



Telephone: (06) 250 6315
 Overseas: (61-6) 250 6315
 Facsimile: (06) 250 5913

THE TREASURY

Business Law Division
 Robert Garran Offices
 National Circuit
 BARTON ACT 2600

11 December 1996
 File: 92177884

Mr A G Richards
 Managing Director
 ASX Settlement and Transfer Corporation Pty Ltd
 PO Box H227
 AUSTRALIA SQUARE NSW 2000

Dear Mr Richards

Thank you for your letter of 8 November 1996 submitting your final request for reimbursement for expenditure on the CHESS project.

We have completed an examination of the submission and attachments and seek your assistance in clarifying the following matters.

We have found it somewhat difficult to reconcile the figures set out in the 'CHESS Project Expenditure S'000' (attached to Appendix 1) with those set out in the 'CHESS - MANAGEMENT ACCOUNTING REPORT' audited by KPMG. There is for example a significant difference in computer costs. Both reports indicate actual expenditure of \$1,466,000 on computer equipment/capital costs. However, the CHESS Project expenditure states that there was a budgeted figure of \$233,000 while the KPMG section of the report states that the budgeted figure was nil.

The KPMG report has staff costs for permanent staff in the period increasing from a budgeted figure of \$470,000 to \$955,000. It is difficult to reconcile these figures with those that appear in the Management Accounting Report.

Any comments you may be able to provide on the following expenditure items of the period would also assist:

Contractors	\$510,000 (Over budget by 18% for the period)
Occupancy	\$130,000 (Over budget by 43% for the period)
Travel & entertainment	\$44,000 (Over budget by 80% for the period)
Auditors & Legal Fees	\$328,000 (Over budget by 300% for the period)
Administration	\$209,000 (Over budget by 100% for the period)

I note that in its last report the RIP list detailed a number of issues not scheduled for completion. The list included a 'wishlist' of items to be resolved and implemented after Phase 2 goes live. I would appreciate your advice on the status of this list.

You note in the report that further significant implementation work had been undertaken in relation to bringing securities of foreign domiciled issuers into CHESS and arrangements for the holding of

uncertificated securities as collateral by financiers I would appreciate your keeping the Department informed of progress on these matters.

We are reviewing the Exchange's request for approval to fund a new automated derivatives trading system and will be writing to you in the near future to seek your assistance to clarify some matters in relation to the request.

Yours sincerely

Section 22

A'g Assistant Secretary
Securities Markets Branch