

**MINUTES OF THE MEETING OF THE AUSTRACLEAR NEW ZEALAND
SYSTEM USER ADVISORY COMMITTEE HELD BY TELECONFERENCE
9 SEPTEMBER 2009 AT 9AM**

Attendees:

Sarah Drennan	Craigs Investment Partners (Chair)
Dave Mitchell	Computershare Investor Services Limited (Deputy Chair)
Patti Bow	HSBC Nominees Limited
Miles O'Connor	Citibank
Peter Barnes	Bank of New Zealand

RBNZ:

Mike Wolyncewicz
Adrienne Barlow
Tanya Harris
Aaron Mishkin

Datacom:

Graeme Beasley

APOLOGIES

Chris Knight	ANZ National Bank Limited
Mark Lawrence	ANZ Nominees Limited
Kevin Jamieson	RBNZ
Rebecca Murphy	RBNZ

DISCUSSION WITH NZX REGARDING THEIR CCP DEVELOPMENT

Simon Richardson and Simon Smith were on line to update the Committee on the NZX system's development project. Before the meeting they had provided the Committee with a written response to questions that Committee members had forwarded to NZX late last week.

NZX confirmed that they were still working towards a go-live date for the system of 20 November, and that a further update would be provided in two to three weeks.

In response to a question, the Committee was informed that while all back end vendors working for participants had successfully entered the system and were actively working in it, some had successfully sent messages to registries and undertaken transaction processing, but others had not successfully undertaken end-to-end testing at this time.

Simon Smith walked through a brief overview of settlement timings for the CCP and the gross settlement system. This included having two settlement batches for the CCP. The Committee felt it would be useful if this information outlining participants'

obligations, which it appears may be included in systems documentation on the NZX Wiki, could be provided to users so they knew exactly what they had to do by what time each day. NZX agreed that the development was now at the stage where regular updates should be given and agreed that these would be provided at least monthly.

Mike Wolyncewicz stated that the RBNZ had confirmed that the Bank planned to complete its testing of the new interface to NZX by 6 November and that users would have approximately one week to familiarise themselves with this. NZX confirmed that if the Bank's interface development is delayed, an acceptable workaround would be for the Bank to continue to process stock movements via FASTER which would still be available until the middle of 2010. If the interface was delayed, this would not impact the NZX go-live decision, although participants would need to be comfortable continuing to use the existing process.

NZX were thanked for their update, and were asked to keep information flowing.

MINUTES

The minutes of the meeting of 6 May 2009 were accepted.

MATTERS ARISING

The following matters remain outstanding and will be followed up:

The problem with EQSUPLAN (if another member has failed to exit the system) has been recorded in the system work schedule, but is a low priority.

Tidy up name and address database details of all customers. A mail out will take place shortly. In particular members will be reminded to update details to ensure that mail outs from the NZCSD "sub-register" hold the correct contact details.

RBNZ will continue to consult with registrars and issuers of RMBS to remind them of key aspects of RMBS issues required to ensure standardization in the market. RBNZ will also provide the standard to the major trustees and the Registry Committee of the Trustees Association.

ELECTION OF CHAIR

Sarah Drennan was unanimously elected Chair of the Committee.
Dave Mitchell was elected Deputy Chair.

REVIEW OF OPERATIONS TO 31 AUGUST 2009

Mike Wolyncewicz spoke to the report. He noted that the programme of system upgrades and fixes had been completed and that the system was operating as expected. Two outages had occurred in August. The first (7 minutes) involved Oracle and could not be replicated, so system monitoring has been increased. The second (60 minutes) involved a problem with system logic dealing with the occurrence of a low probability combination of events. A fix is currently in test. The Bank would also look

at enhancing system alerts so that when settlements have not occurred for a specified period of time an alarm is raised.

The Bank would email a copy of a Takeovers Panel consultation document concerning proposals to amend the Takeovers Code to remedy scaling issues that have arisen with partial takeovers where a nominee acts for several beneficial owners. The Bank encourages members to make submissions to the Takeovers Panel on this document.

Activity for the two months of the financial year has been weak. In part, this is explained by northern hemisphere holidays.

Dave Mitchell raised an issue with respect to frequent requests by NZCSD on behalf of members for temporary changes to issue transaction multiples and holding minimums. Such changes involved risks for issuers and traders with respect to whether transactions were being undertaken by wholesale rather than retail participants with implications under securities law.

Various suggestions were canvassed, including the inclusion of minimum and multiple parameters in the securities listing that is posted each day on the Bank's website and a reminder in the next Austraclear newsletter on the reasons for the rules and that they need to be enforced. The Bank would follow up with Dave Mitchell.

PROGRESS AGAINST PLAN FOR 2009/10

The report was taken as read. All-in-all progress is very satisfactory, with issues carried over from last year now well advanced.

Discussion took place concerning the change of name to *NZClear*. Timing of this is uncertain. The Bank is keen to change as soon as possible, but does not want to crowd out development work. Dave Mitchell highlighted that the implications of a name change are potentially far-reaching, for example law firms should be advised of the change as the system is often named in issuers' documents.

REVIEW OF DEVELOPMENT WORK

TRANSACT is dominating development work. Testing is being rerun now, roadshows will be held in the next two weeks in 4 cities and the new screens will be made available to all users in the test environment. It is very important that members familiarise themselves with the new screen as the old ones will be disabled from 9 November when TRANSACT is delivered to production.

A major project on the immediate horizon is Settlement Before Interchange (SBI). This will replace the NZBA's ISL functionality with SWIFT-based file exchanges. While not an Austraclear initiative, given the deep interconnections between ESAS and Austraclear and the fact that these systems share development resources, there will clearly be systems implications.

Peter Barnes stated that SBI had significant operational resource and liquidity implications and agreed that the Bank should be involved in discussions by the banks

that are impacted as they meet in smaller groups to assess the operational implications.

ANNUAL REPORT FOR 2008/09

The committee received the *Annual Report* which would be sent out to members shortly and would also be posted on the Bank's website. Mike Wolyncewicz confirmed that it had been a challenging year for the systems operator, but ultimately the system accomplished what it was designed to achieve broadly to the standards expected by users and the Bank.

PROPOSED RULE CHANGES

The Committee noted that the Bank had consulted on the proposed Rule changes and had responded to the feedback received from respondents. The Bank will promulgate the changes shortly.

INDUSTRY DEVELOPMENTS

Brief discussion occurred with respect to the NZX interface development. Mike Wolyncewicz confirmed that development was now underway. The all-up cost is approximately \$250,000. He stated that developments of this nature and size occur periodically and noted that the overall cost base will not be negatively impacted because the SWIFT interface development will be fully depreciated late in 2010. Depreciation charges for the NZX interface would replace those previously incurred in respect of SWIFT.

Uncertainty remains with respect to the timetable for passing legislation required to enact the regime for designation of settlement systems. Nevertheless, the Bank has drafted an application for designation which will be submitted to the joint regulators immediately after they commence acceptance of applications.

Mike Wolyncewicz confirmed the consultant Reuben Lee had been commissioned by the Capital Markets Development Task Force, not the Reserve Bank and the report prepared by Mr Lee needed to be released by the Taskforce, not by the Bank. The Bank would consider the report and recommendations and consider this with users once the report is available.

OTHER BUSINESS

Peter Barnes noted recent reductions in system liquidity. The aggregate level of liquidity in the system is managed by the Bank's Financial Markets Department. Peter had spoken to the Bank and been advised that, at set intervals, the Bank posts advice of system liquidity levels on Reuters. He asked that the Bank provide the same advice to back offices (ESAS operators). Adrienne agreed to follow this up.

A question was asked about the Bank's license of the Austraclear system. Mike Wolyncewicz confirmed that the current license ends in 2015 and that the Bank had a right of renewal for a further 25 years, on terms to be agreed. The Bank has

approached ASX (the parent company of the licensor) and commenced discussions on the renewal.

Meeting closed at 10.10 am

Agreed that the next meeting would occur in early December after go-live of TRANSACT. The Bank would host a function for Committee members on the evening of 5 November (which is the day preceding the ESAS, SWIFT and Austraclear user group meetings in Wellington). Details will be advised shortly.