

## iSignthis and NSX Limited enter into ClearPay Joint Venture

- **ClearPay JV will develop a Delivery versus Payment (“DvP”) platform, which is planned to supersede the current (T+ various days delayed for the clearing and settlement) process offered by current incumbent domestic and global stock exchanges. The development will also incorporate an open blockchain-based sub-registry system**
- **NSX will initially invest \$3.2 million for a 41% interest in ClearPay JV with ISX holding an initial 59% interest.**
- **ISX will contribute intellectual property with its subsidiary, Probanx Solutions Ltd, leading the design and development the Distributed Ledger Technology (“DLT”) based platform. The intent is to provide multicurrency, real-time and same day clearing of share trades across multiple exchanges.**

**Melbourne, 20<sup>th</sup> February 2020:** iSignthis Ltd (ASX: ISX | DE: TA8) and NSX Limited (ASX: NSX) are both pleased to announce that they have entered into a Shareholders Agreement to form a joint venture vehicle, ClearPay Pty Ltd (“**ClearPay JV**”), to develop a multicurrency, real-time, same day DvP platform (“**ClearPay**”), to be integrated with ISX’s ISXPAY® and Payidentity™.

The system will initially be utilized alongside with the National Stock Exchange of Australia’s (“**NSXA**”) current post-trade arrangements where appropriate. However, the NSXA, NSX’s wholly owned subsidiary market operator, intends to ultimately process all transactions via the new platform.

With ClearPay, the NSXA will be able to offer a same-day settlement (T+0) capability which will supersede the current (T+ various days delayed for the clearing and settlement) process offered by other domestic and global exchanges. Settlement by other exchanges is usually T+2 or T+3 days.

On completion of ClearPay’s DvP platform, it is expected that the domestic and international broker network will expand and connect via industry-standard ISO20022 interface and participate using an industry-standard blockchain. This will provide the NSXA with one of the world’s most advanced DvP platforms, inclusive of an inbuilt sub-registry.

Under the terms of the ClearPay Shareholders Agreement, the first cash call for ClearPay JV post the first NSX placement will be a sum of \$3.2 million for a 41% interest by the NSX. ISX will be contributing intellectual property and its subsidiary, Probanx Solutions Ltd, will design and develop the DvP platform for a fee, including the integration into ISXPAY® and Payidentity™ platforms.

The second cash call will be a sum of \$1.3 million contributed by NSX for a further 9% interest in ClearPay, should NSX raise at least that minimum amount under terms of a proposed further placement, being \$3.8 million. NSX and ISX would at that stage equally own 50% of ClearPay JV.

“It’s very exciting for us that the ClearPay JV will bring genuine competition to the Australian cash equities eco-system. iSignthis brings an inherent high technology capability to the NSXA, including its extensive payments and Know Your Customer’s Customer (“**KYCC**”) services, ISXPAY® and Payidentity™” said ISX Managing Director and CEO **John Karantzis**.

Mr. Karantzis will act as the CEO of ClearPay during the software development stage, with the NSXA operating the platform once full technical and business development has been achieved.

**Thomas Price**, acting CEO of NSX comments: “Market commentators are in broad agreement that cash equity exchanges are facing a global technology revolution which is challenging legacy methods of clearing and settlement. Having patiently monitored the development of the appropriate technology and know how we consider that this is the right time for the NSX to act.”

“The ClearPay joint venture with iSignthis allows the NSX to expedite its plans to transform its licenced exchange market within a cost-efficient framework. The introduction of an already experienced provider of RegTech and payments systems is very satisfying for us as it allows an accelerated build process.”

“More exciting is that it creates a solid foundation for the NSXA to be a true independent first-class venue of choice for companies seeking to be serviced via the most advanced infrastructure and distribution in their goal of attracting investors from both here and abroad. ”

### **About ClearPay**

ClearPay will develop and operate a DLT based multicurrency, real-time, DvP platform. The DLT will be accessible to participants and share registry operators, with NSXA as the central authority.

ClearPay supports both the NSXA’s ability to navigate the significant technological changes occurring in the Australian post-trade landscape and the NSXA’s transformation into a globally competitive digital asset exchange that can provide secure real-time trading of physical world digitised assets and securities.

The platform will take advantage of ISX’s proposed Exchange Settlement Account (“**ESA**”) at the Reserve Bank of Australia for Australian dollar payments and will leverage ISX’s existing Eurosystem Central Bank Exchange Settlement Account for Euro payments.

The DvP platform will operate under Bank of International Settlement (“**BIS**”) model 1 initially, with a real-time distributed ledger operated by ClearPay as the central authority. The platform will be accessible to third-party share registers and key participants, using a non-proprietary blockchain technology. This will allow multiple multilateral net settlements daily via the ESA and allow dynamic real-time calculation of participant net payment position against the book.

ClearPay will not need, and will not initially seek, a Clearing and Settlement Facility Licence (“**CSFL**”) because the products NSXA offers for ClearPay will be subject to counterparty identification and verification via Paydentity™, with a public order and settlement book, creating a “Lit Exchange”.

The benefit of a “Lit Exchange” is that full anti-money laundering processes will be applied to the buyer and seller, and “dark pools” can be eliminated. BIS Model 1 with real-time also mitigates disadvantages associated with high-frequency traders, by way of an open, fair and equitable DvP process being conducted multiple times daily.

ClearPay's blockchain-based Digital Exchange Subregister System ("**DESS**") will be another competitive element compared to the Australian Security Exchange's ("**ASX**") Clearing House Electronic Subregister System ("**CHESS**") monopoly.

Use of digital ledger technology to determine net payment position, coupled with instant payments and multiple multilateral daily settlements, effectively eliminates the key disadvantage of BIS Model 1 that requires forward funding of payment by participants which can often fall short during intraday trading. It also eliminates any systemic payments risk as the NSXA grows.

ClearPay will, however, shortly apply for a CSFL licence in order to introduce further competition into the Australian market, which presently is serviced by the ASX's wholly owned subsidiary, Austraclear, in a monopoly environment.

As the DvP platform will have multiple currencies available to it at launch via ISXPAY® (including SEPA instant and multicurrency debit cards), the ClearPay platform is expected to be attractive as a technology platform to market operators in jurisdictions outside of Australia. The instant payments technology coupled with real-time blockchain digital ledger technology will allow settlements to move from three days to same-day or early next day. The display, trading, and clearing of securities in multiple currencies can also be made available, potentially providing an attractive drawcard for international participants to trade and list on the NSXA.

## ISX Licence Update

ISX has previously announced that it has applied for an Australian Authorised Deposit-taking Institution ("**ADI**") licence, together with non-cash payment facility, custodial and depositary licences, in order to support brokers and Australian Financial Service Licence ("**AFSL**") holders.

ISX has previously supported other classes of Australian Securities and Investment Commission ("**ASIC**") AFS Licensees with their KYC(C), transaction monitoring and payments requirements.

Finalisation of the ADI licence by the Australian Prudential Regulatory Authority ("**APRA**") and ASIC custodial and depositary licensing will allow ISX to further support ClearPay's operations but are not essential for the exchange.

ISX will also consider the benefits, if any, of integration of the Australian National Payments Platform ("**NPP**") being incorporated into ISXPAY®. The NPP, SEPA Core, SEPA Instant and the UK's Faster Payments Network are all based on the ISO20022 protocol.

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