

Minutes of the Austraclear User Group meeting 21 May 2010

Mike Wolyncewicz opened the meeting and advised the attendees that the investigation of a potential joint venture with NZX Limited has not yet been completed. An announcement will be made jointly by RBNZ and NZX when the investigation is completed. He then handed over to Adrienne Barlow.

Adrienne gave an overview of the last 6 months, advising we have applied for designation of the Austraclear system, soon to be known as NZClear. Adrienne thanked all those members that participated in our customer survey. Overall the results were very pleasing, but we always strive to improve and are interested in feedback about our service at anytime. Adrienne confirmed that RBNZ has commenced discussions with ASX on the terms for renewal of the licence allowing the RBNZ to operate the Austraclear New Zealand system. The current license expires in 2015, and RBNZ has a right of renewal for a further term of 25 years on terms to be agreed. As required under the Rules, the Austraclear User Advisory Committee will be consulted on the proposed terms of renewal.

A large number of changes have been released to the production system during this period, with the majority having no impact on the end users, the most significant being the upgrade of the code signing certificates and Unix and Oracle patches.

Adrienne also advised that we had lost our two corporate action staff and had recruited Shane Bates as our corporate actions specialist. Also our part-time CLS night shift staff Mike and Jeff had resigned to travel overseas and their replacements are Krystel and Aimee.

Graeme Beasley from Datacom gave an update on plans underway to improve system performance as a number of members had advised they were experiencing sluggish response times. Graeme advised that Datacom had undertaken a huge amount of analysis work in this area and the results are broken down into three areas -the system, network and application. He advised there are no issues with the system itself (memory, CPU, paging), in the network area there are no issues with Internet access, some members have their One Office link fully utilised for periods. The speed of the connection, number of users and load will create an impact. The base requirement is 128kbps per concurrent user and we have addressed this with individual members. An issue was uncovered in the way the core network was routing synch traffic over the RBNZ One Office network which caused congestion for router based Members. The Reserve Bank has now corrected this configuration and all traffic is flowing correctly.

On the application front the ESASENQ function is being modified to use the same "session pooling" used by the TRANSACT function. This will eliminate screen refresh/presentation issues for ESAS accountholders if they process a large number of transactions on one day.

The other area is to optimise data access, retrieval and presentation. One initiative is to make changes to the auto-refresh timer in the TRANSACT screen by changing the 6 second refresh to 15 seconds. Datacom have also identified some benchmarking and fault isolation tools which will assist in monitoring performance. A "ping" utility will be installed on the application, which will monitor the client-to-application response times, assisting the RBNZ to isolate individual members' network related issues.

RBNZ will keep members informed on progress with the analysis of response times and proposed actions.

Graeme also advised the group that the RBNZ and Datacom are looking at options to upgrade the ESAS-Austraclear system hardware as the servers are now 4 years old (this initiative is known as "TR3" short for Technical Refresh 3). The likely timeframe for this upgrade will be late 2010 to early 2011.

Graeme talked about renaming of Austraclear displaying a couple of the screens with the new NZClear logo and wording.

Adrienne confirmed that with affect from 26 June 2010 the Austraclear New Zealand system would be renamed "NZClear". The new name and logo had been confirmed earlier following final approval of the trademark for the name.

Password controls was next on the agenda. Adrienne told the group that RBNZ is considering changing the way passwords rests occur. These changes will make members more self reliant and improve controls for their systems administration.

Settlement Before Interchange (SBI) is a large development that is currently underway. This initiative changes the way that retail banking transactions are currently processed by financial institutions that currently use the services of Interchange and Settlement Limited. Datacom are developing a prototype which will enable retail transactions to be interchanged bilaterally by financial institutions over SWIFT with settlement of the net value of underlying transactions occurring in ESAS before the underlying file is interchanged. Following this prototype the actual build will proceed in three streams of work. SBI uses completely new sets of messaging formats and protocols, and the interface between SWIFT and ESAS will be rebuilt. A contingency process known as "Third Level Contingency (TLC)" is being provisioned in Austraclear- TLC will allow transactions to be processed via Austraclear and interchange files to be exchanged should the SWIFT network be unavailable. As part of this development the current time constraints within the system will be changed so that the system can be operational 24/7, if required.

On the SWIFT front we are migrating to Alliance connect Gold in the next quarter of 2010 and planning is underway for SWIFT v 7.0 which is due to be released by SWIFT late 2010. Also a hardware and operating system upgrade is required in the near future.

Screen shots of the NZX and Registry Interfaces with Austraclear were displayed. Adrienne talked through the simplicity of use of these screens. They have been incorporated into the TRANSACT function making it more of a one stop shop for members. For the NZX Interface the electronic uplifts are created in Austraclear and the lodges in BANCs. This interface uses the Austraclear SWIFT Interface (ASI), the average turnaround time to complete an uplift/lodge is about 10minutes.

The Registry Interface has been built using SWIFT message types also, but delivered utilising a standard web protocol. Computershare is the first registry on board and we are due to go live late June early July. This interface will only be available for members with 22 or 33 CSN's. A 33 CSN will require a FIN which is

fully encrypted and not stored or retained on the system at any time. Both the uplift and lodge are created in the Austraclear system with an average turnaround time of 5 minutes.

These interfaces will reduce risk for all parties, minimise turnaround times and save trees as the paperwork will decrease significantly.

Other initiatives on our development agenda that we have reported on in the past are Settlement Tolerances, Reporting and Corporate Actions. These are still on our radar, but with the amount of work we have on this year possibly only one will be taken further in the next year.

Mike Wolyncewicz recapped on NZCSD starting in the late 1980's and ending with today – all the bullet points of this recap are in the slide presentation on our website..... He concluded his presentation with some thoughts including observations that volumes are steady to declining, clients' businesses are consolidating, STP has been introduced, the payment system has proved its worth in times of stress, corporate actions are still a big risk area with improvement initiatives underway within the industry, system governance and consultation is sound and all participants need to stay completely on top of technology.

Adrienne presented a summary of business activity for the last 6 months highlighting that volumes are steady, but values are lower. In the last 6 months we had experienced two issues with SWIFT, 1 was a bug in SWIFT Alliance v 6.3, the other a number of users in the Asia Pacific were impacted with an outage. The other issue was some code that was implemented and required to be backed out. This was completed prior to 8am one morning with minimal impact for members.

Our objectives for 2010/2011 are bulleted in the slides, highlighting a number of initiatives to be completed over the next year. Year to date our activity, revenue and budgeted profit is below forecast. We will be reviewing the fees this year and will consult with the Advisory Committee on any changes.

Members were advised that a "Tip of the Week" will be available in NOTESQ Chapter 0 to assist in extending users' knowledge. Adrienne asked members to look at their account set up and if they have any obsolete branches they can contact us to close these.

Adrienne closed the last ever "Austraclear NZ" user group meeting. The next meeting in November will be for users of "NZClear".

The presenters' Power Point slides are attached. Please open the slides using the "slide show" option to get the full use of the animation of some screens.