



FMOA

FINANCIAL MARKETS
OPERATIONS ASSOCIATION

MAY
2003

NZ FMOA CHAIRPERSONS REPORT

IN THIS ISSUE

Chairperson's Report

MT103 the way
forward

AGENDA

FMOA CONFERENCE and AUSTRACLEAR USER GROUP MEETING

Friday, 16 May 2003

BNZ Tower, Level 3,
125 Queen Street, Auckland

10.30am	Registration and Welcome
11.00am – 11.30am	"Outsourcing Treasury Operations" Richard Eaddy, Etos Limited
11.30am – 12.30	Corporate Health Check Dr Sven Hansen
12.30 – 1.15pm	Lunch
1.30pm – 3.15pm	Austraclear Users Group Meeting - Austraclear business - Datacom - Reserve Bank of Australia
3.30pm – 3.45pm	Afternoon Tea
3.45pm-4.30pm	"Contemporary Treasury Management" Mary-Jane Daly, Group Treasurer, Fonterra
4.30pm – 5.00pm	"Cricket Professional to Cricket Ambassador" Gavin Larsen, National Bank of NZ
5.15pm	Finish
5.30pm – 7.00pm	Drinks and Nibbles for Austraclear/FMOA members, operations and settlement staff at same venue.

Welcome to another issue of the semi annual FMOA Newsletter. As seems to be the case with our industry we are always faced with new challenges and an ever changing environment, and the current situation in the NZ Market can certainly be categorized in this fashion.

At the moment the big issues for NZ are around the payments infrastructure, and as a result in this newsletter we have a couple of articles which outline two of the key changes facing our industry in the area of SWIFT messaging, and the desire from Banks and the Reserve Bank to move to real time settlement for high value transactions in the world of Corporate Payments, which are traditionally settled overnight through desktop banking systems. Over time both these initiatives will have real impacts for all our organizations so I hope you all get some benefit from these updates.

“these initiatives will have real impacts for all our organizations”

In addition, the FMOA in conjunction with the RBNZ are happy to be hosting the Sydney Futures Exchange in two key presentations to all Austraclear members, where the SFE will outline their intentions in respect of their new product offering, EXIGO.

These presentations will be held in Wellington on 5 May, and Auckland on 6 May. EXIGO will be the replacement for the Austraclear system in the Australian Market (the Aussie version is different to the system currently operational in NZ) and is expected to be implemented sometime in the first half of 2004. This will give Aussie participants a far more functional application with browser front end, multi currency depository and simple host to host interfacing capability (either via SWIFT or leased line) meeting the new SWIFT ISO 15022 standards. SFE also see EXIGO being a potential replacement for the NZ Austraclear system and therefore want to show members what capability this application has so we can all judge whether or not this product may offer us possibilities in the future. All FMOA Members should be aware of these presentations however if for some reason you have missed out, please contact us at maria@fmoa.org.nz

One of the other big issues in the international payments world is in the area of increasing Anti Terrorism and Money Laundering legislation. Since Sept 11 US & European regulators have recommended numerous standards to prevent the financing of Terrorist organizations, and currently NZ is way behind these standards. This is mainly as a result of our lack of real time tracking systems to be able to identify NZD denominated transactions which may be being remitted to parties on the banned Terrorist lists, or payments to NZ accounts which have been initiated by these banned

Individuals/organizations. There are no simple answers to these issues, however one thing is for sure NZ Banks and the Reserve Bank will need to work together to identify systems based solutions to be able to more accurately track these types of payments, otherwise NZ may become a target for Money Laundering of Terrorist funds. Watch this space!!

Finally, we have the semi annual conference for all members coming up on the 16th May. I really look forward to seeing you all there, and from the agenda which is attached to this newsletter you will see we have some real quality speakers, none less than cricketing legend Gavin Larsen, who's speech I'm sure will interest many of you.

Kind regards,

Peter Thomas

Chairperson

FINANCIAL MARKETS
OPERATIONS ASSOCIATION

PO Box 48 057, Silverstream
Upper Hutt, New Zealand
Email: info@fmoa.org.nz
Web site: www.fmo.org.nz

MT103...THE WAY FORWARD

The MT100 Customer Transfer is the most widely used of all SWIFT message standards and has now been around for 25 years. At that time, the only methods of initiating cross-border payments were by paper or telex. This environment formed the benchmark for developing the first credit transfer messages standard which is now adopted by all authorised SWIFT users.

Over the years, SWIFT users started looking for improved automation and straight-through-processing (STP) capabilities, and emphasis was placed on the development of a message type that would support several business scenarios. It became apparent that due to the limitations of the MT100 standard and the drive to automation by the SWIFT community, a new message capable of transporting additional information would need to be designed, and so the MT103 was born.

SWIFT will remove the MT100 message from its FIN network as part of the 2003 Standards Release on 16 November 2003. The MT103 message has been available for general use since 18 November 2000 and its use will be mandatory once the MT100 message has been withdrawn.

There were 3 key reasons for creating the MT103:

1. To increase certainty by providing stricter validation of messages by adding more dedicated fields, reducing free format and providing fewer options.
2. To increase transparency by enabling regulatory reporting and

compliance with European community directives on cross-border payments and Anti-money laundering recommendations. This will be extremely beneficial for the transfer of cross-border payments between banks within New Zealand given the topical FATF Special Recommendations on Terrorist Financing and Money Laundering which is currently doing the rounds in Parliament.

3. To increase automation, which would lead to improved STP, resulting in a reduction in message repair costs.

There will be three different versions of the MT103 message that will cater for several scenarios:

- Core MT103: for general use in the same manner as the MT100 message is at present
- MT103+: for general use but has stricter validation and uses limited fields to enable improved STP

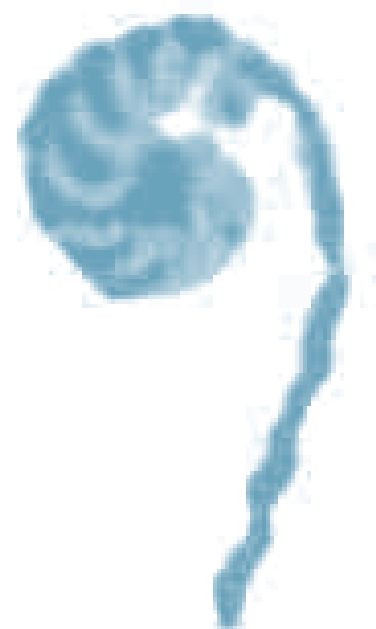
MT103 Remit: allows financial institutions to offer remitters the ability to send an more information (up to 9000 characters) to the beneficiary customer than the Core MT103 or MT103+ provides. The MT103 Remit is only available to institutions that are registered in the MT103 Extended Remittance Information Message User Group. In the past 3 months in particular,

banks in New Zealand have grasped the MT103 with open arms, and as at 31 January 2003, 43.44 % of all customer credit transfers traffic were being sent in the MT103 format. This is a substantial increase considering that figure was only 5.99 % back in July 2002.

“ This environment formed the benchmark for developing the first credit transfer messages standard which is now adopted by all authorised SWIFT users. ”

For the latest information on the MT103, refer to the MT103 site on

www.swift.com



OPERATIONAL RISK

Two Day Workshop: Auckland - 21 and 22 August 2003

PRESENTED FOR THE FINANCIAL MARKETS OPERATIONS ASSOCIATION BY DELOITTE TOUCHE TOHMATSU

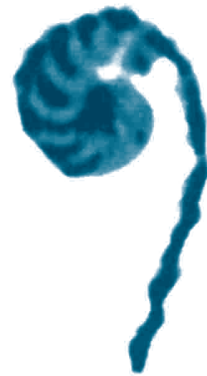
This intensive 2 day workshop will provide an understanding of the risk management process and explore the cause of operational risk events. Current approaches to managing risk are discussed while international standards and best practice are reviewed. Industry initiatives to reduce operational risk and settlement risks are highlighted; and case studies and real life examples are used to link theory to actual events that have placed financial institutions at risk.

Topics explored in this workshop include:

- types of risks in financial institutions
- operations processes and risk management
- risks in payment and settlement systems
- documentation and administrative requirements
- possible operational weaknesses
- common themes of risk events

Practical hands on format
including case studies
throughout

For further information please contact Maria Chandler from the FMOA at maria@fmoa.org.nz or telephone on **04-5289-483**. To register, please contact us at minda@deloitte.com.au.



FMOA
Financial
Markets Operations
Association

www.deloitte.com.au

**Deloitte
Touche
Tohmatsu**

FMOA COMMITTEE MEMBERS

Peter Thomas (Chairperson)
Head of Operations
Westpac Institutional Bank
peter.thomas@westpac.com.au

Robin Allen
Manager
National Nominees Limited
robin_allen@bnz.co.nz

Gillies Cornelius
Settlements Manager
Telecom New Zealand Limited
gillies.cornelius@telecom.co.nz

Grant Davis
Investment Business Analyst
AXA New Zealand
davisg@axa.com.au

Maria Chandler
FMOA Administrator
info@fmoa.org.nz

Paul Chandler (Treasurer)
Head of Wholesale Settlements
National Bank of New Zealand
paul.chandler@nbnz.co.nz

Neil Brydges
Head of Finance & Administration
Macquarie NZ Limited
neil.brydges@macquarie.com

Margaret McKay
Senior Manager Operations
ANZ Custodian Services
mckaym@anz.com

Peter Katz
Austraclear Business Manager
Reserve Bank of NZ
katzp@rbnz.govt.nz

Julie Allen
Deutsche Bank
julie.allen@db.com