

**MINUTES OF THE MEETING OF THE AUSTRACLEAR NEW  
ZEALAND SYSTEM USER ADVISORY COMMITTEE HELD BY  
TELECONFERENCE THURSDAY 3 APRIL 2008 AT 10 AM**

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**Attendees:**

Scott Sinclair	Westpac Banking Corporation (Chair)
Sarah Drennan	ABN Amro (Deputy Chair)
Patti Bow	HSBC Nominees Limited
Robert Douglas	ANZ National Bank Limited
Dave Mitchell	Computershare Investor Services Limited
Miles O'Connor	Citibank Group (Australia)
Mark Lawrence	ANZ Nominees Limited

**RBNZ:**

Mike Wolyncewicz  
Adrienne Barlow  
Donna McDiarmid  
Tanya Harris  
David Rawstorne (Datacom Systems)

**Observers:**

Dr. Don Abel	RBNZ
Kevin Jamieson	RBNZ
Brian Bonar	ANZ National Bank Limited
Liz Mak	National Nominees Limited
Frances Leifting	HSBC Nominees Limited

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**APOLOGIES**

None

**MINUTES**

The minutes of the meeting of 26 September 2007 were accepted.

**DISCUSSION WITHOUT RBNZ PRESENT**

RBNZ and Datacom temporarily left the meeting while the Committee held discussions. They subsequently rejoined the meeting.

**PROGRESS AGAINST THE PLAN FOR 2007/08**

Mike Wolyncewicz talked to the progress report. He highlighted that quite a number of systems enhancements were currently under action and were close to being delivered into a test environment. Not all planned initiatives would occur. Automating aspects of corporate action processing would be deferred because other developments were to take priority. For

example, the new screen consolidation and resizing which was a direct result of feedback received after the launch of the Upgraded ESAS-Austraclear system was under development.

Also designation of the Austraclear system was currently on hold pending proposed changes to the designation legislation.

The automation of lodges and uplifts was proceeding well and a request for Securities Commission approval was to be dispatched imminently. Discussions were taking place with the major registries.

## **INITIAL IDEAS FOR THE 2008/09 PLAN**

The paper presented to the Committee outlined four proposed initiatives for the coming year. Feedback was sought from the Committee on these before they are presented to the full User Group meeting in Auckland on 23 May.

On systems enhancements, the Committee requested assurance that it would be consulted on these and have the opportunity to review the relevant cost-benefit reports. Mike Wolyncewicz assured the Committee that they would be consulted on these initiatives, particularly those that entailed material cost or operational implications. There is a separate agenda item listing each initiative and members could request further information on any of these.

Brian Bonar asked how the Bank prioritises competing initiatives and how it would resolve any deadlock. Mike Wolyncewicz confirmed that the Bank retains the decision-making power for the system, that it would listen to all submissions and if requested would provide written confirmation of the rationale for arriving at a particular decision. Tanya Harris reinforced that while the Bank would always make the decisions, it took seriously the importance of a good quality process which encompassed consultation and transparency.

Brian Bonar asked if any other party was likely to apply for designation, what the benefits were and the related costs. Mike Wolyncewicz responded that as NZX had been instrumental in promoting the designation framework to assist with the launch of their carbon trading product they could be expected to apply for designation once the relevant legislation is passed. The benefits of designation arise in two ways. Firstly, designation provides additional protection and finality for intermediaries in a financial transaction (but the underlying transaction can still be questioned by a liquidator or the like). Second, many offshore jurisdictions provide automatic approval for investors in those jurisdictions to use depositories that are formally regulated in their home country. He did not expect any material costs to be incurred as the statutory charge is \$15,000 + GST and the Bank used in-house counsel, the cost of which was minimal compared to external counsel.

Brian Bonar, Robert Douglas and Mark Lawrence expressed reservations about the proposed interface to NZX given that there was nothing published on the costs and benefits. It was pointed out that the Bank was pursuing the direction that the Committee had given at the last meeting, that of working to achieve an efficient interface that was in the best interest of the market. The Bank had had discussions with NZX but had yet to put a business case together and would consult when it did. Mark Lawrence expressed concern that the development of an interface would add costs to market participants given the Bank recovered its development costs and also given that if two depositories existed there may be fewer members to spread cost over. Brian Bonar added that it would be desirable that the business case for a second depository be reviewed before decisions are made.

Mike Wolyncewicz reminded the Committee that currently there was just one depository and it would not be writing the business case for the second participant, but nevertheless the point that an interface had to be cost-effective was well understood and indeed the draft objective referred to the need for the interface to meet that criterion. The Bank was in the comparatively good position of having an existing SWIFT interface for Austraclear although it had yet to assess how much modification was required in order to process the new message types required to communicate with the NZX system. He assured the Committee the Bank would not commit to a material development without seeking member views first. At the moment the Bank and NZX were working together very willingly, details were being shared but expectations around timeframes would not to be established until there was better understanding of what the interface proposals entailed. Mike Wolyncewicz was confident that the investigative work done at this point did not involve an unduly large call on resources and the Bank was complying with the brief from the earlier meeting and was not proceeding with commitments before a full understanding had been established.

Sarah Drennan stated that this issue was particularly important with brokers and they needed to be integrally involved in any proposals.

Robert Douglas asked what governance arrangements were contemplated when NZX has a system in operation. Mike Wolyncewicz said the Bank would continue its existing arrangements with the User Advisory Committee an essential part of its structure, but that he could not see what joint governance arrangements would be needed for two competing systems if they both adhered to international securities and financial processing standards, and it was up to the NZX to determine how it would govern its own system.

Mike Wolyncewicz clarified that the proposed back up site for the Bank would be located in Auckland. The proposal would provide business support capability in the event of a regional issue in Wellington and would involve only a small number of staff in respect of the Austraclear and ESAS systems. It was noted that the Bank already has mirrored computers in Auckland and Wellington which are continuously synchronized. Having a second site that had business capability in addition to the existing computer system redundancy would help to mitigate risks and would assist in meeting international standards.

## **NEW REGULATORY REGIME FOR SETTLEMENT SYSTEMS**

No further discussion took place, this item having been covered in the previous agenda item.

## **REVIEW OF RBNZ DEVELOPMENT WORK**

Members reviewed the development schedule. Brian Bonar noted that ESAS and Austraclear were integrated systems that resided on the same computer and asked why ESAS and the Bank's CLS membership issues were included on the schedule given the scope of this Committee's mandate. Mike Wolyncewicz replied that the intention was to keep the Committee fully informed on what the Bank's development team (which is a shared resource across ESAS, Austraclear and the Bank's proprietary settlements team) were working on so they received a comprehensive picture. We could add an additional column to the report which sets out the name of the system which is impacted by the particular task.

Members talked to particular initiatives or proposals. Miles O'Conner spoke about how the settlement tolerances system worked in Australia with tolerance scaled to the settlement amount. More analysis work would be required before advancing this and the Bank would

gauge interest and seek feedback, although this is likely to be in the medium term given the volume of work currently underway.

Sarah Drennan asked about a loss of efficiency in the upgraded system; users could no longer copy a user profile and instead had to re-enter profiles for new users completely from scratch. The Bank will take a closer look at this and get back to Sarah and the membership.

Miles O'Conner undertook to come back after the meeting with information on options for the use of short cuts.

## **REVIEW OF OPERATIONS TO 28 FEBRUARY 2008**

The matter of the recent processing of the partial takeover of Auckland International Airport was raised. It was noted that a subset of members were scheduled to meet on this in two weeks and they would invite AIA's share registry to participate. The objective of the meeting was to analyse the issues that arose and make sure that key learnings are applied when complex corporate actions are encountered in future. Any substantive issues would be reported back to all users.

Datacom had resolved the systems issues that had been encountered in early February. Dave Mitchell reiterated that the set of performance metrics should be expanded and Adrienne Barlow agreed that this was currently underway and the reporting required would be added to the suite soon. Robert Douglas added that it would be good to obtain information on the extent of trade repairs. The Bank would endeavour to do this for trades that were submitted via the SWIFT interface.

An issue had occurred the previous day when start of day was delayed by approximately 15 minutes. Mark Lawrence requested that a report be given to members for these incidents as members had on-reporting obligations to their clients. Mike Wolyncewicz confirmed that the Bank had a policy of reporting explanations of outages to members. Brian Bonar confirmed that he was happy the Bank followed up on operational issues encountered by members and it applied the same standards to its own operations.

## **RTGS HELP DESK CUSTOMER SURVEY**

Mike Wolyncewicz talked to the paper. While the survey results were very pleasing, the Bank wants to make sure that members feel free to provide suggestions or feedback on its performance at any time. In particular if there is a short-coming it is really important to get feedback at that time so service recovery options can be put in place together with remedial action to prevent reoccurrences of issues. It was suggested that the Chair of the Committee could be a point of contact for the Bank where members felt they wished to add emphasis to a particular issue.

Brian Bonar asked why the survey covered ESAS matters when the Committee had a mandate for Austraclear only. Mike Wolyncewicz responded that all ESAS accountholders (except for CLS Bank) were Austraclear members and given that the help desk was manned by the same people and was for both systems, it was more efficient and appropriate that one survey was conducted in respect of both systems.

**INTERACTION WITH NZX**

This matter had been discussed under the paper “Initial Ideas for the 2008/09 Plan” agenda item reported above.

**OTHER BUSINESS**

Mike Wolyncewicz thanked participants for their contribution and commented that the meeting had gone well and he was pleased with the level of engagement. He felt there was much better dialogue, understanding and follow up than occurs in a presentation-style forum.

Scott Sinclair then closed the meeting.