices.

It is interesting to look back over the past decade to see that Australia's economy has grown faster than its developed-world peers. The chart here illustrates the stand out growth in GDP for Australia over that period.

So, one would expect that this would translate to a similar growth trajectory for our share market too, right?

Wrong.

The Australian share market today is actually, **smaller** than it was on the eve of the global financial crisis in 2007.

During that time, the US stock market's capitalisation has grown by more than \$US9 trillion or \$A11.5 trillion.

This extraordinary inverse correlation illustrates a clear disconnect between the Australian economy and our existing stock market model.

So what is broken, and why do we care?

Let's go back to basics.

Well-functioning exchanges bringing together those who need capital to innovate and grow, with those who have resources to invest.

Companies listed on the exchanges generate revenues that pay salaries, buy goods and services from other companies, pay taxes and return dividends to shareholders.

Importantly, stock exchanges also allow everyone in the economy the opportunity to share in the wealth creation derived from the success of a business, not just a select few – and they provide risk management through the diversification of investments.

Therefore, the health and future prosperity of an economy is intrinsically linked to the health of the stock market model.

If the stock market model isn't working well, the broader economy suffers.



We all understand that competition is a very important economic force. It is one of the key regulators of economic activity.

In the absence of competition, there is little or no incentive for the supply to be made on “most favourable terms”, and the economic outcomes suffer.

We have had a single stock market in Australian for the last 30 years. ASX has had no competition in listed equities. It has been a monopoly.

Australia has been one of the only advanced markets, globally, without a challenging second exchange.

The lack of competition in listed equities has led to a stagnant market that is resistant to change with very little innovation.

We can look to micro economic theory to explain why these outcomes occur, but I won't get into that as I know there are people in the room who are much better qualified to speak on such topics than I am!

Whilst the ASX has operated as a monopoly for many years, in many ways giving it the appearance of a National Asset, and therefore possibly expected to act in the National Interest, it is not. It is a public company, whose obligations are to ensure the best outcomes for its shareholders.

And that makes it very difficult to be all things, to all people. A one-size fits all solution.

ASX has made it very clear over the last 12 months, who their target market is:

- Companies with a market capitalisation of \$50m - \$500m,
- Who are in the technology sector,
- Coming from foreign markets (Israel, NZ, US, Ireland)

Put your hand up if that sounds like you and your company...

Conversely, at the National Stock Exchange of Australia our sweet spot is:

- Companies at IPO ranging from \$3m - \$50m market capitalisation;
- With proven growth potential, and
- An investment story that resonates with Australian investors

We are here, in Western Australia because we know that this is where Australia grows.

We have:



- 9 Nomads in Perth
- 6 Perth based brokers participating on our exchange
- And we have made 7 visits here in the last 18 months.

We are here because we want to work with you, and your companies, to build a better alternative for the Australian market.

How are we doing that?

Well, technology is the great enabler.

It levels playing fields for new entrants, new products and new services.

It creates:

- better outcomes for clients,
- reduces barriers,
- increases efficiencies, and
- lowers costs,

which at the end of the day, expands the pool of capital for investment and therefore facilitates growth.

Technology has been at the centre of the creation of the New NSX.

We have seen the substantial enhancement of our distribution and market access networks, our market data model, and our security, and market surveillance tools, all through direct investments in technology.

One of the most significant projects has been the IRESS market access project.

Put simply, our major participants can now trade NSX stocks in exactly the same way that they trade ASX listed companies.

This has redefined our market access model.



As a result, we are now seeing exciting new opportunities for products and services emerge off the back of this investment.

So, I have outlined:

- What NSX is,
- The aspects of NSX that are the same as ASX,
- Where the NSX is differentiated from ASX, and
- Why it is important to have viable competition in listed equities.

But now I think it is important to bring it back to **why** you should consider listing on, or for that matter, transferring your listing to, NSX.

1. Transparency and Access

Firstly, there's the access you get through our listing process, along with the transparency and confidence that brings.

From the beginning, our team works very closely with the company and their advisers. The road to IPO can take many turns, so it's important to know at all times where you stand.

It requires a big investment of scarce management time. Working closely with our executive team gives companies the best chance of a successful listing.

This transparency gives the stake holders confidence in the path to listing, and also reduces costs associated with re-drafts and retrospective actions.

Equally, it is important to know early on, if you simply are not going to get there, so that you don't waste time and money pursuing that strategy.

2. Tailored solutions, not one-size fits all

NSX is a Listing and Trading venue for equities. That is all that we do. It is what we eat, sleep and breath. Our business is to facilitate capital formation and trading in Australian Listed Equities. Not derivatives. Not clearing. Not settlement. Not data.



That means that you have access to the market services you need, without paying for what you don't use.

We have our own rule book, which allows us to solve for customer needs in a way that better addresses market needs.

One example is that we can list dual classes of securities. This has been really relevant for business such as agricultural co-ops where they have sought a closed market for trading in voting, or controlling shares, versus equity entitlement.

3. Visibility

Third is external visibility. There are approximately 83 securities listed on NSX, as opposed to 2,200 companies listed on ASX, which ensures prominent visibility. Listing on a slightly smaller exchange gives companies the opportunity for a higher profile.

To amplify that, we have invested in an NSX Equity Research Program to provide independent commentary on companies listing on the exchange, supporting their first step into the marketplace.

4. Lower cost

Finally, there's cost. We don't primarily compete on cost, but we know it's an important consideration for small and mid-sized companies.

We run a very lean operation. The headline cost of listing on NSX is two thirds the cost of listing on ASX.

So, if you are planning a listing, divestment, or you are already listed but want to find out what the NSX could offer you, please give us a call.

It is important to know that there is a choice when it comes time to IPO.

Andrew Musgrave, our head Of Business Development, and myself will be here over the next few days, so please come and introduce yourself. We look forward to meeting you.