

National market national interest: the drive to unify Australia's securities markets

by Edna Carew

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Edna Carew's latest book provides some fascinating insights into the development of the national securities market in Australia, from the first stock exchanges introduced prior to Federation to the impact of the information technology age in the past quarter century.

National market national interest is an excellent book. The author knows her subject thoroughly and like many experts can explain it in simple, clear language. An enormous amount of work must have gone into gathering all the information in the book. It also includes many interesting photographs of relevant people and places.

The chronology of key events is most interesting. The first entry is: '1285 – Edward I authorises licensing of stockbrokers in the city of London'. The fifth entry is also worth noting: '1861 – Melbourne and Australia's first stock exchange formed'. At roughly 10-year intervals, stock exchanges were established in Sydney, Hobart then Brisbane, Adelaide and Perth.

The Poseidon boom and bust in the 1970s led to a report by Senator Peter Rae, which comprised 12,000 pages of evidence from 142 witnesses. As a result, a national market in securities was established in Australia. State-by-state regulation was a disaster. SEATS (Stock Exchange Automated Trading System) was launched in 1987 and trading floors closed. Chalkies were out of a job and their place was taken by computers. In 1993, the ASX won the National Award for Excellence in Information Technology.

In the late 1970s, financial markets were mainly dominated by the banks and the Trade Practices Commission. However, financial market reform occurred in the early 1980s following an enquiry led by Keith Campbell (later Sir Keith Campbell). His committee of enquiry published an 800-page report on the Australian financial system, which resulted in the freeing up of markets. Hill Samuel (later to become Macquarie Bank) offered the first cash management trust. The Bank of NSW merged with the Commercial Bank of Australia to become Westpac. And National Bank of Australasia merged with the Commercial Banking Company of Sydney to become the National Australia Bank.

After much discussion over a number of years it was finally agreed to establish a national Australian Stock Exchange, which was formed in 1987 and officially launched by the then Federal Treasurer Paul Keating on 1 April 1987. I would have thought it more appropriate to have chosen a different date for the launch. In the opening years, SEATS (Stock Exchange Automatic Trading System) was launched for a limited range of ASX listed stocks. On 20 October that year, there was a crash on world stock markets. In 1989, the SFE (Sydney Futures Exchange) launched the world's first after-hours electronic trading system.

Ronald Coppel guided the formation of a national stock exchange. He went to Canberra to discuss the matter with the Federal Attorney-General Lionel Bowen and was asked to send a letter stating his request. Coppel knew it had to be short so as not to take up the Minister's time. Three weeks later he had a call from Bowen saying he had spoken to the Prime Minister Bob Hawke and the Government was prepared to agree in principle.

In the past quarter century there have been enormous changes in technology and information exchange. As Walter Wriston, Chairman of Citicorp, put it: 'The information standard has replaced the gold standard as the basis for world finance'. Since 1970, the Sydney and Melbourne stock markets have had real-time market data on their office terminals. But new methods also bring new problems. In 1982 an electrical fault started a fire in the trading floor of the Adelaide Stock Exchange.

This is a very well laid-out work. Apart from the foreword, there is a page of contents, tables and graphs, two pages of abbreviations and a five-page chronology of key events. The whole book is about 500 pages. ☺