

Securities Transfer (Approval of Austraclear New Zealand Electronic Registries Interface System) Order 2010

SR 2010/4

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Pursuant to section 7 of the Securities Transfer Act 1991, His Excellency the Governor-General, acting on the advice and with the consent of the Executive Council, and on the advice of the Minister of Commerce given in accordance with a recommendation of the Securities Commission, makes the following order.

ORDERS

1 Title

This order is the Securities Transfer (Approval of Austraclear New Zealand Electronic Registries Interface System) Order 2010.

2 Commencement

This order comes into force on the 28th day after the date of its notification in the *Gazette*.

3 Interpretation

In this order, unless the context otherwise requires, terms and expressions have the same meaning as in the Securities Transfer Act 1991.

4 Approval of system for electronic transfer of securities

The system known as the Austraclear New Zealand Electronic Registries Interface System, the essential requirements of which are described in the Schedule, is approved for the transfer of securities.

Schedule

Description of Austraclear New Zealand Electronic Registries Interface System

(cl 1 to cl 2)

cl 4

1 Interpretation

For the purposes of the description of the Austraclear New Zealand Electronic Registries Interface System,—

Austraclear NZ means the payment and securities settlement system operated by the Reserve Bank under the name Austraclear New Zealand or any other name that may be subsequently designated by the Reserve Bank and notified to members in accordance with the rules

CSN means common security holder number and, in relation to a registry account holder, means the registry account holder's registry account number

FINEWISS security means—

(a) a fixed interest new issue registered certificate of deposit issued by a member in accordance with the rules:

(b) any other security that the Reserve Bank may allow to be issued in accordance with the rules

ISIN, in relation to an issue of securities, means the identification number for those securities

ISO 15022 means the ISO 15022 standard for financial services messaging set by the International Organization for Standardization and includes any amendment to, or replacement of, that standard

lodge, in relation to securities, means the transfer to NZCSD of the legal title to securities in accordance with instructions from a member to Austraclear NZ

member means a member of Austraclear NZ

NZCSD means New Zealand Central Securities Depository Limited, a wholly owned subsidiary of the Reserve Bank

PIN, in relation to a registry account holder and a registry account, means the registry account holder's confidential personal identification number

registered bank has the same meaning as in section 2(1) of the Reserve Bank of New Zealand Act 1989

Reserve Bank means the Reserve Bank of New Zealand

rules means the rules of Austraclear NZ

uplift, in relation to securities, means the transfer from NZCSD of the legal title to securities in accordance with instructions from a member to Austraclear NZ.

2 System description

The Austraclear New Zealand Electronic Registries Interface System is the system within Austraclear NZ for the electronic transfer of securities to and from NZCSD as custodian trustee for Austraclear NZ. The essential features of the Austraclear New Zealand Electronic Registries Interface System are the following:

Connecting to Austraclear NZ

(a) an individual may only electronically access Austraclear NZ on behalf of a member by first logging on as that member, using the member's logon details, and then logging on as an individual authorised by that member using his or her personal logon details:

(b) electronic messaging between members and Austraclear NZ is encrypted:

(c) members connect electronically to Austraclear NZ through the SWIFT network, the private ESAS-Austraclear network, or the Internet:

(d) if members connect to Austraclear NZ through the Internet, they are required to provide additional network authentication using a device provided to them by the Reserve Bank:

(e) Austraclear NZ allocates a unique identifier, confidential to Austraclear NZ, for each member's network:

- (f) Austraclear NZ performs an additional cross-check on each member logon to confirm that the system is being accessed from that member's network or using an authentication device issued to that member:

Electronic entry of transaction instructions

- (g) a member enters the following information electronically into Austraclear NZ to initiate a transfer:
- (i) the member's unique Austraclear NZ mnemonic;
 - (ii) the CSN of the registry account holder whose securities are being lodged or to whom securities are being uplifted;
 - (iii) the full legal name of the registry account holder whose securities are being lodged or to whom securities are being uplifted;
 - (iv) if the transfer is a lodge of securities and the member initiating the transfer is not the registry account holder, the registry account holder's PIN;
 - (v) the ISIN for the securities being transferred;
 - (vi) the number of units of the securities being transferred;
- (h) if securities are electronically lodged and the member initiating the transfer is not the registry account holder, the registry account holder's PIN is not visible on the input screen, is only stored temporarily in Austraclear NZ, and is not visible in any form within Austraclear NZ or during transmission:
- (i) if the information entered by the member is validated by Austraclear NZ, it is formatted into a unique message that complies with ISO 15022, assigned a unique transaction identifier, and sent within a unique encrypted file via a secure transfer mechanism to the registry:

The electronic lodge and uplift of securities

- (j) if the information in the file is validated by the registry—
- (i) in the case of an instruction to lodge securities, the name of the transferor is removed and the name of NZCSD is entered as the registered holder of the securities;
 - (ii) in the case of an instruction to uplift securities, the name of NZCSD is removed and the name of the transferee is entered as the registered holder of the securities;
- (k) the registry sends a message that complies with ISO 15022 to Austraclear NZ via a secure transfer mechanism either advising validation failure or confirming the transfer of securities:
- (l) on receipt of a message from the registry confirming the transfer of securities, Austraclear NZ updates its records and member accounts to reflect the transfer and marks the relevant lodge or uplift as being complete:
- (m) each successful transfer results in notification by the registry to both the transferor and the transferee in accordance with that registry's usual practice for transfers:
- (n) reconciliation of all electronic transfers is performed as follows:
- (i) at the time of transfer, each message sent to the registry is matched by a return message to Austraclear NZ and a list is kept of all unmatched messages and those that result in negative responses;
 - (ii) Austraclear NZ performs a daily reconciliation for each security between aggregate holdings recorded in Austraclear NZ and the relevant holding in NZCSD's accounts at the registry:

Essential provisions in the rules relating to electronic transfers and essential features of NZCSD

- (o) the rules provide that only members who fit at least 1 of the following categories may electronically lodge another person's securities:
- (i) registered banks, subsidiaries and holding companies of registered banks, and other subsidiaries of holding companies of registered banks;
 - (ii) trustee corporations (as defined in section 2(1) of the Trustee Act 1956);
 - (iii) persons subject to the conduct rules of an exchange registered under Part 2B of the Securities Markets Act 1988;
 - (iv) an issuer of FINEWISS securities who is registering a FINEWISS security for which they are the issuer;
- (p) the rules provide that members must indemnify issuers and any person out of whose registry account a security was wrongfully transferred against all losses, damages, costs, and expenses suffered or incurred as a result of an inaccurate or wrongful lodge effected by the member through an electronic security transfer function provided by Austraclear NZ:
- (q) the rules provide that no person is eligible to be a member or to remain a member unless the Reserve Bank is satisfied that that person has the capacity to meet its present and future obligations under the rules, having regard to—
- (i) the person's operational capacity; and
 - (ii) the person's financial condition; and
 - (iii) the person's business continuity arrangements; and
 - (iv) the person's character and business integrity; and
 - (v) any other considerations that in the opinion of the Reserve Bank relate to the standing of the person and the integrity of Austraclear NZ:
- (r) NZCSD's capacity, rights, powers, and privileges are restricted by its constitution to those necessary to carry out its sole function of acting as custodian trustee for Austraclear NZ in accordance with the rules.

Michael Webster, for Clerk of the Executive Council.

Explanatory note

This note is not part of the order, but is intended to indicate its general effect.

This order, which comes into force 28 days after the date of its notification in the *Gazette*, approves the system operated by the Reserve Bank of New Zealand known as the Austraclear New Zealand Electronic Registries Interface System as a system for the transfer of securities for the purposes of the Securities Transfer Act 1991.

Section 7 of that Act provides that securities may be transferred in accordance with a system of transfer that is wholly or partly electronic and that is approved by the Governor-General by Order in Council.

PROMULGATION

Issued under the authority of the Acts and Regulations Publication Act 1989.

Date of notification in *Gazette*: 4 February 2010.

This order is administered by the Ministry of Economic Development.

Publisher's Note

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