

MINUTES OF THE INAUGURAL MEETING OF THE AUSTRACLEAR NEW ZEALAND SYSTEM USER ADVISORY COMMITTEE HELD BY TELECONFERENCE WEDNESDAY 26 SEPTEMBER 2007 AT 10 AM

Attendees:

Patti Bow	HSBC Nominees Limited (for David Mansfield)
Doug Thorne	ANZ National Bank Limited
Scott Sinclair	Westpac Banking Corporation
Dave Mitchell	Computershare Investor Services Limited
Sarah Drennan	ABN Amro
Miles O'Connor	Citibank Group (Australia)

RBNZ:

Mike Wolyncewicz
Adrienne Barlow
Kevin Jamieson
Donna McDiarmid
Dave Stanesby
Graeme Beasley (Datacom Systems)

APOLOGIES

Mark Lawrence	ANZ Nominees Limited
David Mansfield	HSBC Nominees Limited

Introduction

Mike Wolyncewicz welcomed the members of the Committee and thanked them for making themselves available to provide leadership to the industry. Mike Wolyncewicz referred to the objectives of the Committee which are now embedded in the Rules of the Austraclear New Zealand System. He said he was sure that the collective work of the Committee and the Bank would raise standards across the industry and would greatly assist the Bank in improving its performance as a service provider to the Members of the System.

RBNZ and Datacom temporarily left the meeting while the Committee held discussions. RBNZ rejoined the meeting and the Committee confirmed that the following officeholders had been appointed:

Chair- Scott Sinclair
Deputy Chair- Sarah Drennan

Annual Report to Members 2007

Mike Wolyncewicz introduced this paper, saying this was the Bank's first endeavour at meeting this new accountability requirement. The deliverable would be refined over time and the Bank was looking to Members for feedback.

Dave Mitchell asked for clarification on the commentary regarding standardization. Mike confirmed that in essence this was a general commentary that proprietary protocols reduce inter-operability, and STP is enhanced when common protocols are used globally, in particular 15022 and SWIFT.

Dave also noted that the Annual Report contained no detailed comment on the Bank's attitude towards the Austraclear system in the light of approaches that had been made in the past. Mike replied that until 2005 the Bank did not review the Austraclear System as part of its core functions, but that has since changed and the Bank has shown its commitment to developing the system and ensuring it is governed properly. This is best evidenced by the substantial investment it made in the upgrade project and also the recent Rule changes in the governance area which assure Members a voice in the decision-making processes.

Dave also mentioned that the Annual Report would benefit from introduction of additional service measures and he would raise these under the review of operations agenda item.

Review of the ESAS-Austraclear Upgrade Project

Members accepted the written report which had been published the previous Friday.

Members confirmed that in their view the two major matters that had manifested themselves to date were the small screen size and also the system speed.

The smaller and fixed screen size had been advised in an early release of project documentation, although Members may not have noted the significance of it at the time. Dave Stanesby stated that the fixed size of 800 x 600 had been selected in order to accommodate the most common screen dimension/resolution. The fixed nature of the screen size was required in order to assist with automation of the porting of the screens to the new environment and to manage cost and risk.

The Bank understands Members' disappointment with the screen size. The Bank will endeavour to develop a limited number of variable-size new screens to replace a large number of screens for various Austraclear functions. A good prototype for this is the new ESAS screen which was released as part of the upgraded system. Mike confirmed that work would not commence on this until the New Year, so a change would not eventuate before the middle of 2008.

Feedback has been received by the Bank that the system is slow, especially when loading up and when being used by experienced Austraclear operators. The Bank had confirmed that relative to the old Telnet-based technology, the new browser-based screens would result in slower response time. Nevertheless, the Bank was working with particular users to resolve extreme situations where, for example, their access was being re-routed to another office in a very indirect fashion which inevitably slowed performance. The Bank also assured the Committee that it was working with Datacom to see what tuning could be implemented to enhance response times. Datacom may also be asked to devise a display box indicating to users what percentage of the log-on progress has been concluded in order to provide users with feedback and so reduce frustration with that process.

Dave Stanesby also advised that at peak times the number of live sessions had met the maximum permitted. The maximum number of sessions had been progressively increased from 100 to 120 over the last few days. The Bank and Datacom had wanted to make sure that

the system had been stable before increasing this parameter. The increase should certainly alleviate the Member access issues that occurred earlier. The change in access method to one via the internet had changed Members' behaviour such that at any time roughly 50% more users had a live session than previously. As a result of this the Bank would review its licensing arrangements and if necessary acquire additional licenses, but these did not constitute a physical constraint at this time.

Doug Thorne asked for clarification of the Daylight Savings Patch. Mike Wolyncewicz corrected the Committee paper and confirmed that the patch had to be applied this week, not at the end of October. In response to a question, the Bank confirmed that the patch was able to be applied after this week, although until it was applied the relevant pc would not be able to access the system. The Bank urged early application.

Dave Mitchell commended the Bank for its communications with members during the period immediately after go-live.

The Committee agreed that it would support a post-implementation review being undertaken by a Bank staff member who was not involved in the project.

Review of proposed system Development Plans

The Bank sought feedback on the list of functional enhancements that it planned for the system. In broad terms the Committee endorsed the Bank's tentative list of priorities. The Bank assured the Committee it would have the Committee review specifications for the more substantial projects that had direct Member impact. Discussion took place on the proposal for the Bank to use Bloomberg as a source of input for changes such as rate resets. Reuters was proposed as an alternative source. It was mentioned that regardless of which source was used, it would pay to have a check back to registries. Detailed specifications would again be run past relevant stakeholders including registries.

It was noted that if the Bank planned to automate the lodge and uplift process it would have to work through resourcing issues with the industry especially with the NZX's settlement system replacement project.

Review of industry Developments and Operations

Mike Wolyncewicz stated he was aware that the regulatory arm of the Bank was in discussions with NZX regarding its proposed new system. On an operational level, no dialogue of any substance had taken place to date.

One Committee member commented that they thought it was unnecessary/unproductive to have two settlement and depository systems in NZ that duplicated and competed as that would invariably lead to operational issues for the market. The Bank stated it was the NZX's call to develop a new system but agreed that it would be useful that it have a dialogue with NZX to at least ensure the new NZX system and Austraclear were inter-operable with an efficient interface.

Dave Mitchell said it would be useful to expand the operational metrics to include statistics on service levels such as the one hour turnaround time for lodges and uplifts. The Bank agreed that this is a good idea and would work to develop such measures.

RBNZ left the meeting and subsequently received the following feedback from the Chair:

It would be desirable for papers to be released a further week earlier so Committee members could consult with the Members that they represented.

RBNZ were asked to fix the conference phone to ensure a better quality connection.

RBNZ would arrange the next meeting for Thursday 8 November, with every one in Wellington on FMOA/SWIFT business.
