


# BULLETIN



Client & Partner  
Industry Briefing  
Issue Four, November 2004

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Stephen Lake | CEO, GBST

# GBST Partners Program

Hello and welcome to GBST Bulletin Issue No 4. One of GBST's key objectives is to assist our clients deliver a broader range of financial services with less risk and cost. To achieve this we're continually working to ensure that business processes within your internal systems and transaction processing with external counterparties, service providers, clients, and markets are as integrated and automated as possible.

To that end I am pleased to announce Shares 6.0™ will support open application interfaces (APIs) using industry standard protocols. This will ensure Shares™ will more easily interface to other critical business systems to improve efficiency and reduce manual processing.

We're also enabling you to access a growing number of financial services including CMT, Margin Lending, and Managed Fund Providers using real time and batch interfaces into Shares™. In fact, two new leading margin lending institutions have recently signed with GBST to deliver lending services via the GBST Margin Lending Business Interface to our client network.

A core component of our industry integration strategy, GBST continues to foster and develop a number of successful partnerships with teaching and research institutions and technology and solution providers. Our new GBST Partners Program will formalise marketing and distribution arrangements with these and other providers to further

develop connectivity across the financial services industry, and ensure that you can offer a broad range of financial services using systems, platforms, and products that best suit your business.

## A WARM WELCOME TO NZX

As well as updating you on GBST and industry initiatives, the GBST Bulletin also seeks to encourage active debate about best practice in the development of capital markets. In this issue we're delighted to include a contribution on market integration by Mark Weldon CEO at NZX, whose address on the importance of cross Tasman trading was well received at this year's SDIA conference.

Stephen Lake.

## REGIONAL PROFILES



Mark Weldon | CEO  
New Zealand Stock Exchange

# Trading places

## Why the NZX should operate in Australia

In a recent article published in the NZX's Open Magazine, Mark Weldon put the case for a New Zealand-Australia Commerce Agreement which would allow businesses incorporated on either side of the Tasman to participate in either country's jurisdiction under a common set of rules. In this extract reprinted for the GBST Bulletin, Mr Weldon explains why his proposed Commerce Agreement would benefit the ASX and NZX and their respective capital markets.

*Involving issues of identity, local market tailoring, and nationalism, stock exchanges can present a potent jumble and become a flash point in discussion about models of market integration. So at the risk of simplifying what is clearly an extremely complex area I briefly outline my views on this issue.*

*Under a proposed Commerce Agreement where New Zealand and Australian companies law and securities frameworks would be mutually recognised, any stock exchange from New Zealand or Australia would be able to operate in both countries without the need for re-licensing (i.e., they would rely on the New Zealand Securities Commission and ASIC respectively).*

### MARKET INTEGRATION

*It is clear in my mind that this is the logical next step in integrating the capital markets. In the capital raising area, a current discussion has already proposed mutual recognition of offers of securities to the public. The goal of this initiative is to deliver cost efficiencies and, as a logical outcome, provide companies access to a larger pool of potential shareholders from which to raise investment capital. The exact same goals would also be achieved by mutually recognising registered stock exchanges and allowing them to operate on a true Trans-Tasman basis with one recognised accreditation standard.*

*What this would mean in practice is that there would be no requirement for the ASX, for example, to become re-registered if they want to operate in New Zealand (assuming they were already compliant with Australian law). Similarly, there would be no need for NZX to become re-registered to operate in Australia. Australia clearly has a globally compliant regulatory framework in the securities area. So does New Zealand. Jane Diplock's (Chairman, NZ Securities Commission) recent election as Chair of the International Organization of Securities Commissions is evidence of this. With securities legislation and oversight mutually recognised, exchanges would be free to differentiate themselves and prove their true worth outside incumbency positions.*

# REGIONAL PROFILES

NZX Trading places  
(Continued)

Under this framework, exchanges would compete to keep cost of capital low, create tension in the pricing of trades, and provide the right incentives for dynamic innovation and improvement over time – incentives which may not exist if there is only one exchange across Australia and New Zealand. Similarly, we have seen these incentives have positive results in Europe since the advent of the EC where increased competition is having all the above results. Thus, apart from the efficiency and investor base arguments described above, this outcome could potentially provide improved competitive tension in the primary and secondary markets. While it would be unlikely that NZX could ever compete against the ASX for headline Australian listings, it is not implausible that there are some slivers in which the NZX model could be competitive.

## COMPETITIVE MODEL

Similarly, this competitive model is the framework in the world's dominant capital market, the United States. In the U.S. there are two major exchanges (NYSE and Nasdaq) that compete vigorously for listings, and more than ten smaller exchanges and execution platforms (ECNs) that compete vigorously with different pricing and technology models in the secondary market (e.g., Boston, Cincinnati, Archipelego, Island, Instinet, etc.), keeping prices low.

This pro-competitive framework would mean that if a stock exchange, for example NZX, was abandoned by its users in favour of a competitor(s), NZX's economics would suffer such that it would have to consider the options of sale to that competitor.

Conversely, were an ASX-NZX merger to occur, the main result would be that monopoly rents for the combined exchange would grow substantially on a Trans-Tasman basis. Moreover, from a New Zealand perspective, a merger would likely result in substantial hollowing out of the skill base, and capital raising would become harder and more expensive for New Zealand companies as the capital markets cost structure would increase and accessibility decrease.

## MORE INNOVATION NEEDED

The focus therefore should not be on getting ASX and NZX to merge, but on structuring a New Zealand-Australian framework that maximises the real options available to New Zealand and Australian investors and companies now and in the future. The framework should also encourage innovation and development of alternative models. Innovation is critical as the winning business model in the stock exchange arena is far from evident.

For example, while some exchanges take the view that exchanges "shape" the future of capital markets, others believe that the real shapers of the future of capital markets, outside the regulatory sphere, will be the technology players, niche innovators, and global banks with billions on the line. This view would believe that exchanges cannot and should not compete with these players, but work with them as a neutral facilitator and connector of liquidity.

To conclude, if a Commerce Agreement can solve the rule based issues and if stock exchanges are included in that agreement, as they should be, the result will be an increase in competition – between local rule makers for the best framework, and between stock exchanges for best settings. What could be better?

Mark Weldon.

## REGIONAL PROFILES



Paul Beal

# Outlook for Asia Business integration

Despite the fact that most Asian markets operate on similar basic principles, many brokers in the region are finding business systems lacking as they seek to ramp client services across multiple markets and lower their costs reports Paul Beal, General Manager, Asia. "The majority of Asian markets support delivery- versus-payment, centralized settlement novation, and electronic messaging. However these market efficiencies are not necessarily reflected in brokers' business operating systems, and many have resorted to a patchwork of in-house solutions manually interfaced to legacy systems in the struggle to achieve desired business outcomes. Research compiled by GBST from a number of business process audits conducted for clients in Hong Kong have revealed a need for systems to deliver a broader range of business functions, system architecture that is business outcome rather than process focused, and centralized trading and settlement capability across multiple markets."

"Brokers are faced with increasing processing costs and inability to service growing demand for clients because their systems are simply not scaled for growth."

According to Paul, brokers are also looking with increasing interest to centralized multi-market processing solutions. "A number of models are emerging as brokers seek to extend reach across multiple markets but reduce market specific processing costs by using local settlement interfaces via a single processing hub."

"GBST's regional clearing solution will enable brokers to do this using an incremental model that adapts to local market requirements whether or not they have adopted uniform processing standards," Paul concluded.

To find out more about system integration and regional processing contact Paul by email: [paul.beal@gbst.com](mailto:paul.beal@gbst.com)

## INDUSTRY NEWS



Steven Hayhoe

# Emerging standards in development platforms

The software industry is converging around two development platforms - Sun's J2EE and Microsoft's .NET, reports Steven Hayhoe, Head of Development at GBST. "Although some commentators see these platforms engaged in a duel to the death, it's becoming increasingly clear that many organisations, including GBST, will be employing both technologies to utilise their respective strengths," Steven said. Joining GBST in July 2003 as Senior Architect, Steven brings an extensive track record in the design and delivery of large technology

solutions for firms in Australia and abroad. Appointed Head of Development at GBST in April this year, Steven is enthusiastic about the respective benefits the new technologies will deliver. "J2EE is a set of technologies based on the Java programming language, as well as a set of standards and tools for the development of component-based multi-tier enterprise applications. Its key strengths lie in its proven enterprise application support, portability across operating system platforms, and its adoption as a standard across the industry with many vendors providing J2EE application servers such as Oracle, IBM and BEA as well as open source offerings such as JBoss."

"Microsoft's .NET, on the other hand, will only work on the Windows platform and its future growth is tightly controlled by Microsoft," Steven added. "The domination of Windows on the desktop means that the .NET platform is well suited to desktop based applications and provides efficient User Interface development, good integration to Windows and other Microsoft applications such as Microsoft Office."

Web Services are an emerging standard for delivering business services across standard web transport mechanisms, Steven observed. "This allows interoperability between different technologies such as J2EE and .NET." For further information or feedback contact Steven on 07 3331 5662 or email [steven.hayhoe@gbst.com](mailto:steven.hayhoe@gbst.com)

## CLIENT PROFILES

Paul Bryant  
Head of Financial Planning, WHTM

# Wilson HTM Portfolio update

Finalising integration of FMC's asset management solution with GBST Shares™ in June this year, Wilson HTM is already seeing the benefits from improved portfolio management and internal efficiencies, Paul Bryant Head of Financial Planning at WHTM reports. "GBST Shares™ provides the point of truth for client holdings in CHESS and those values can now be reconciled with the new FMC system on a daily instead of fortnightly basis," Paul said.

"Front office systems also play a key role in delivering service to clients from both the funds management and broking perspective. The ability to bring in live price feeds, view portfolios with up-to-date transactions, group portfolios by asset allocation, have warnings generated when trades may take a portfolio outside its parameters, and efficient execution of trades through the GBST system means portfolios can be managed efficiently. And that leaves more time to concentrate on portfolio performance."

With the increased compliance requirements on providing financial advice to clients, business administration procedures also have to be efficient Paul believes, and that means system integration is essential.

"The old days of system providers protecting what they perceived as their intellectual property by making it difficult to integrate into other systems are over. Open API's are essential. Increased integration reduces manual processing and that saves time and money."

## CLIENT PROFILES

Gary Stranger  
Company Secretary, Bell Potter

# Bell Potter Securities Ltd Growing success

With more than 200,000 private clients and 300 advisers in 13 offices, Bell Potter is one of Australia's leading private client firms. Acquiring Johnson Taylor Potter and Challenger retail firms in 2001, operational scalability was an essential part of the business plan according to Company Secretary, Gary Stranger.

"The Shares system gave us the capacity to assimilate additional trade flows arising from those acquisitions. A Business Process Review (BPR) undertaken by GBST during 2002 also identified further opportunities to improve processing efficiencies in the settlement of private client accounts, and by adopting electronic processing for CMT accounts."

"Efficiencies identified by the BPR, which included the adoption of bulk processing for client account settlement, have assisted us to scale trade volumes by 120% over the past three years without

increasing back office costs."

"Electronic Cash Management Trust (CMT) capability has also enabled Bell Potter to efficiently offer our clients a wide range of CMT providers including Adelaide Bank Limited, Macquarie, DDH Graham, St George and Bank West. "More than 80% of daily CMT account settlements are processed electronically, improving client service and eliminating most manual processing."

Gary believes the strong working relationship between Bell Potter and GBST has assisted the development of improved products. "Recent examples also include online access to CMTs; the floats and issues module; and electronic contract note processing via e-post. We're about to undertake another BPR with GBST to identify additional areas of business processing that can benefit from automation."

## COMPANY NEWS



Mark Clearwater

# Shares 6.0™ Open for business

New open interface technologies underpinning Shares 6.0™ will make it easier for clients to interface their Shares™ back office system to other critical systems and significantly increase productivity, reports Shares™ Product Manager, Mark Clearwater.

Previously Principal Architect of Shares™, Mark joined GBST in 1996 as a senior consultant, and has also served as senior architect responsible for the design of major product and client projects since 1999.

"Shares 6.0™ will deliver a new user graphical interface (GUI), the ability to support managed funds from advisors' desktops, and true exception based processing which fully automates transaction processing from post execution to cash and stock settlement, managed from a single view. More importantly, technologies underpinning the new functions optimise the ability of Shares™ to assist processing across the business," Mark said.

### WEB SERVICES - INDUSTRY STANDARD

"GBST is progressively introducing industry protocols and standards to ensure interoperability which extends the productivity and longevity of client systems' Mark added. "For example, Shares™ new JAVA based GUI client desktop application communicates in XML, to deliver a mid-tier open application to the GUI client. This platform will deliver true web based services which makes it easier to interface with other third party applications and client systems using industry standard development and messaging protocols."

### SCHEDULED TO DELIVER

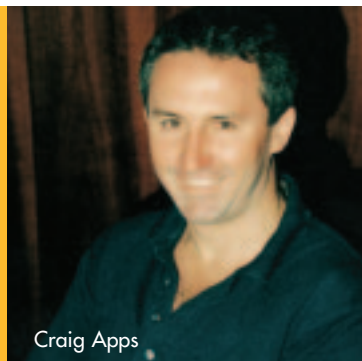
A major release representing an investment of thirty five person years by GBST, Shares 6.0™ is scheduled for delivery across GBST's client base by May 2005, prior to the CHES 6.1 upgrade.

"Defined in conjunction with all clients, the roll-out schedule will ensure implementation is complete prior to CHES 6.1. We're consulting closely with the ASX on an ongoing basis concerning CHES specifications which are due to be finalised by Q4 this year. GBST is committed to ensuring the roll-out causes minimum disruption to our clients and we have procedures in place to ensure the implementation proceeds as smoothly and efficiently as possible.

Regular updates will be posted on GBST Interactive."

For further information about Shares 6.0™ consult your client relationship manager, or direct your enquiry to Mark on 07 3331 5572. Email: [mark.clearwater@gbst.com](mailto:mark.clearwater@gbst.com).

## COMPANY NEWS



Craig Apps

# Real time ETC with IRESS

The first stage of GBST's real time interface to IRESS is fully operational, reports Craig Apps, General Manager Clearing, Settlement, and Custody Solutions at GBST. "Post trade messaging delivered via Shares Business Interface™ means that contract note confirmations can now be processed automatically between Shares™ and IRESS Order Management System (IOS) without manual intervention," Craig said. "Subsequent interfaces, now in development and due for release in Q4, will include block bookings and allocations so that allocation messages received from funds managers can be received and re-booked in Shares™ with contract notes automatically finalised and generated."

Based on the FIX protocol, connectivity between IOS and Shares™ will also support orders, executions and bookings. "We're delighted to deliver this new interface to IRESS which will greatly assist in automating trade flows for stockbrokers and improve efficiency and service for their institutional clients. Support for FIX also facilitates electronic communication to order routing networks, markets, and counterparties in real time for a wide range of financial transactions." For further information, contact Craig Apps on 3331 5559 or by email: [craig.apps@gbst.com](mailto:craig.apps@gbst.com).

## PEOPLE PROFILES



Lynn Richardson

# Committed to quality Lynn Richardson

Commitment to quality starts at the top, reports GBST's new Quality Manager, Lynn Richardson. "GBST's product quality initiatives were launched by our CEO, Stephen Lake," Lynn explained. "I was delighted that in his QA announcement Stephen emphasised quality cannot be delegated and that everyone at GBST is accountable. This attitude is the cornerstone of a successful quality culture."

Bringing more than 30 years experience in IT and working for firms in the UK, Europe, New Zealand, Egypt, Zimbabwe, and Australia, Lynn is responsible for introducing and maintaining GBST's new company wide quality initiatives.

Our Company Quality Policy says that "Quality at GBST means a commitment to providing effective and innovative products that meet client needs. We do this by understanding our client requirements and investing in our people and processes to ensure continuous improvement and industry best practice." Lynn explained.

"Building on its ISO 9001 accreditation, GBST is well down the track to deliver improved quality in its products, and to align its processes with industry 'best practice'," Lynn added. "In addition to an internal systems review, new initiatives will include the adoption of Capability Maturity Model Integration Standards (CMMI) developed by the Software Engineering Institute (SEI) at Carnegie Mellon

University in Pittsburgh, USA. Established in 1984 as an initiative of the US Department of Defence, SEI is a leading centre for quality research, supported by Government and industry."

"CMMI is an integrated way of looking at the health of organisations and encompasses disciplines such as software engineering with other proven process methods in areas like estimation, requirements, development, and integrated project management," Lynn observed. "CMMI consists of models, appraisal methods and training. Participating companies can undergo professional appraisals to track their progress. Clients benefit from lower costs of ownership and a substantial reduction in defects and fixes."

"The goal of the software industry as a whole is to achieve a shift in culture from correction to prevention. Factors which assist in achieving this include; sound change management practices, good communication across the business and with clients, ownership of quality at all levels within the organisation, risk management, and above all a passionate commitment to what the Japanese call 'Kaizen'- continuous improvement."

To find out more about GBST's quality assurance program contact Lynn on 33315741 or email: [lynn.richardson@gbst.com](mailto:lynn.richardson@gbst.com)

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