

**MINUTES OF THE MEETING OF THE AUSTRACLEAR NEW  
ZEALAND SYSTEM USER ADVISORY COMMITTEE HELD BY  
TELECONFERENCE THURSDAY 3 SEPTEMBER 2008 AT 9 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  
Rebecca Murphy

**Datacom**

Graeme Beasley

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**APOLOGIES**

Donna McDiarmid	RBNZ
Tanya Harris	RBNZ
Kevin Jamieson	RBNZ

**MINUTES**

The minutes of the meeting of 3 April 2008 were accepted.

**REVIEW OF OPERATIONS TO 31 JULY 2008**

Mike Wolyncewicz talked to the report. Focus of the discussion was on the recent system slow-downs and the status of investigative work. Graeme Beasley advised that Datacom's monitoring of the system had been extended significantly and that the issue which appeared periodically is consistent with a known Sun operating issue and not an issue with the application itself. The issue had been replicated in test only the day before the meeting and a software patch from Sun will now be applied and tested with a view to promoting it to production on 13 September (if the test is successful).

Mike Wolyncewicz emphasized that even though the impact of the issue was contained and did not have a protracted or severe affect for users, the Bank and Datacom have treated the issue very seriously and have applied extensive resources to identifying and remedying the matter.

Mark Lawrence thanked the Bank for keeping the industry informed of the issue and progress being made.

In response to a question from Robbie Douglas, Graeme Beasley confirmed that the change control procedures for promoting new code to the production environment had been changed with a greater level of automated checking, so reducing the risk of recurrence of the code release change issue that had occurred on 30 June.

Mike Wolyncewicz confirmed that the suite of performance measures was being enhanced and that a draft report on turnaround times for new issues set up had been sent to Dave Mitchell for review.

Mike Wolyncewicz stated that the Austraclear rules amendments would be circulated to members in late September and that the feedback received would be considered at the next User Advisory Committee meeting. The changes were expected to be relatively modest and were intended to clarify existing rules, particularly with respect to the process for lodging securities in to the system.

The graphs showing volumes and values passing through the system were taken as read with a note being made of the usual slow-down of activity during the peak summer months for the northern hemisphere.

## **PROGRESS AGAINST THE PLAN FOR 2008/09**

Mike Wolyncewicz talked to the progress report. While it is early in the financial year, progress on most of the planned actions has been slower than expected and this is due to the resource being applied to resolving the periodic systems slow-downs. Additionally, the Bank is reluctant to make changes to the environment until that issue is resolved.

Robbie Douglas emphasised that it is important that the Bank sets out deadlines and assumptions used to arrive at those deadlines so as to inject realism into forecasts and planning, and ensure more robust management. Mike Wolyncewicz and Adrienne Barlow agreed and will ensure there is more transparency with additional detail being provided on the basis for planning and progress made.

A positive development was that the Securities Commission had emailed all members earlier this week asking for feedback on the proposed registry interface for non-FASTER securities. It was noted that an interface for FASTER securities would emerge as part of the project for interfacing the new NZX system and Austraclear.

## **REVIEW OF RBNZ DEVELOPMENT WORK**

Members reviewed the development schedule.

Sarah Drennan asked for clarification about the statement that matching tolerance had been included in the Austraclear SWIFT Interface Phase 2 project which had been completed.

The Bank stated the development output would be completed at a better pace when the outage issue was resolved. The ESAS Enquiry screen enhancements is near completion and the next major initiative is the TRANSACT screen.

## **ANNUAL REPORT FOR 2008**

This was taken as read. Mike Wolyncewicz stated that during the current year the Bank would be focusing on delivering functional enhancements, the interface with the NZX and improving the system availability metric to nearer where it had been in the past.

## **INDUSTRY DEVELOPMENTS**

The meeting briefly discussed:

The Reserve Bank of Australia Payment System Board's report and recommendation that the CHES system move to line by line settlement. Mike Wolyncewicz stated he believed that the RBA did not recommend full line-by-line settlement but a variation on this given capacity constraints. Miles O'Connor stated that the report was still being discussed and that the RBA was still consulting with the industry.

Dave Mitchell asked for clarification of international settlements practice. Mike Wolyncewicz stated that there were a variety of settlement models with the Bank using "model 1" (gross settlement in central bank funds). Other models existed such as model 3 (net settlement). Whilst different models exist, they meet the best practice principles laid down for the CPSS and IOSCO in different ways.

The Bank's press release in mid June. Mike Wolyncewicz stated that the bank felt it was important to clarify the facts about the state of settlement systems. Further correspondence and meetings had occurred with NZX and the relationship between the NZX and the Bank was on a better footing.

The proposed interface between Austraclear and NZX. Mike Wolyncewicz clarified that a draft specification was available, but more work was still required and this had not been worked on for some months. An approach would be made soon to NZX in order to restart discussions.

Robbie Douglas about the interface, who regulated it and what would happen if there was an issue. Mike Wolyncewicz said he believed that the interface would use SWIFT which is regulated by the Belgium central Bank. He added the ESAS system has long used SWIFT as an interface for receipt of payment systems. *Post meeting note: the ESAS Terms and Conditions make it clear that the Bank's service boundary for ESAS starts at the point that SWIFT messages enter the Bank's computers with the relevant accountholders being responsible for service matters for SWIFT as a service provider to that accountholders. If NZX-Austraclear messages do not travel over SWIFT then there may be a need to establish an interconnection agreement to clarify roles, responsibilities and obligations.*

In response to a request from the Committee regarding Kauri issues, Mike Wolyncewicz talked about the criteria the Bank employs for acceptance of securities. Further, for tax reasons offshore members are prohibited from holding securities other than New Zealand Government Securities. RBNZ will consider allowing other securities to be held by non

resident members if, and only if, an acceptable tax opinion is made available by the issuer providing full assurance that payments on the security are not subject to non-resident tax and/or AIL.

### **OTHER BUSINESS**

Sarah Drennan mentioned that the SIA (Securities Industry Association) would soon write to the Reserve Bank, NZX and Officials regarding Austraclear and related business objectives. There was no other business.

Scott Sinclair then closed the meeting.