

Notes from Austraclear User Group Meeting  
22 May 2009

Members were updated on what has happened over the last 6 months since the previous meeting.

It appears that we haven't been busy, but the focus has been on system stability. As members are aware, from time to time grey screens and system slowness has occurred. The graphs in the presentation highlight that the system availability has been within our SLA. Not all downtime can be attributed to the system as we or our members can and are affected by Telco or utility providers. Graeme Beasley from Datacom gave an update on the work undertaken to address the issues. The last two changes in this space are due to be productionised the first weekend of June.

Ben Waterreus updated the attendees on the progress of the new TRANSACT function. We expect to deliver to the industry in the 4<sup>th</sup> quarter 2009. He also mentioned another large piece of work called SBI (Settlement before interchange). This work is for the banks, but has a 2 year development and delivery timeframe.

Adrienne Barlow advised the Registry Interface (straight through processing of lodges and uplifts to registries) development is with the Securities Commission awaiting a response to the Rule changes requested by them. Once this development is approved and developed the turnaround time for lodges and uplifts will be minimal. Risk associated with manual processes will also be further reduced. The other development in the pipeline is the interface with the new NZX system. The NZX have advised a go live date of 20 November 2009, but advised that the use of FASTER will still be available as several of their participants won't be in a position to change to the new system. Our intention is to have this interface ready for the NZX go-live.

Andrew Rodgers an Advisor with the Reserve Bank Prudential Supervision Department gave an overview of the impending new regulatory regime and the impact on the market place.

The Austraclear revenue is down 11% against budget, fixed interest volume down 12% and equities down 16%. Our full year fee take including transactions, network and subscriptions is around \$4 Million. At this point we don't propose any fee changes.

This corporate action season has been a nightmare for all involved, due to the complexity of capital raising design. Unfortunately, the types of actions used for this purpose pose participation issues for CSD's and nominees. We have contacted the NZX legal team, had an initial meeting with the Takeovers Panel and are looking to engage the Listed Companies Association to get clarity on the level of participation and look-through to the underlying shareholders.

The User Advisory Committee brought to our attention the timeliness of setup of new securities in Austraclear. After discussions it appears that front offices are instigating deals for their new issues in the morning, but not advising their back office to setup the new security (using the FINEWISS function) and settle the trade until later in the day. This causes frustration in the market as counterparties are unable to setup the

securities to record the deal correctly on a timely basis. RBNZ will visit these issuers and request they assist the industry.

Business continuity preparedness is back in focus due to the “Swine Flu” scare. The RBNZ ran a bank- wide exercise, which helped to highlight areas that require further work.

At the November meeting a questionnaire was circulated on proposed developments, which was then sent to all the members. Eleven members participated and currently the only change that has been added to our development programme is a change to the unit price (equities) and yield (fixed interest) so that the fields take 6 decimals points and removes these fields matching criteria. With more and more members using the SWIFT Interface this area is creating issues, therefore we expect this change to come to production around September.

Questions on two proposals, a SWAPS module and matching tolerance for cash, will be brought back to the membership later this year.

Mike Wolyncewicz updated the meeting on the User Advisory Committee’s role and thanked the current committee for their time and participation. He also advised that elections for a new committee will happen this year. We will be calling for nominations around July/August. A list of the current committee is in the presentation slides and members were advised that if they had an issue and felt unable to approach us directly they could take it to their committee representative to bring to the table.

Mike then advised of the “Key Initiatives” for the 2009/10 year stating that the new year will be about delivering our unfinished business rather than adding to the list. He also advised of the plan to open a small office in Auckland by 1 July 2010. The list of proposed initiatives is in the presentation slides.