

**PUBLIC**

APR 6 1993

RESPONSE OF THE OFFICE OF CHIEF COUNSEL  
DIVISION OF INVESTMENT MANAGEMENT

Our Ref. No. 93-76-CC  
Austraclear Limited  
File No. 132-3

Your letter of February 9, 1993 requests our assurance that we would not recommend any enforcement action to the Commission under Section 17(f) of the Investment Company Act (the "1940 Act") or Rule 17f-5 thereunder if Austraclear Limited ("Austraclear") 1/ continues to act as an eligible foreign custodian pursuant to subparagraph (c)(2)(iii) of Rule 17f-5 for all debt securities in Australia, other than securities issued by the Commonwealth Government of Australia ("CGS"). 2/

Austraclear acts as a custodian of debt securities in Australia (other than CGS) and provides the exclusive electronic settlement and clearance system for transactions involving those securities without the physical delivery of securities certificates. The Austraclear system operates on a delivery versus payment basis. The securities lodged, traded, cleared, and settled through the Austraclear system include (1) bank accepted bills, (2) commercial bills of exchange, (3) negotiable certificates of deposit, (4) promissory notes/commercial paper, (5) inscribed stock or bearer instruments providing for periodic

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- 1/ Austraclear is a corporation organized under the Corporation Law of the Commonwealth of Australia. It was incorporated on January 16, 1981, and its shareholders ("Members") currently include the four major Australian trading banks, foreign banks, merchant banks, and life offices.
- 2/ Section 17(f) provides that every registered management investment company shall maintain its securities and similar investments in the custody of (1) a bank meeting certain requirements, (2) a member of a national securities exchange, (3) the company itself, in accordance with Commission rules, or (4) a system for the central handling of securities pursuant to which all securities of any particular class or series of any issuer deposited within the system are treated as fungible and may be transferred or pledged by bookkeeping entry without physical delivery of such securities, in accordance with Commission rules. Rule 17f-5 provides an exemption from Section 17(f) to allow a registered management investment company to deposit foreign securities in the custody of an "eligible foreign custodian." Rule 17f-5(c)(2)(iii) defines the term "eligible foreign custodian" to include "a securities depository or clearing agency, incorporated or organized under the laws of a country other than the United States, which operates the central system for handling of securities or equivalent book-entries in that country."

payment of interest and issued by Government corporations or instrumentalities of the State of Australia, banks, and corporations.

Austraclear provides a depository facility (security vaults) at all of its mainland capital branches for both bearer and inscribed debt securities. 3/ In its custodian capacity, Austraclear acts as bailee for bearer securities and "nominee" for inscribed stock registered in the name of Austraclear. Austraclear has no interest in or rights against the securities it holds as bailee or nominee. You state that, by immobilizing securities, Austraclear eliminates the risks associated with the physical transfer of securities and greatly enhances the speed and efficiency of settlement of money market dealings for its Members. 4/

Austraclear has a contractual obligation, enforceable through the courts, to all participants within the Austraclear system to ensure the reliable operation of the system and the integrity of any information provided through the operation of the system. To this end, Austraclear has implemented procedures to ensure the accurate recording and daily reconciliation of all securities and monetary movements within its system. Among the safeguards employed by Austraclear is the use of external auditors. Austraclear's Internal Audit Department reports directly to its external auditors, KPMG Peat Marwick, who in turn report to Austraclear's Independent Audit Committee. The external auditors also formally report to all Members (and their auditors) on a quarterly basis. In addition, Austraclear currently has an indemnity policy providing coverage to its Members in the amount of A\$50 million (US\$35 million) for any loss or damage.

In Austraclear Limited (pub. avail. Jan. 17, 1990), the staff granted no-action relief to Austraclear under Rule 17f-5(c)(2)(iii) on the basis that it operated the only clearing facility in Australia that did not require the physical delivery of the underlying security. Since that letter was issued, however, the Reserve Bank of Australia (the "Reserve Bank") has established a book-entry clearing system and depository ("RITS")

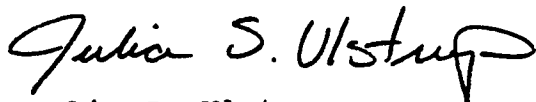
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3/ As of February 9, 1993, Austraclear had securities with a face value of A\$126 billion (US\$85 billion) under its control.

4/ Transactions in debt securities (other than CGS) outside of the Austraclear system are undertaken on a physical delivery basis. We understand that, other than Austraclear, there is no other depository for debt securities (other than CGS) in Australia. Telephone conversation with Andrew Madry on March 30, 1993.

exclusively for CGS. 5/ In addition, the Australian Stock Exchange ("ASX") is currently developing a new electronic clearing system ("CHESS") for securities traded on the ASX that will, among other things, effect transfers of equities by book entry. Consequently, you have requested no-action relief for Austraclear under Rule 17f-5(c)(2)(iii) based on the changed circumstances that now exist in Australia. 6/

On the basis of the facts and representations contained in your letter, particularly your representations that (1) Austraclear operates the central depository and clearing facility in Australia for all debt securities (other than CGS), and (2) since the implementation of the Austraclear system in 1984, no loss of physical securities has occurred and no Member or market participant has suffered any financial loss, we would not recommend that the Commission take any enforcement action under Section 17(f) of the 1940 Act, or Rule 17f-5 thereunder, if Austraclear continues to act as an eligible foreign custodian, as defined in Rule 17f-5(c)(2)(iii), for all debt securities (other than CGS) in Australia.



Julia S. Ulstrup  
Senior Counsel

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5/ See Reserve Bank of Australia (pub. avail. Sep. 2, 1992). In Reserve Bank of Australia, the staff stated that it would not recommend that the Commission take any enforcement action under Section 17(f) of the 1940 Act, or Rule 17f-5 thereunder, if the Reserve Bank acts as an eligible foreign custodian, as defined in Rule 17f-5(c)(2)(iii), for CGS.

6/ You represent that there is no overlap in the types of securities that the Austraclear system and RITS handle. You further represent that, although CHESS may clear and settle certain retail debt securities, you do not anticipate that CHESS will provide any depository services for debt securities. Telephone conversation with Andrew Madry on March 30, 1993.



KEITH USSHER  
MANAGING DIRECTOR

2 O'Connell St. Sydney NSW 2000. GPO Box 4606, Sydney NSW 2001. Tel: (02) 235 0977 Fax: (02) 221 1945 Telex: 176885

9 February 1993

By International Courier

Mr Thomas S Harman  
Chief Counsel  
Division of Investment Management  
United States Securities & Exchange Commission  
450 Fifth Street North West  
WASHINGTON DC 20549  
UNITED STATES OF AMERICA

Act	ICA of 1940
Section	
Rule	17f-5(c)(2)(iii)
Public Liability	4/6/93

Dear Mr Harman

In view of the changed circumstances now existing in Australia, your Department has requested that Austraclear re-apply for a no-action letter following the introduction of a second clearing system and depository for Commonwealth Government Securities.

Following a number of discussions with Mr Robert B Carroll and Ms Julia Ulstrup from your Department, we now submit our formal request for a no-action letter.

Please do not hesitate to contact us should you require any further details.

Yours sincerely

K G USSHER  
MANAGING DIRECTOR



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**INVESTMENT COMPANY ACT 1940**  
**Section 17(5) - Rule 17f-5**

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**TO: THE DIVISION OF INVESTMENT MANAGEMENT**  
**UNITED STATES SECURITIES & EXCHANGE COMMISSION**

**Washington DC**  
**United States of America**

**RE: AUSTRACLEAR LIMITED ACTING AS AN ELIGIBLE FOREIGN**  
**CUSTODIAN UNDER RULE 17(f) OF THE INVESTMENT**  
**COMPANY ACT OF 1940**

**FROM: AUSTRACLEAR LIMITED**  
**Sydney NSW**  
**Australia**

**DATE: February 1993**

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## 1.0 REQUEST FOR NO-ACTION LETTER

Austraclear limited ("Austraclear") operates the Central Depository and Clearing facility in Australia that does not require the physical delivery of the underlying security for all debt securities excepting those issued by the Commonwealth (Federal) Government of Australia ("CGS"). Austraclear seeks assurance from the Division of Investment Management, United States Securities and Exchange Commission ("the Division") that should debt securities, other than those issued by the Commonwealth Government of Australia, beneficially held by United States registered management investment companies continue to be held within Austraclear that the Division would not recommend that the Securities Exchange Commission take any enforcement action under Section 17(f) or Rule 17f-5 if Austraclear continues to act as an eligible foreign custodian pursuant to sub-paragraph (c)(2)(iii) of Rule 17f-5 in respect of all debt securities other than those issued by the Commonwealth Government of Australia.

## 2.0 EXISTING STATUS

In response to a request from Austraclear for a "no-action" letter dated 23 November 1989 and subsequent correspondence, the Office of the Chief Counsel Division of Investment Management in its advice dated 17 January 1990, reference no. 89-784-CC Austraclear Limited File No. 132-3, stated :

*"on the basis of the facts and representations in your letter of 23 November 1989 and supporting documents and because your letter of 8 January 1990 stated that Austraclear operates the only clearing facility in Australia that does not require the physical delivery of the underlying security, we would not recommend that the Commission take any enforcement action under Section 17(f) of the 1940 Act or Rule 17f-5 thereunder if Austraclear acts as an eligible foreign custodian under sub-paragraph (c)(2)(iii) of Rule 17f-5. Because this position is based on your facts and representations, you should note that any different facts or representations might require a different conclusion. Moreover, this response expresses the Divisions' position on enforcement action only and does not purport to express any legal conclusions on the questions presented. Signed Carol A Peebles, Attorney."*

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Since the issue of that letter, a second clearing system and depository has been established in Australia, to specifically cater for Commonwealth Government Securities ("CGS"). This system, called the Reserve Bank Information and Transfer System ("RITS"), operated by the Reserve Bank of Australia, was recently granted a limited "no-action" letter by the Commission covering their segment of the market - CGS.

As the representations contained in our original submission, and upon which the initial "no-action" letter to Austraclear was issued, have now changed, Austraclear now requests a letter of "no-action" based on the changed circumstances now existing in Australia.

### **3.0 ELIGIBLE FOREIGN CUSTODIAN"**

#### **3.1 Austraclear as a Securities Depository/Clearing Agency**

Rule 17(f)-5(c)(2)(iii) of the US Investment Company Act, 1940 defines an eligible foreign custodian as :

*"a securities depository or clearing agency incorporated or organised under the law of the country other than the United States which operates the central system for handling of securities or equivalent book entries in that country".*

No definition, however, of "Security Depository" or "Clearing Agency" is given in the US Investment Company Act. However, the Securities Exchange Act of 1934 in Section 3(a)(23)(A) defines clearing agency generally as "an intermediary that makes payments or deliveries in connection with transactions in securities". This would include an entity such as a security depository that :

- i. acts as a custodian of securities in connection with a system for the central handling of securities whereby all securities of a particular class or series of an issuer deposited within the system are treated as fungible and may be transferred, loaned, pledged by book-keeping without physical delivery of securities certificates; or
- ii. otherwise permits or facilitates the settlement of securities without physical delivery or securities certificates.

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Austraclear acts in Australia as the custodian of debt securities (except CGS) and provides facilities (via the Austraclear system) for its Members to record and settle transactions involving those securities on a delivery versus payment basis without physical delivery of securities certificates.

**3.2 Incorporated under the laws of a Country other than the United States**

Austraclear is incorporated as an unlisted public company pursuant to the Corporations Law & Securities Legislation (an Australian Act of Parliament regulating companies and securities in Australia).

**3.3 Operating the central system for handling securities in that Country**

Austraclear provides the exclusive electronic settlement and clearance system for the Australian money market for all debt securities (except CGS). There is no other formal settlement and clearing system for debt (except CGS) securities operating in Australia. Any deals completed outside the Austraclear system require settlement by physical delivery. The Company has its head office in Sydney, New South Wales and operates branches and its computer network in all mainland capital cities of Australia. The Company holds all securities in its own custody vaults.

In summary, Austraclear Limited is the eligible foreign custodian for debt securities (except those issued by the Commonwealth Government of Australia) within Australia.

**4.0 THE AUSTRACLEAR SYSTEM**

**4.1 Background**

Austraclear Limited is a corporation organised under the Corporations Law of the Commonwealth of Australia with the liability of its Members being limited to the amount subscribed by them as capital. The Company was incorporated on 16 January 1981 and its shareholders currently include the four major Australian trading banks, foreign banks, merchant banks, and life offices.

**4.2 Austraclear's Role in the Money Market**

Austraclear, in providing services to its Members, undertakes four major functions :



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**i. Depository**

Austraclear provides a depository facility (security vaults) at all mainland capital Branches for both bearer and inscribed debt securities. In its custodian capacity it acts as bailee for bearer securities and "nominee" for inscribed stock registered in the name of Austraclear. Austraclear has no interest in or rights against the securities it holds as bailee or nominee.

As a supplement to depository services for inscribed securities held within the system, Austraclear provides a full registry facility to two of the major Australian trading banks.

Austraclear also acts as an agent for a number of issuers of inscribed stock securities by on-forwarding marking and registration records to the prime registry on behalf of Members of the Austraclear system.

**ii. Recording**

Austraclear performs the role of "score-keeper" for the forward recording of money market transactions. In Australia, the convention for setting fixed interest transactions is T+3.

**iii. Transfer and Settlement**

All security transfers are provisional on the final clearance of the cash element. The cash element of transactions entered are transmitted to the Members' bankers each evening. It is only after the bankers have agreed to the irrevocable payment of all transactions that title to the securities passes. This ensures delivery versus payment and is the prime system safeguard. In addition, Members are required to check the cash element prior to final settlement, thus any irregularities can be detected by Members/bankers prior to the exchange of cash and securities.

Where a Member has insufficient funds to meet the end-of-day cash obligations, provision exists for the transaction to be unwound with the security reverting to the transferor.

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**iv. Settlement**

Settlement of the banking system is external to the Austraclear system and is facilitated via the Reserve Bank of Australia.

**4.3 Operating History**

Austraclear is the accepted means of settlement for all high value transactions in the Australian professional money market involving debt securities (except those issued by the Commonwealth of Australia) and at the date of writing, the Company had securities with a face value of A\$126 billion (US\$85 billion) under its control. These securities are held on behalf of approximately 400 companies including all licensed banks, central bank accredited official dealers, large stockbrokers, merchant banks, major life offices, nominee and trustee companies and large trading corporations.

Austraclear provides an invaluable service to the Australian professional money market by immobilising securities thereby eliminating the risks associated with the physical transfer of securities and greatly enhances the speed and efficiency of settlements of money market dealings.

The Austraclear system, since implementation in 1984, has run continuously without any major system malfunction. Current up-time of the system is 99.98% per annum.

Since the inception of Austraclear, procedures have been implemented to ensure the accurate recording and daily reconciliation of all securities and monetary movements within the system. No loss of physical securities has occurred and no Member or market participant has suffered any financial loss. Only on two occasions have delays have occurred in finalising transactions but this did not result in a Member defaulting. On each occasion the Emergency Situations Committee of the Board of Directors met and a solution was arrived at on the day settlement was due. The Committee consists of representatives of the four major trading banks and the International Banks & Securities Association.

In cases where settlement delays occur, the Reserve Bank of Australia and all major clearing banks are advised and progress reported until resolution is reached.

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## **5.0 MEMBERS' SAFEGUARDS**

The Members of the Austraclear system are protected by the following set of safeguards :

### **5.1 Contract with Members**

Austraclear's relationship with Members and the banks within the system is a contractual one governed by the Austraclear system Regulations. In the event that a Member does not fulfil its obligations or violates the Regulations, Austraclear is empowered by the Regulations to take action against the Member by terminating membership, suspending the Member, or imposing conditions on the Member (Regulation 5.4 and 5.5). Any such action does not prejudice the ability of a Member or bank to take legal action against another Member through the courts for breach of any contract.

Austraclear has a contractual obligation, enforceable through the courts to all participants within the Austraclear system to ensure the reliable operation of the system and the integrity of any information provided through the operation of the system.

### **5.2 Internal and External Audit**

The Company has an established Internal Audit Department reporting directly to Company's auditors, KPMG Peat Marwick who in turn report to an independent Audit Committee. The Audit Committee consists of four non-executive Directors of the Board.

In addition to their statutory obligations under the Australian Corporations Law the mandate of the auditors with regard to the system is outlined within the Austraclear System Regulation (Regulation 20).

The mandate includes (but is not limited to) :

- reviewing the physical and environmental security of Austraclear's premises and information processing facilities and the integrity of the system including maintenance of securities and confidentiality over the data of individual Members, security over the physical operation of the System, back-up procedures, maintenance of continuing processing capability, and the recovery data;

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- testing the validity and safe custody of securities held in the system; and
  - assessing the integrity of system generated information including controls over input, processing and reporting of all transaction data, the reporting of clearances, the internal generation of accounting entries.

The external auditors formally report to all Members (and their auditors) on a quarterly basis.

### **5.3 Insurance**

The Company has a current Indemnity Policy with Lloyds of London providing cover of A\$50 million (US\$35 million) to Austraclear's Members "for any loss or damage to the Member from any cause whatsoever including any act, error or omission by Austraclear or any person acting in the capacity of an employee of the Company".

### **5.4 Software**

The Austraclear system software has been licensed to both the Reserve Bank of New Zealand ("RBNZ") and the Reserve Bank of Australia ("RBA"). Austraclear is contracted to provide computer software maintenance and systems enhancements to the systems licensed to the banks. These central banks exhaustively investigated the system prior to their acceptance and also examine any subsequent enhancements prior to implementation. The RBNZ operation utilises the Austraclear computer centre in Sydney to process its transactions in a trans-Tasman optical fibre link which is backed up by a communication satellite link.

### **5.5 System Availability**

Austraclear has multiple layers of fall-back in the event of a computer contingency. These include in-house backup computer systems as well as reciprocal arrangements for both hardware and communications networks with the RBA. All transactions are mirrored on a real time basis to the RBA computers. Similarly, transactions through the RBA RITS system are backed up on a real-time basis onto the Austraclear computers. This ensures continuous system availability to Members. RBNZ transactions processed by Austraclear are also mirrored on the RBA computers.

**6.0 AUSTRACLEAR'S SEGMENT OF THE AUSTRALIAN MONEY MARKET**

**6.1 Segment Securities**

Austraclear caters for a defined segment of the money market, specifically debt securities other than those issued by the Commonwealth Government of Australia. The securities which are lodged, traded, cleared and settled on the system include :

- bank accepted bills
- commercial bills of exchange
- negotiable certificates of deposits
- promissory notes/commercial paper
- inscribed stock or bearer instruments providing for periodic payment of interest and issued by Government corporations or instrumentalities of the States of Australia, banks and corporations. (Austraclear caters for all Government issued debt securities except those issued by the Commonwealth of Australia.)

**6.2 Market Penetration (latest figures available September 1992)**

	<b>Austraclear</b>	<b>Market Total</b>	<b>%</b>	
Bank Bills	\$26.1 billion	\$63.1 billion	41 %	1.
Bank NCDs	\$14.1 billion	\$27.4 billion	52 %	1.
Promissory Notes	\$20.1 billion	\$22.0 billion	91 %	2.
Inscribed Stock	\$67.8 billion	\$73.9 billion	92 %	3.

1. *Reserve Bank of Australia "Monthly Bulletin" - September 1992*
2. *Austraclear Limited Market Research*
3. *Swiss Bank Corporation/SBC Dominguez Research Paper - September 1992*

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Transactions in debt securities outside Austraclear (i.e. non-professional participants) are undertaken on a physical delivery basis. There is no other formal settlement and clearing system for debt securities (except CGS securities) operating in Australia.

Austraclear caters only for (with membership being restricted to) the professional money market which actively participates (trades, pledges, etc) in these securities. The market penetration exhibited in the table above represents about 95% of securities traded in the professional market. The non-professional market consists mainly of individuals who buy securities directly from the major banks which issue paper from their own portfolios and maintain the securities in their own safe custody. These transactions vary in size between \$25,000 to \$100,000 and make up approximately 60% of Bank Bills and 50% of Bank NCDs in the market-place. The average transaction size within the Austraclear system is approximately A\$8 million (US\$5.6 million).

## **7.0 OTHER CLEARING SYSTEMS**

### **7.1 The Reserve Bank of Australia - RITS**

As noted in August 1991, a second clearing and settlement system was established in Australia to cater for CGS. The system, the Reserve Bank Information and Trading System ("RITS") enables transactions by active traders in CGS to be recorded and settled electronically.

The RITS software was developed by Austraclear (based on Austraclear's debt clearance system) and has been licensed to the Reserve Bank of Australia Limited. Both Austraclear and RITS systems share the same communications network and via a reciprocal arrangement provide back-up computing capacity in the event of hardware failure.

The two systems otherwise are totally "independent" and there is no overlap whatsoever in the types of securities which each system caters for. Securities eligible to be lodged into RITS cannot be lodged into Austraclear, and vice versa.

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## 7.2 Australian Stock Exchange - CHESS

The Australian Stock Exchange ("ASX") is a corporation owned by its Broker Members. It commenced business on 1 April 1987 and was incorporated by an act of the Commonwealth Parliament entitled the Australian Stock Exchange and National Guarantee Fund Act 1987 (which provided for the amalgamation of the then existing six State exchanges).

The ASX gains its authority to operate the stock exchange in Australia under the Corporations Act 1989. This Act specifies that a securities exchange can be established and operated in Australia only with the approval of the Commonwealth Attorney-General.

The ASX's powers and area of operations are set out in its business and listing rules. These are approved by the Australian Securities Commission ("ASC") - the equivalent of the SEC - and in turn the Attorney-General, and can be altered only with the approval of these parties.

The business and listing rules specify the ASX can provide a trading forum for the following securities only :

- Equity securities (to wholesale and retail participants) - shares (including preference shares), stock, stock units, units, and rights to or options to subscribe to any of the foregoing;
- Loan Securities (to retail participants only) - unsecured notes, unsecured deposit notes, mortgage debentures or debenture stocks, debentures or debentures stock, and convertible notes.

The ASX is the only authorised Exchange in Australia on which corporate securities as specified can be traded.

The ASX system does not currently provide a central depository for securities. At present most securities exist as paper certificates and are held by individual investors, their brokers or other nominee companies. Records of holdings are maintained by individual company registries.

A new electronic clearing system is being developed as part of a programme to improve clearance and settlement processes. This new system will be called The Clearing House Electronic Settlement System ("CHESS").

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CHESSE will provide for the co-existence of uncertificated and certificated shareholdings. A new electronic central clearing house will maintain records of holdings of uncertificated scrip. Transfers of scrip will be effected by book entry. Records of certificated scrip will continue to be maintained by individual company registries. The company registries will retain full control of registry processing and servicing of shareholders other than for the maintenance of uncertificated holdings.

The functional specification of CHESSE is still being developed. In particular, the ownership details have not been finalised although it may be established as an unincorporated joint venture between the ASX and a number of Australian banks.

It is not envisaged that there will be additions to the range of securities that can be listed on the Exchange and settled through CHESSE. Again there will be **no overlap** in the debt securities currently cleared and settled through the Austraclear and Reserve Bank systems and the proposed settlement and clearance system for equities.

## **8.0 REGULATORY SAFEGUARDS**

### **8.1 Australian Securities Commission and Trade Practices Commission**

As noted, Austraclear Limited is an unlisted liability company incorporated under the Corporations Law of the Commonwealth of Australia and as such falls under the jurisdictional control of the Australian Securities Commission. The ASC ensure that companies work within the regulatory framework stipulated by the Corporations Law of Australia.

The Trade Practices Commission ("TPC") ensures that companies comply with the provisions of the Trade Practices Act which endeavours to provide a level playing field and fair competition within the marketplace.

In broad terms, the ASC could be said to be watching the interests of investors and shareholders and the TPC protecting the consumers. Austraclear would only come to the attention of these regulatory bodies if its activities were seen to be contrary to the public good. Neither body is directly involved in the operation or oversight of the Austraclear system, nor have they a particular brief to do so.



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## **8.2. Control by Reserve Bank of Australia**

Final settlement between the various banks is effected at the end of the day through the Reserve Bank of Australia ("RBA"). The RBA is responsible for the banking system and money market generally including all payment systems, of which both the Reserve Bank and Austraclear systems constitute an integral part. As a consequence the Reserve Bank maintains an active prudential watch over Austraclear's operations. Should a settlement problem eventuate, the RBA, as both a participating bank within the Austraclear system and also the ultimate settlement facility for all banks participating within Austraclear, would be aware of the situation and would closely monitor the situation until resolution was reached.

## **8.3 Australian Payments Clearing Association Limited**

The Australian Payments Clearing Association Limited (APCA) was incorporated in February 1992. The mandate of APCA is to reform the payments clearing system in Australia. The Board of APCA is made up of senior executives representing each of the four major Australian Trading Banks, State Banks, the Reserve Bank of Australia, Building Societies and Credit Unions.

The Australian payment clearing system has been arranged into four streams :

- Paper (cheque and paper debits)
- Bulk electronic (direct entry)
- Consumer (low value) electronic clearing
- High value electronic clearing

Each of the four clearing streams will have separate rules and regulations on membership and operating procedures put in place to limit and control risks in each of the payment systems.

The Austraclear system as a major component of the High Value Electronic System will participate in establishing these rules which will formalise procedures for the whole market. Austraclear believes these rules will supplement existing default procedures and formalise the procedures in the unlikely event of a default by a bank (i.e. via the collapse of a participant bank).

These rules are scheduled to be in place by late 1993.

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**8.4 Board of Directors**

Direct control over Austraclear Limited is in the hands of the Board of Directors drawn from the four major trading banks in Australia, Bankers' Trust, and two Elected Directors, one of whom is Executive Director of the International Banks and Securities Association and the other from Schroders Australia Limited (a major merchant bank in Australia).

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