



Market Announcement

28 October 2019

Attached for the information of the market is ASX's query letter to iSignthis Ltd (ASX: ISX) dated 15 October 2019 and ISX's response dated 25 October 2019.

ASX's enquiries into a number of issues concerning ISX are ongoing. ISX's securities will remain suspended until further notice.

25th October 2019

Australian Securities Exchange
525 Collins Street
MELBOURNE VIC 3000

Attention: Mr James Gerraty, Senior Manager, Listings Compliance (Melbourne)

**iSignthis Ltd ('ISX'): Second Query Letter
Response to correspondence dated 15th October 2019**

Please find below our response to your queries dated 15th October 2019.

ISX requests that the attachments are not for release to the market as they contain information that is commercial in confidence.

Questions and Request for Information

"Having regard to the above, ASX asks ISX to respond separately to each of the following questions and requests for information".

1. Please provide a copy of the following documents (not for release to the market):

a) ISX's eMoney Institution (EMI) Licence #115.1.3.17 granted by the Central Bank of Cyprus in 2017, including the attaching conditions and any subsequent revisions to the licence and/or conditions;

The European Central Bank ("ECB") maintains a register of all Monetary Financial Institutions that fall within its regulation. The following ECB link provides confirmation that iSignthis eMoney Ltd is an MFI;

<https://mfi-assets.ecb.int/resultMfiID>; and search under "iSignthis".

Entities which are recognised as Monetary Financial Institutions ("MFIs") under ECB regulations are listed within the following page of the ECB website:

https://www.ecb.europa.eu/stats/financial_corporations/list_of_financial_institutions/html/index.en.html

ISX's subsidiary is classified as an "other deposit-taking corporation", specifically an "electronic money institution" as defined in Directive 2009/110/EC.

Attachment Q1 Licences contains the relevant requests licences and supporting documents to the 3 questions (a, b & c), contained in item 1.

b) ISX's SWIFT usership membership including any attaching conditions and any subsequent revisions;

Please refer to attachment Q1 Licences for the SWIFT documents request. Our BIC is ISEMCY22XXX

ISX's membership and BIC is independently verifiable through SWIFT's website:

<https://www2.swift.com/bsl/facelets/bicsearch.faces> (enter BIC ISEMCY22XXX to search)

c) ISX's 'certification arrangements with a Eurosystem Central Bank for a EURO(€) based Account' (see paragraph R above), including the attaching conditions and any subsequent revisions to the certification and/or conditions.

Please refer to attachment Q1 Licences.

2. ASX notes that:

- ISX's revenue experienced very significant growth during the June 2018 half year, particularly during the June 2018 quarter, notwithstanding the 'supply side network technical issue' (see sub-paragraphs Oii) and P above). In turn,

the revenue based milestones for all three classes of performance shares converted into fully paid ordinary shares in ISX (see sub-paragraph Wvi) above).

- Subsequently, there was a significant decline in ISX's revenue and cash receipts from customers in the December 2018 half year, which ISX appears to have primarily attributed to supply chain issues associated with its former settlement bank, Kobenhavns Andelkasse Bank (KAB), and the new user privacy policy which Apple implemented in September 2018 (see paragraphs Y and Z above).

In the following table ASX has summarised the revenue, cash receipts from customers and receivables disclosed by ISX in its quarterly, half yearly and annual reports for various periods between 1 July 2017 and 31 December 2018. (Note: ASX's calculations are denoted with an asterisk.)

A\$	Sep 2017 quarter	Dec 2017 quarter	Dec 2017 half year	Mar 2018 quarter	June 2018 quarter	June 2018 half year	June 2018 full year	Sep 2018 quarter	Dec 2018 quarter	Dec 2018 half year
Revenue (incl R&D / interest)	273,912*	553,000	826,912	1,480,000	4,032,057*	5,512,057	6,338,969	69,356*	1,042,000	1,111,356* ²
Revenue(excl R&D / interest)			799,499			5,001,347* /5,002,479 ¹	5,800,846			1,090,647* /1,089,515*
Trade & other receivables			288,868				1,231,953	894,501		
Trade receivables only							1,109,386	353,800		
Cash receipts from customers ³	329,000	392,000	721,000	1,571,000	2,633,000	4,204,000	4,925,000	986,000	936,000	1,922,000

¹ Source: June 2019 Half Year Report

² Calculation: \$6,623,413 (revenue plus other income for full year to 31 December 2018) less \$5,512,057 (June 2018 half year)

³ Source: Appendices 4C

In light of the above:

a) Please provide a detailed breakdown of ISX's contracted service fees revenue:

- by the merchant sectors listed in the March 2018 Quarter Appendix 4C (see sub-paragraph Oiii) above);
- by the 7 services/solutions listed in the March 2018 Quarter Appendix 4C (see sub-paragraph Oiii) above);
- by country; and
- by customer (note: customer names are not for release to the market),

during each of the following periods;

- the six months ended 31 December 2017;
- the six months ended 30 June 2018; and
- the six months ended 31 December 2018.

Unaudited Revenue Splits	6 Months Ended Dec-17	3 Months Ended Mar-18	6 Months Ended Jun-18	6 Months Ended Dec-18
Revenue By Country (1) - AUD				
Netherland	\$ 741,043	\$ 218,567	\$ 3,653,399	\$ 266,301
Cyprus	\$ -	\$ -	\$ 41,878	\$ 317,884
Australia	\$ 58,456	\$ 1,279,240	\$ 1,307,202	\$ 505,330
Total ISX Contract Service Fee Revenue	\$ 799,499	\$ 1,497,808	\$ 5,002,479	\$ 1,089,515
Revenue by Service/solutions - AUD				
Card Acquiring	\$ 58,456	\$ 1,279,240	\$ 1,318,934	\$ 560,044
Identify as a service KYC / Payment Gateway (2)	\$ 741,043	\$ 218,567	\$ 3,653,399	\$ 266,301
Integration / Set Up	\$ -	\$ -	\$ 26,860	\$ 47,220
eMoney Services	\$ -	\$ -	\$ 3,286	\$ 42,496
Software as a Service	\$ -	\$ -	\$ -	\$ 173,453
Intercompany remittance	\$ -	\$ -	\$ -	\$ -
Custodial Account Services	\$ -	\$ -	\$ -	\$ -
Total ISX Contract Service Fee Revenue	\$ 799,499	\$ 1,497,808	\$ 5,002,479	\$ 1,089,515
Revenue by Merchant Sector - AUD				
Financial Services	\$ 83,816	\$ 13,897	\$ 1,415,528	\$ 194,311
FX / CFD	\$ 119,546	\$ 1,341,554	\$ 3,368,462	\$ 592,818
Gaming / Gambling	\$ 23,053	\$ 16	\$ 90	\$ -
Credit providers	\$ -	\$ -	\$ -	\$ -
Crypto / Digital Currency	\$ 573,083	\$ 142,340	\$ 218,399	\$ 302,386
High Value Retail	\$ -	\$ -	\$ -	\$ -
Money Services Businesses	\$ -	\$ -	\$ -	\$ -
Utilities	\$ -	\$ -	\$ -	\$ -
Total ISX Contract Service Fee Revenue	\$ 799,499	\$ 1,497,808	\$ 5,002,479	\$ 1,089,515
(1) Country mean Country of billing entity				
(2) KYC and gateway processing are billed as a bundled service				

Please refer to attachment 2 (a) (b) Revenue by Customer for further details.

b) Please provide a detailed breakdown of ISX's contracted service fees revenue:

- i) by the merchant sectors listed in the March 2018 Quarter Appendix 4C (see sub-paragraph Oiii) above);**
- ii) by the 7 services/solutions listed in the March 2018 Quarter Appendix 4C (see sub-paragraph Oiii) above);**
- iii) by country; and**
- iv) by customer (note: customer names are not for release to the market),**

during each of the following periods:

- i) the month ended 30 April 2018;**
- ii) the month ended 31 May 2018;**
- iii) the month ended 30 June 2018;**
- iv) the month ended 31 July 2018;**

v) the month ended 31 August 2018; and

vi) the month ended 30 September 2018.

Unaudited Revenue Splits						
	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18
Revenue By Country (1) - AUD						
Netherlands	\$ 420,726	\$ 1,143,263	\$ 1,863,399	\$ 34,166	\$ 41,251	\$ 41,777
Cyprus	\$ -	\$ -	\$ 41,771	\$ 99,137	\$ 18,177	\$ 23,176
Australia	\$ 9,789	\$ -	\$ 25,723	\$ 21,416	\$ 22,981	\$ 109,733
Total ISX Contract Service Fee Revenue	\$ 430,515	\$ 1,143,263	\$ 1,930,893	\$ 154,720	\$ 82,408	\$ 174,685
Revenue by Service/solutions - AUD						
Card Acquiring	\$ 9,789	\$ -	\$ 37,425	\$ 25,473	\$ 27,161	\$ 116,929
Identify as a service KYC / Payment Gateway (2)	\$ 420,726	\$ 1,143,263	\$ 1,863,399	\$ 34,166	\$ 41,251	\$ 41,777
Integration / Set Up	\$ -	\$ -	\$ 26,792	\$ 35,572	\$ -	\$ -
eMoney Services	\$ -	\$ -	\$ 3,278	\$ 19,879	\$ 9,816	\$ 8,783
Software as a Service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intercompany remittance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Custodial Account Services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total ISX Contract Service Fee Revenue	\$ 430,515	\$ 1,143,263	\$ 1,930,893	\$ 115,090	\$ 78,228	\$ 167,489
Revenue by Merchant Sector - AUD						
Financial Services	\$ 4,593	\$ 4,593	\$ 1,391,886	\$ 3,356	\$ 737	\$ 4,376
FX / CFD	\$ 404,815	\$ 1,117,558	\$ 504,788	\$ 52,126	\$ 39,913	\$ 122,805
Gaming / Gambling	\$ 3	\$ 70	\$ -	\$ -	\$ -	\$ -
Credit providers	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Crypto / Digital Currency	\$ 21,105	\$ 21,042	\$ 34,220	\$ 59,609	\$ 37,578	\$ 40,307
High Value Retail	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Money Services Businesses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Utilities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total ISX Contract Service Fee Revenue	\$ 430,515	\$ 1,143,263	\$ 1,930,893	\$ 115,090	\$ 78,228	\$ 167,489
(1) Country mean Country of billing entity						
(2) KYC and gateway processing are billed as a bundled service						

Please refer to attachment 2 (a) (b) Revenue by Customer for further details.

c) Please provide a detailed breakdown of ISX's trade receivables and other receivables balances at 30 June 2018 by customer, together with the dates on which the respective payments were subsequently received by ISX.

Please refer to attachment 2 (c) Receivables for further details.

d) Was any of ISX's contracted service fees revenue for the six months to 30 June 2018 refunded or otherwise reversed in subsequent periods?

In total EUR 29,750 was subsequently written off, or the customer was provided a credit note.

If the answer to this question is 'yes', please provide details.

Please refer to attachment 2 (c) Receivables for further details.

e) How many chargeback transactions did ISX process and how much chargeback related revenue did ISX derive during each of the following periods:

i) the six months ended 31 December 2017;

Nil chargebacks as we were not the acquiring financial institution. Revenue of \$Nil to manage chargebacks on behalf of the acquiring financial institution. Chargebacks not attributable to iSignthis as it was not the financial institution of record.

ii) the six months ended 30 June 2018; and

Nil chargebacks as we were not the acquiring financial institution. Revenue of \$Nil to manage chargebacks on behalf of the acquiring financial institution. Chargebacks not attributable to iSignthis as it was not the financial institution of record.

iii) the six months ended 31 December 2018.

As we were the acquiring financial institution of record from the 12th December 2018. Revenue of \$231 was received from our own licenses to manage chargebacks as the acquiring financial institution. No chargebacks were actually settled in the period.

f) Please provide a copy of ISX's agreements with each customer listed in response to question 2a)iv) above (not for release to the market).

Please refer to attachment Q2 (f) Contracts and attachment Q9 (b) Announcements for agreements.

g) Please list all of the customer agreements which have been terminated during 2018 and 2019 to date and provide the following information for each:

There have been 5 customers terminated during 2018 and 2019. Please refer to attachment Q2 (g) Termination letters for further details.

i) whether the agreement was terminated by ISX, the customer, or by mutual agreement;

The 5 customers were all terminated by iSignthis.

ii) the termination date;

Please refer to attachment Q2 (g) Termination letters.

iii) the reasons for termination; and

1. Client 1 was experiencing problems with unreliable online transactions. ISX's credit risk assessment led to a decision that this merchant should be terminated, which it was, and it was placed on alert databases of card issuers Visa (VROL) and Mastercard (MATCH) as a means to warn any other acquirers in the market that the company presented unacceptable transaction risks.
2. Client 2 had an association with client 1 through the use of its CRM platform. After consideration the Company decided to discontinue business with this merchant also, and it was placed on alert databases of Visa (VROL), and Mastercard (MATCH).
3. Client 3 breached Visa rules in relation to its services, so was terminated within 24 hours of this rule breach occurring.
4. Subsequent to Client 4 being on-boarded and through our regular review of Mastercard's MATCH the Company found a listing from another acquirer. The Company made the decision to terminate the relationship on this basis.
5. Client 's account has been frozen and is subject to compliance review.

iv) a copy of the termination notice (note - the termination notice is not for release to the market).

Please refer to attachment Q2 (g) Termination letters.

h) ASX notes that ISX changed its policy for recognising R&D tax incentive revenue in the 30 June 2018 Accounts (see sub-paragraph Wiv) above).

i) When did ISX resolve to change this policy? Please provide a specific date.

The policy was amended in 2017 and noted in the 2017 annual report. While the policy wasn't amended in 2018 by the company, the explanation in the annual report was amended following a technical review of expression of the accounting standards in the course of the audit by the auditors. The following clarification was added to the 2018 statement: "Government *subsidies* are recognised under the AASB 120 (Accounting for Government Grants and Disclosure of Government Assistance)."

The recognition in 2018 was therefore consistent with the basis of recognition that would have applied in 2017, had R&D tax incentives been received in 2017.

Note, in terms of the receipt of the R&D cash refund in 2018, it would have been accounted for in the same quarter whether an accrual or cash basis were applied, as it was received prior to 30 June.

The 2017 and 2018 annual report statements are provided for reference below:

2018 annual report*Government subsidies*

Subsidies from the government including R&D tax incentive income, are recognised as revenue at their fair value where there is reasonable assurance that the grant will be received, the Company will comply with attached conditions and the R&D incentive is readily measurable. As such the Company recognised the R&D tax incentive on a cash basis in prior periods however the consolidated entity amended its method during the year and now recognises on an accrual basis extent that related expenditure is recoverable. Government subsidies are recognised under the AASB 120 (Accounting for Government Grants and Disclosure of Government Assistance).

2017 annual report*Government subsidies*

Subsidies from the government including R&D tax incentive income, are recognised as revenue at their fair value where there is reasonable assurance that the grant will be received, the Company will comply with attached conditions and the R&D incentive is readily measurable. As such the Company recognised the R&D tax incentive on a cash basis, in prior periods however the consolidated entity amended its method during the current year to an accrual basis.

ii) What was the rationale for changing the policy in FY2018 rather than in previous years?

Per above, the policy was amended in 2017, and included in the 2017 annual report.

Note, in terms of the receipt of the R&D cash refund in 2018, it would have been accounted for in the same quarter whether an accrual or cash basis were applied, as it was received prior to 30 June.

iii) When did ISX receive the R&D cash refund which related to the June half 2018 R&D tax incentive revenue?

The cash was received on 12 June 2018 from the Australian Taxation Office.

i) Please provide a copy of the minutes of the meetings of the ISX Audit Committee for 2018 and 2019 to date (not for release to the market).

Please refer to attachment Q2 (i) Audit Committee Minutes.

3. Please provide a list of the clients introduced by TRADOLOGIC to ISX over the term of the partnership agreement referred to in paragraph A above.

Nil. The Tradologic platform integration took multiple months to conclude (into 2nd Qtr 2017), by which time binary options were beginning to fall out of favour with regulators per the July 2016 investor warning on binaries, and leading up to the 29 July 2017 review. ISX adopted a position that it would await the European Securities and Markets Authority (ESMA) review on binaries before contracting with any binary option providers.

4. ASX notes that:

- **Two of ISX's merchants were involved in litigation with ASIC (see sub-paragraph Oii) above).**
- **ASIC was subsequently successful in freezing the funds of these two merchants (see paragraph GG above).**

- **Media speculation that the two merchants referred to in these announcement are TraderQ and OT Capital.**
- **TraderQ and Tradefinancial are registered business names of Ozifin Tech Pty Ltd (see ASIC media release in paragraph J above).**

Please confirm the identity of the two merchants.

The parties to Federal Court proceeding VID126/2018 in relation to the application 'CORPORATIONS ACTION' filed by AUSTRALIAN SECURITIES & INVESTMENTS COMMISSION(A) on 09-FEB-2018 are:

- OT Markets Pty Ltd (AC 621 714 181)
- Ozifin Tech Pty Ltd (ACN 618 038 396)

The identity can be verified by reference to ASIC's media release dated the 13th February 2018:

<https://asic.gov.au/about-asic/news-centre/find-a-media-release/2018-releases/18-036mr-asic-obtains-interim-injunctions-and-warns-investors-against-agm-markets-ot-markets-and-ozifin-trade-financial/>

5. During the six months ended 30 June 2018, what percentage of ISX's contracted service fees revenue was derived from each of the following customers:

- TRADOLOGIC;**
- Any other client introduced to ISX by TRADOLOGIC;**
- Tradefinancial;**
- TraderQ; and**
- OTCapital.**

During the six months ended 30 June 2018 no revenue was derived from customers a) and b) listed above. During the six months ended 30 June 2018 ISX derived 23.5% of its contracted serve fee revenue from customer e) OT Capital and 2.4% from customer c) Tradefinancial and d) TraderQ which were billed as one entity, under a common billing code.

6. Please describe the due diligence processes that ISX undertakes before agreeing to provide any payment or other financial services to a customer.

The Customers to whom we provide financial services are subject to our customer due diligence processes and policies, including:

- Check of company registration, incorporation, good standing, and activity on local ASIC equivalent registers (e.g. UK Companies House, Cyprus Registrar of Companies)
- Confirmation of any licences (where applicable) with regulators (e.g. AFSL, CIF, etc)
- Regulatory sanction and/or fine check (with regulators websites and Lexis Nexis below)
- Identification of Key Controllers, including officers, directors and ultimate beneficial owners (UBOs)
- Verification of directors, authorized signatories and UBOs with holdings greater than 25%, per Anti Money Laundering Regulations
- Assessment of UBOs eligibility
- Review of historic bank data or card processing data
- Review of financial records, including accounts, tax records etc
- Identifying the purpose of establishing the business relationship
- Assessment of economic activity in the country of incorporation/registration
- Check against card scheme watch lists including VMAS, VROL and MATCH
- Adverse media checks
- Webshield checks
- Website checks confirming compliance with the card schemes
- Check with law enforcement agencies re Key Controllers, including Interpol Red notices, FBI most wanted, Europol lists and CIA politically exposed person lists
- Check with Australian DFAT, HM Treasury, OFAC, EU CSDP and US SDN lists re individuals
- Check US Securities CFT Commission RED list
- Check U.S Commodity Futures Trading Commission
- Lexis Nexis check for previous court action, sanctions, politically exposed person, adverse media
- Check against Panama Papers and Open Corporate lists

7. Specifically, please describe the due diligence processes that ISX undertook before agreeing to provide any payment or other financial services each of the following customers:

a) TRADOLOGIC;

At the time of entering into a referral agreement with Tradologic in 2016, the Company did not offer any financial services as it had not as yet received regulatory authorisation to do so. Therefore, Tradologic was not ever offered any financial services, so formal customer due diligence was not applicable. They were a 'sales referral partner' and platform partner for our KYC service. Simplified due diligence was performed in terms of meeting executives of the company, checking online website and Lexis Nexis check.

b) Any other client introduced to ISX by TRADOLOGIC;

No clients were introduced for payment or financial services by Tradologic. ESMA regulations banned binaries in the EU per Decision (EU) 2018/795 of 22 May 2018.

The Company commenced payment and financial services under its own Monetary Financial Institution licence on the 12th December 2018, and as announced to the ASX on the 13th December 2018, or some 8 months after the ESMA ban. It therefore was not in a position to provide financial services or payment services to any binary option providers, or to Tradologic as a platform for binary options.

The Company notes that, in Australia, ASIC still issues Australian Financial Services Licences (AFSL) to Binary Option providers, who still service the general public. The Company's policy is that it may provide services to any appropriately licensed AFSL holders that meets its customer due diligence requirements.

c) Tradefinancial;

Customer due diligence per Question 6

d) TraderQ; and

Customer due diligence per Question 6

e) OTCapital.

Customer due diligence per Question 6

8. ASX notes that ISX's glossary of terms (attached to various ASX announcements) has previously included the following definitions:

- *'Merchant Discount Rate (MDR) = the fee, designated in basis points charged to the merchant for the provision of transactional banking services by the Company, comprising the MSF and the Interchange (IC) fee'*
- *'Merchant Services Fee (MSF) = is a component of the MDR fee, designated in the basis points, charged to the merchant for the provision of transactional banking services by the Company'*

ISX also made some statements regarding the fee which it books as revenue (see sub-paragraphs Tiii) and BB above).

In light of the above, please clarify whether ISX's revenue from settlement services reflects:

- Gross Processing Turnover Value (GPTV) x MSF, or
- GPTV x MDR (i.e. including the Interchange (IC) fee).

ISX's revenue from settlement services is based upon GPTV x MDR (i.e. including the Interchange (IC) fee), with the card scheme Interchange and payment fees indicated on our Appendix 4C statements as 'cost of goods'.

The MSF is the gross profit associated with the revenue.

9. ASX notes that:

- ISX has provided annualised Gross Processing Turnover Value (GPTV) figures for its settlement merchants/ISXPAY customers on various occasions since 21 January 2018.
- ISX often describes these figures as 'total contracted GPTV book value' (or words of similar import).

The following table details the initial disclosures of various annualised GPTV figures between January 2018 and September 2018:

Date of Announcement	Annualised GPTV
21 January 2018	>\$75m
5 February 2018	>\$100m
26 February 2018	>\$400m

26 April 2018	>\$500m
4 June 2018	>\$550m
31 July 2018	>\$600m
23 August 2018	>\$650m
3 September 2018	>\$880m

In light of the above:

- a) **Please describe the basis upon which ISX calculated each of the annualised GPTV figures detailed in the above table, and clarify ISX's definition of 'contracted' in this context.**

Contracted means:

- customer due diligence completed per Question 6
- agreement executed by both parties
- technical integration not as yet commenced or at very early stage.
- Merchant Application Form (MAF) completed with client own estimates of GPTV provided

ISX's calculation was an aggregation of clients' estimates after assessing that the estimates were plausible, based on ISX's expertise.

The Company further clarifies that it has not at any time entered into any agreement, nor derived any revenue, loss or profit from any activity (including made any loans) associated with any entity of which Mr C Taoushanis is or was a director, shareholder or beneficiary at any time.

- b) **Please detail the composition of each of the annualised GPTV figures in the above table, including the names of the customers and the respective GPTV attributed to them.**

The anticipated GPTV figures of each customer have been disclosed as part of a formal application to the Company for regulated payment services, and have been provided in confidence by each respective entity.

The Company adopted reporting of actual annualised GPTV as at 3rd April 2019, being a more accurate measure of financial performance. This was primarily due to an increasingly frequent incidence of integration times varying significantly between merchants and their respective date of contract execution, and eventual first revenues. Further, the GPTV stated on Merchant Application Form could vary from actual processed once services went live.

Please refer to attachment Q9 (b) Announcements for further details and the related contracts.

10. The March 2018 Quarter Appendix 4C stated that ISX was 'resolving an upstream technical issue with one of our key suppliers' and that 'this short-term supply side technical issue affects the processing of payments to some of our merchants in the EEA area'

- a) **Which 'key supplier' experienced the 'up stream technical issue?'**

The publicly listed Worldline NV / SA (EPA:WLN)

- b) **Please list the customers which were affected by this 'upstream technical issue'.**

All EEA Customers that required Address Verification Service (AVS) to be activated. Typically, all financial services customers must have AVS activated to be compliant with card scheme rules.

Worldline was not able to comply with this card scheme mandated requirement until circa December 2018, despite the card scheme mandate having been applicable to all card acquirers from several years prior. These technical issues had the effect of slowing the new card acquiring services in ISX's European operations in the second half of 2018.

11. The 4 June 2018 Announcement disclosed that ISX has added 'parallel supply networks to reach core banking and card services'

Please list these 'parallel supply networks'

- Omnipay Ltd, who's parent is the NASDAQ listed Fiserv (NASDAQ:FISV)
- Payvision BV, who's cornerstone shareholder (75%) is the Dutch listed entity ING Bank (AMS: INGA)

12. ASX notes that:

- The 4 June 2018 Announcement disclosed that the ‘supply side technical issue’ has been resolved and stated that ‘the resolution of the supply side network technical issue, which previously limited our coverage and servicing of some of our contracted merchants, will very shortly no longer affect the processing of payments to (foreseeably) any of our contracted merchants in the EEA area’.
- The 3 September 2018 Announcement disclosed that the second reason¹ for ISX ‘throttling back transaction flow’ was due to ‘previously reported third party functional and/or throughput limitations’.
- The 26 September 2018 Announcement disclosed the ‘KAB matter’ and stated (amongst other things) that the KAB matter ‘has already impacted processing, clearing and settlement intermittently during July and August, and most of the September month’, ‘the Company’s revenues and cash flow will be impacted this quarter’, and ‘September quarter receipts will be down significantly from last quarter, with resultant cash receipts possibly as low as \$1.2m.’

In light of the above:

- a) **Please detail the announcement(s) which disclosed the (unresolved) ‘third party functional and/or throughput limitations’ referred in the 3 September 2018 Announcement.**

- 31st March
- 26th April
- 4th June
- 31st July

- b) **When did ISX first become aware of the ‘KAB matter’?**

ISX first became aware of the ‘KAB matter’, to a limited extent, on the 16th September 2018.

- c) **Given the 26 September 2018 Announcement disclosed that the KAB matter had already had an intermittent impact on processing, clearing and settlement during July and August and most of September 2018, please explain why this information was not released to the market prior to 26 September 2018, commenting specifically on when you believe ISX was obliged to release the information under listing rules 3.1 and 3.1A and what steps ISX took to ensure that the information was released promptly and without delay.**

The intermittent issues were related to clearing and settlement of transactions being irregular in their timing and inconsistent between settlements. This created an uncertainty as to when funds would be cleared and available for distribution to ISEMEE’s clients. The Danish Government’s Finansielt Stabilitet confirmed in their various 2018 public reports that the KAB had solvency issues, which were likely the cause of the intermittent clearing and settlement issues affecting ISEMEE.

Intermittent issues were not deemed material as they occurred, and some degree of retrospectivity was required to determine the materiality. The issues were delays to processing inbound and outbound transactions, which were manageable and not material to revenue, and whilst affecting performance, were deemed at the time to be likely to be short term issues. Manageable operating inconveniences were not regarded as material to the price or value of ISX’s shares and, in any event, the anticipated duration and effect of the processing delays were “insufficiently definite” within the meaning of Listing Rule 3.1A.1.

The KAB issues, ultimately meant ISX paused its eMoney services and slowed its card acquiring growth in Europe in the last quarter of 2018. The eMoney services were re-established subsequent to the Company being granted a central bank account, and it thus having independent control of its own activities.

- d) **Given the 26 September 2018 Announcement disclosed that the KAB matter had already had an intermittent impact on processing, clearing and settlement during July and August 2018, please explain why this information was not disclosed in ‘matters subsequent to the end of the financial year’ (or elsewhere) in the 30 June 2018 Accounts which were released on 29 August 2018.**

The matter only became material, and only gave rise to the (transitory) possibility of significantly affecting future operations, in September 2018 as explained in section e) below.

- e) **Given the 26 September 2018 Announcement disclosed that KAB matter placed under the control of the Danish State administration company for banks on 13 September 2018, please explain why this information was not released to the market on 13/14 September 2018, commenting specifically on when you believe ISX was obliged**

to release the information under listing rules 3.1 and 3.1A and what steps ISX took to ensure that the information was released promptly and without delay.

On the 16th September 2018, Finansiële Stabiliteit (FS) wrote to iSignthis eMoney Ltd (ISEMEE) and advised that it had assumed control of the KAB, that the bank would continue to operate as usual, and that : *“The institution will continue its operations for now. You can therefore maintain your customer relationship with the institution.”*

There was correspondence between the 16th and 25th September 2019 between SEMEE and FS regarding efficient operations and the status of ISEMEE client funds held at the KAB. During that time the likely duration and extent of impact of the external administration of the bank on ISX was unclear and until the end of that period was considered “insufficiently definite” within the meaning of Listing Rule 3.1A.1. The executive and board considered overnight correspondence, considered that an ASX announcement had become appropriate and prepared an announcement to the market on 25th September which addressed revenue impact and alternative arrangements.

The Company confirms that, neither it nor any of its subsidiaries, have at any time received any communications, queries or formal notices from any European Regulators, financial intelligence units or law enforcement agencies relating to alleged suspicious activities or matters in connection with KAB.

The Company advises that it has no details of the “26 Suspicious Matter Reports” as alleged by the *Australian Financial Review*, and, notes that even if they did exist, it has not received any notice from any government agency regarding the matter.

13. Why did ISX select KAB as its bank (for holding its own, settlement and client funds in EMAs) and ‘as part of its card and APM clearing and settlement network’?

There are a limited number of banks in the EU that will hold “client funds” as a custodian for authorised electronic money institutions, such as ISX’s subsidiary, iSignthis eMoney Ltd (ISEMEE).

ISEMEE had approached a number of institutions in Scandinavia, Germany and the UK to seek custodial facilities. ISX was not in a position to attract interest from larger banking entities, as its revenues were modest at that stage.

Moody’s credit rating for Danish banks was the second highest in Europe, after Switzerland. The KAB had no adverse or pending regulatory action on it per Lexis Nexis records at the time of ISEMEE requesting to open custodial accounts for inbound settlement, depositary and outbound settlement for its client’s funds.

The KAB was prepared to move swiftly in order to secure the Company’s business.

14. Please provide a copy of the recording of the analyst briefing referred to in the announcement on 3 August 2018.

The Company published a copy of the link to the ASX on the 3rd August 2018. It appears that the link is no longer active, as it was hosted at a third party provider who has taken down the recording. Unfortunately, the Company has not retained a copy.

15. Please provide a copy of any equities research reports on ISX that ISX has in its possession which were published between 1 July 2017 and 31 December 2018 (not for release to the market).

Please refer to attachments Q15 Research for equities research reports on ISX.

16. Please confirm that ISX is complying with the Listing Rules and, in particular, Listing Rule 3.1.

We confirm that iSignthis Ltd is complying with the listing rules and, in particular listing Rule 3.1

17. Please confirm that ISX’s responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of ISX with delegated authority from the board to respond to ASX on disclosure matters.

The Company confirms that its responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of ISX with delegated authority from the board to respond to ASX on disclosure matters.

Yours faithfully



Nickolas John Karantzis
Managing Director & CEO



Elizabeth Warrell
Chief Financial Officer



Timothy Hart
Chairman



15 October 2019

Reference: 08829

Mr Todd Richards
Company Secretary
iSignthis Ltd
456 Victoria Parade
East Melbourne VIC 3002

By email

Dear Mr Richards

iSignthis Ltd ('ISX'): Query Letter

ASX Limited ('ASX') refers to:

- A. ISX's announcement titled 'TRADOLOGIC enters into partnership agreement with iSignthis' released on the ASX market announcements platform ('MAP') on 8 July 2016, which announced that ISX had entered into a partnership agreement with the 'world's leading binary options platform provider, TRADOLOGIC'. Among the highlights identified in the announcement is:

'TRADOLOGIC to refer iSignthis Digital KYC solution to new clients'.

- B. ISX's announcement titled 'Eurosysteem eMoney Institution license granted for ISXPay' released on MAP on 5 April 2017, which included the following statement:

[ISX] 'is pleased to advise that its subsidiary, iSignthis eMoney Ltd, trading as ISXPay™, has been granted an eMoney Institution (EMI) License #115.1.3.17 by the Central Bank of Cyprus (CBC).'

- C. ISX's announcement titled 'Tradefinancial transacting via ISXPay Australia' released on MAP on 16 October 2017, which included the following statements:

[ISX] 'has completed integration of its services to Australian Securities and Investment Commission (ASIC) regulated Tradefinancial (www.tradefinancial.com.au) ...

Tradefinancial is now processing live transactions via the ISXPay® service, and will contribute revenue in the current quarter ...'

- D. ISX's Appendix 4C for the September 2017 quarter released on MAP on 17 October 2017, which included the following statements on page 1 (emphasis added):

- *'Unaudited operating cash receipts more than doubled to \$329,000 for the quarter ended 30 September 2017 vs \$155,000 in the June quarter ...*
- *ISXPay Australia transactional banking services now live – processing, clearing and settling funds to merchants*
- *ISXPay Europe imminent for 'go live' status.*
- *iSignthis business model of i) verify, ii) process and iii) acquire, clear & settle to merchants now earning revenue across all segments ...'*

- E. ISX's announcement titled 'TraderQ.com.au transacting via ISXPay Australia' released on MAP on 2 November 2017, which included the following statements:

[ISX] 'has completed integration of its services to Australian Securities and Investment Commission (ASIC) regulated TraderQ (<https://www.traderq.com.au>) ...

TraderQ is now processing live transactions via the ISXPay® service, and will contribute revenue in the current quarter ...'

- F. ISX's announcement titled 'OTCapital transacting via ISXPay Australia' released on MAP on 3 January 2018, which included the following statements:

[ISX] 'has completed integration of its services to Australian Securities and Investment Commission (ASIC) regulated OTCapital (<http://www.OTCapital.com>). Transactional services are live with revenue commencing this month.'

- G. ISX's announcement titled 'Worldline & iSignthis launch Payidentity Services in Europe' released on MAP on 19 January 2018, which included the following statements:

[ISX] 'has completed technical integration with Worldline, allowing the parties to commence their partnership announced in July ...'

European eCommerce merchants, including FinTech firms and qualified cryptocurrency exchanges, will now have access to an exciting new service that combines the RegTech capabilities of iSignthis, with the acquiring capabilities and expertise of Worldline, to be contracted and delivered via ISXPay.'

- H. ISX's Appendix 4C for the December 2017 quarter released on MAP on 21 January 2018, which included the following statements (emphasis added):

- i) On page 1:

- *'Total recurring transactions (Tx) for the December quarter outperformed expectations, increasing +153% vs the September quarter:*
 - *This outperformance was driven by stronger than expected platform usage from existing customers and the addition of new customers in November and December 2017*
 - *The Company expects growth to normalise to more sustainable levels and provides guidance for the March quarter Tx volumes of approximately 30% QoQ ...*
- *Unaudited revenue of A\$553k for the December quarter, representing an increase of 100% from the September quarter*
 - *Total unaudited revenue for the 1HFY18 of A\$829k*
- *Cash Receipts for the December quarter increased to A\$392k'*

- ii) On page 3:

- *'Live transactional processing has commenced with Valutrades, Tradefinancial, OT Capital and TraderQ. These merchants have contributed revenue in the December quarter ...'*
- *Additional Australian Card Acquiring Contracts executed for retail merchants via the relationship with National Australia Bank (ASX : NAB). iSignthis' ISXPay is now contracted to process in excess of \$75m per annum in e-commerce transactions, with annualised daily merchant gross turnover processing value now in excess of this \$75m figure.'*

- I. ISX's announcement titled 'Aust payment processing & funds settlement update ISXPay' released on MAP on 5 February 2018, which included the following statements (emphasis added):

'Over the last four months, actual figures indicate that GPTV will exceed \$100m annualised, based on just 3 of the 7 merchants contracted. The Company cannot at this stage forecast the GPTV contribution of the other contracted merchants or those being finalised to contract ...'

The Company has elected to focus on selected merchants as they provided scale, and a higher gross margin than the anticipated average. This has allowed the company to bed down its technology and operations, before moving to conclude further integrations, process higher volumes, and finalise further new sales opportunities.

Further merchants are expected to go live within the next few weeks, and will include the full Paydentity™ suite. For AML regulated merchants, the use of Paydentity will likely translate to higher KYC conversions together with massive increase in extraterritorial reach, which in turn will likely lead to corresponding increase in GPTV being processed by ISXPay®...

- J. ASIC's media release titled 'ASIC obtains interim injunctions and warns investors against AGM Markets, OT Markets and Ozifin (Trade Financial)' dated 13 February 2018, which can be accessed at: <https://asic.gov.au/about-asic/news-centre/find-a-media-release/2018-releases/18-036mr-asic-obtains-interim-injunctions-and-warns-investors-against-agm-markets-ot-markets-and-ozifin-trade-financial/>

In that release, ASIC warned retail investors against dealing with OT Capital, Trader Q and Tradefinancial in relation to trading in margin FX contracts for difference (CFDs) and bitcoin CFDs because they were unlawfully offering personal advice about those products without the required Australian financial services licence and engaging in misleading, deceptive and/or unconscionable conduct.

- K. ISX's announcement titled 'Four Major EEA/EU based merchants Contracted' released on MAP on 26 February 2018, which included the following statements (emphasis added):

[ISX] 'has contracted four major EU based settlement merchants, with an estimated annual Gross Processing Turnover Value (GPTV) book value in excess of €200m (+A\$310m).

The various agreements are deemed material, with a resulting positive contribution on revenue over the term of each of the evergreen agreements. The contracting process includes an extensive customer due diligence process per the stringent EU regulatory requirements, including identifying and verifying all beneficial owners with a greater than 10% stake in the contracting party.

The merchants are all within the derivatives, CFD and securities merchant category ...

Two of these four new merchants are in the final stages of integration, with the Company anticipating revenue contribution to commence within the March quarter, and revenue then scaling more fully throughout the June quarter.

Integration planning for the other two merchants is underway, and GPTV contribution of the merchants will be included with the appropriate update to market in the quarter that they become active.

Total contracted GTPV book value for the global iSignthis group settlement merchants is now in excess of A\$400m, on an annualised basis ...'

- L. ISX's Half Yearly Report and Accounts for the half year ended 31 December 2017 released on MAP on 28 February 2018, which included the following disclosures (emphasis added):

- i) Revenue of \$826,912 for the half year to 31 December 2017, which comprised contracted service fees of \$779,082, licensing fees of \$20,417 and interest of \$27,413 (in Note 4 on page 11).
- ii) Trade and other receivables of \$288,868 (in the statement of financial position on page 7).
- iii) On page 1:

'Operational Trading Outlook:

- Growth in settlement processing continues to exceed expectations,

-
- *The company guidance is for revenue growth in the March quarter to be at least 50% higher than the December quarter (previously at least 30%) based on actual transactions to 23rd Feb, ...*
 - *Settlement revenues now make up over 65% of our revenue by vertical and will be the primary driver of revenues going forward ...*
- M. ISX's announcement titled 'First European Based Merchant Transacting' released on MAP on 7 March 2018, which included the following statements (emphasis added):
- 'One (1) of the Four (4) merchants announced last week on the 26th February as having been contracted, is now live and transacting, and will be contributing to revenue as of today ...*
- Paydentity™ has been rolled out as the merchant's customer due diligence platform, which has been integrated via a multi-tenancy solution to the Panda (<http://pandats.com>) platform, allowing for rapid future integration of merchants.*
- Gross Processed Turnover Value (GPTV) is anticipated to be in excess of €50m annualised for this merchant, based upon trading histories provided by the merchant ...*
- As announced previously, iSignthis is engaged with a number of merchants across a range of industry verticals in the EU, Australia and other regions and expects a steady but controlled addition of new customers throughout the year.*
- N. ISX's announcement titled 'XM Chinese eKYC via Paydentity' released on MAP on 20 March 2018, which included the following statements:
- [ISX] 'has extended the scope of its Paydentity solution to XM.com to include provision of Chinese identity verification services, as a standalone service. Electronic Know Your Customer (eKYC) services have been provided to XM by the Company since beginning of this month.*
- The Company is now identifying Chinese, as well as UK and EU based customers, on behalf of various XM trading entities, to meet AML/CFT Know Your Customer (KYC) requirements.'*
- O. ISX's Appendix 4C for the March 2018 quarter released on MAP on 26 April 2018 ('March 2018 Quarter Appendix 4C'), which included the following disclosures (emphasis added):
- i) On page 1:
- *'Unaudited revenue of A\$1.48m for the March quarter, representing a QoQ increase of 267%*
 - *Total unaudited revenue for the first three quarters of FY18 of A\$2.28m*
 - *Cash Receipts increased to A\$1.571m, representing approximately a 400% increase versus the December quarter (A\$392k)'*
- ii) On page 2:
- 2.0 MERCHANT UPDATE*
- The ISXPay contracted book value continues to grow, with contracted value now in excess of AUD\$500m GPTV per annum. The GPTV processed by the Company did not experience the growth expected by the Company, due to a number of unforeseeable events.*
- These events included litigation between two of our merchants and ASIC, which has resulted in processing for those two merchants declining. The GPTV attributable to these merchants has been discounted from the above 'contracted' GPTV. The Company is also resolving an upstream technical issue with one of our key suppliers, which our supplier is working on resolving as soon as possible.*

This short-term supply side technical issue affects the processing of payments to some of our merchants in the EEA area. This technical issue prevents the Company from processing the volumes of some of its contracted merchants at maximum capacity, as well as crystallising the full potential gross profit from each contracted merchant. The Company is thus diverting its traffic in the short term from these merchants to higher cost suppliers until it resolves the issue, which are expected to take 8-10 weeks. Revenues will continue to increase, albeit at a slightly slower pace and at a lower gross profit margin than had hoped for by management during this period ...

- iii) A diagram on page 3 (partially replicated below) which included ISX's 7 services/solutions, together with the basis of charging for each service/solution, and the sectors in which its merchants operate:

Services/Solutions	Charge Basis	Merchant Sectors (Contracted)
1. Card Acquiring EEA/EU/AUS	1. MSF% of GPTV	<ul style="list-style-type: none"> • Financial Services • CFD / FX / Binary Brokers • Gaming/Gambling • Credit Providers • Crypto / Digital Currency • High Value Retail • Money Service Business • Utilities
2. eMoney Services	2. MSF% of GPTV	
3. Intercompany remittance	3. MSF% of GPTV	
4. Custodial Account Services	4. MSF% of GPTV	
5. Identity as a Service (KYC)	5. Flat Fee x Units	
6. Payment Gateway	6. Flat Fee x Units	
7. Integration / Set Up	7. One off Fee	

- iv) On page 3:

'Merchant Contracting Cycle

The stages of delivering processing services to a Merchant are;

- *identify prospects & marketing activity (ongoing), by ISX*
- *sales activity (1-6months), by ISX*
- *Reach formal agreement (2-4 weeks), joint ISX and Merchant*
- *Finalise due diligence (2-3 weeks), by ISX*
- *Provisioning (1 week), by ISX*
- *Onboarding and Integration (2-8 weeks), by Merchant*
- *Comfort Testing & Loading (2-8 weeks), by Merchant*
- *Processing (ongoing), by ISX*
- *Upsell new services, by ISX'*

- v) On page 4:

'... Management has attempted to provide guidance to the market in recent quarters, however the surging and unpredictable nature of the growth experienced in recent quarters has led to material variation from those guidance estimates.

The Company currently has a strong pipeline of merchants on-boarding, which will in turn impact both operational core services revenue and the contracted book value for settlement services over the coming quarters ...

As such, the company believes that the market will be best informed by management providing timely updates on revenue projections as growth for the June quarter crystallises ...'

- P. ISX's announcement titled 'Interim Update' released on MAP on 4 June 2018 (the '4 June 2018 Announcement'), which included the following statements (emphasis added):

'The GPTV processed by the Company did not experience the growth expected by the Company, due to a number of unforeseeable technical issues, as previously reported.

The Company is pleased to announce that it has resolved the upstream technical issues reported with the 31st March 2018 Appendix 4C. The resolution has entailed the addition of parallel supply networks to reach core banking and card services, thus ensuring that the Company is not dependent on any one network to process traffic.

The resolution of the supply side network technical issue, which previously limited our coverage and servicing of some of our contracted merchants, will very shortly no longer affect the processing of payments to (foreseeably) any of our contracted merchants in the EEA area. Several merchants will be enabled or switched to the parallel network from end of this week, albeit at a higher cost base in the short term. The resolution of the technical issue, which also previously prevented the Company from processing the volumes of some of its contracted merchants at maximum throughput capacity, will shortly also allow the Company to crystallise the full potential gross profit from each contracted merchant.

The Company notes that use of these parallel supply network means that it is still diverting some of its traffic in the short term to these higher cost suppliers, until its own lower cost Tier 1 network to Visa, Mastercard and JCB is completed fully, which is expected to take a further 12 weeks ...'

- Q. ISX's announcement titled 'EMA Launch and First Contracts' released on MAP on 4 June 2018, which included the following statements(emphasis added):

'E Money Accounts (EMA)

The Company is pleased to announce that it has launched a tailored business to business Euro (€) based transactional banking service, aimed at providing a service to its AML regulated merchant base and affiliate networks.

EMA represents a new revenue stream, which is independent of our payment processing services, but which may supplement payment services by Clients ...

Business Model

The business model is based upon iSignthis charging a percentage fee on all inflow of monies, and a fixed fee for outflow via SEPA and SWIFT. OCT is charged as a combination of fixed and percentage fee for payments outbound ...

Client

The Company has already contracted two clients to the new facility, with a number of additional merchants under negotiation.

Clients are contracted in the range of 100bps to 450bps against fund inflows ...

EMA funds inflow is expected to be in the order of €2-5m/ month against current contracts.'

- R. ISX's announcement titled 'Central Banking Facilities & SWIFT Membership' released on MAP on 21 June 2018, which included the following statements:

[ISX] 'is now a SWIFT usership member, with a SWIFT locatable BIC of ISEMCY22, post integration ...

The Company is also pleased to announce that it has entered into certification arrangements with a Eurosystem Central Bank for a EURO (€) based Account, for funds settlement of incoming and outgoing SWIFT, STEP2, and RT1 payment systems, as well as Cards, SEPA Instant (SCT Inst), Direct Debit (DD) and Credit Transfer (CT).'

- S. ISX's announcement titled 'Cash Receipts - Performance Rights' released on MAP on 22 June 2018, which included the following statements (emphasis added):

'... cash receipts for Half Two (H2) are now in excess of Three Million Seven Hundred and Fifty [Thousand] Dollars (\$3,750,000).

Subject to audit, the receipts will satisfy the Milestone A and Milestone B requirements for issue of Class A and Class B Performance Rights under Section 14.2 of the iSignthis Ltd Prospectus dated 22 December 2014.

The Company is not as yet in a position to provide guidance on Milestone C target of Five Million Dollars (\$5,000,000) audited revenue target, as End of Financial Year June 2018 invoicing will be the determining factor.

- T. ISX's Appendix 4C for the June 2018 quarter released on MAP on 31 July 2018 ('June 2018 Quarter Appendix 4C'), which included the following statements (emphasis added):

- i) On page 1:

- *'Unaudited revenue for the 6 months from 1st January 2018 to 30th June 2018 was in excess of A\$5.5m.*
- *Cash Receipts increased to A\$2.633m, representing a 67.4% increase versus the March quarter of A\$1.571m*
- *The Company continues to increase the value of its contracted GPTV, which is now in excess of AU\$600m'*

- ii) On page 6:

'The Company has also received notification from its Australian supply partner, the NAB, that the NAB's risk appetite has changed. The NAB advises that it intends to exit processing of all High Brand Risk (HBR), eWallets, securities, and CFD, FX trading merchants, except those HBR merchants associated with gambling/wagering, within the next few months ...

High Brand Risk processing is not a focus by the Company at present, however, transactional banking associated with CFD, FX and securities is a focus for the Company ...'

- iii) On pages 8-9:

'The Merchant Discount Rate (MDR) % comprises the Interchange Rate (IC) % and the Merchant Services Fee (MSF) % ...

Fixed MDR is the model the Company primarily uses, whereby the Company offers a fixed domestic MDR% and a separate fixed international MDR%. We then set a typical rate per <https://www.isignthis.com/wp-content/uploads/2017/10/ISX-PricingSchedule.pdf>, and merchant pays the Company the MDR ...

E.g. MDR of 1.75% domestic, minus 0.8% for premium card, provide for a MSF = 0.95%, which is then booked as revenue

U. ISX's announcement titled 'Analyst Brief - August 2018' released on MAP on 3 August 2018, which included the following statements (emphasis added):

i) On page 3:

- *'Revenue in Q4FY18 was in excess of \$3.95m*
- *Unaudited revenue for the 6 months from 1st January 2018 to 30th June 2018 was in excess of A\$5.5m'*

ii) On page 5:

'Discussing the "Supply Issues"

- *ISX contracted with two major acquirers – the NAB and Worldline, on the basis that*
 - *These deals were wholesale*
 - *Could support our intended operations into MCC6211 and 6051 ...*
- *Subsequent to our contracting merchants, both WLN and NAB, for similar reasons, are now unable or unwilling to supply us into our MCC6211 and 6051 target merchant base. Both OK to supply ISX in other MCC's, under wholesale rates.*
- *The Company quickly executed a series of discounted retail supply agreements, in order to ensure we can meet our contracted commitments to merchants.*
- *These are short term supply issues, with our own Tier 1 facilities being available on a visible horizon ...'*

iii) On page 6:

'Discussing the "Cash to Revenue Lag"

...

EMA accounts – fees are invoiced and charged at End of Month. *Our fastest growing sector.*

Card Acquiring – fees should be booked at daily or weekly settlement, however, with the new supply arrangements, our fees may be paid at a later stage (eg weekly or monthly) as the supplier may deduct their fees, before forwarding monies to us ...

APMs Settlements- some we control, others are controlled by the APM and thus our cash settlement lags by up to 7 days. Invoiced at settlement

KYC Fees– invoiced monthly on 30 day terms

One off Fees / One off Setups (Integrations) < 15% of revenue (recur on each new agreement) - Invoiced at milestone on 30 day terms

The Company provides an integration service to some contracted clients. These integration services relate to the CRM platforms that our clients required in order for volume to flow between the Consumer the Merchant and iSignthis.

The service is offered in order to bring forward revenue with our merchants, as their internal resources would need to be diverted in order to connect, where we have capacity to do this from them. While this is a lower margin revenue item than other product offerings it does allow for higher margin products to commence operation sooner.'

iv) On page 8:

'Discussing "Recurring Revenue" & "Margins"'

The Company has as at today's [sic] date, merchants with significant contribution to revenue as follows

- *3 active AUS Merchants in MCC6211, with 2 ready to go live with Visa + Mastercard + APM's*
- *2 active EEA merchants in MCC6051, with 1 ready to go live with Visa + Mastercard + APM's*
- *3 active EEA merchants in MCC6211, with 3 ready to go live with Visa + Mastercard + APM's ...*
- *Contracted GPTV is > \$600m, and will come ~fully on stream by mid September*

EEA

- *We are a full principal member of Mastercard, Visa and JCB in the EEA (Tier 1) ...*
- *Tier 1 connection to Mastercard and Visa expected in 6-8 weeks ...'*

V. ISX's announcement titled 'Recording of Analyst Briefing' released on MAP on 3 August 2018, which disclosed a link to the recording (which is no longer available).

W. ISX's Appendix 4E and Annual Accounts for the financial year ended 30 June 2018 released on MAP on 29 August 2018 ('30 June 2018 Accounts'), which included the following disclosures (emphasis added):

i) On page 4: *'Revenue for the 6 months from 1st January 2018 to 30th June 2018 was in excess of A\$5.5m.'*

ii) Total revenue of \$6,338,969 for the year to 30 June 2018, which comprised:

(a) Fee revenue of \$5,800,846, interest revenue of \$59,604, and a research & development tax concession of \$478,519 (see Note 5 on page 33).

More specifically, fee revenue of \$5,800,846 comprised contracted service fees of \$5,780,429 and licensing fees of \$20,417 (see Note 5 on page 33).

(b) By geography: total revenue of \$1,929,391 from Australia, and \$4,409,578 from Europe/British Virgin Islands (BVI) (including sales revenue of \$1,391,268 from Australia, and \$4,409,578 from Europe/BVI) (see note 4 on page 31).

iii) On page 29:

'AASB 15 Revenue from Contracts with Customers

This standard is applicable to annual reporting periods beginning on or after 1 January 2018....The consolidated entity has assessed the impact of the application of the standard at 30 June 2018. It is noted that there were no outstanding performance obligations in relation to contracts with customers and therefore the expected impact at 30 June 2018 is nil.'

- iv) On page 33:

'Accounting policy for revenue recognition

Revenue is recognised when it is probable that the economic benefit will flow to the consolidated entity and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

Revenue is recognised through the following major revenue streams as follows:

Know Your Customer (KYC) verification

Revenue generated from KYC fees are billed on a flat rate per verification service and are recognised once the service is performed. All revenue within this revenue stream has been included within 'contracted service fees' noted above.

Payment processing function

Revenue generated from the payment processing function are billed on a per transaction basis and are recognised once the service has been performed. All revenue within this revenue stream has been included within 'contracted service fees' noted above.

Settlement of payments

Revenue generated from the settlement of payments are billed on a percentage of the transaction value and is recognised once the service has been performed. All revenue within this revenue stream has been included within 'contracted service fees' noted above.

Integration, Establishment, Project and Platform Fees

Revenue generated from the initial integration and merchant operational set up are billed on contract signing and service go live date. Revenue is recognised once the service has been performed. All revenue within this revenue stream has been included within 'contracted service fees' noted above.

Licensing fees

The consolidated entity entered in to a licensing agreement with an Australian retailer at an agreed fee. This allowed the retailer to utilise the Patented service for a period of twelve months and as such this revenue was recognised over the period of the agreement.

Government subsidies

Subsidies from the government including R&D tax incentive income, are recognised as revenue at their fair value where there is reasonable assurance that the grant will be received, the Company will comply with attached conditions and the R&D incentive is readily measurable. As such the Company recognised the R&D tax incentive on a cash basis in prior periods however the consolidated entity amended its method during the year and now recognises on an accrual basis extent [sic] that related expenditure is recoverable. Government subsidies are recognised under the AASB 120 (Accounting for Government Grants and Disclosure of Government Assistance) ...'

- v) Trade receivables of \$1,109,386 and other receivables of \$82,446 at 30 June 2018 (in Note 9 on page 36).
- vi) In note 30 on page 52:

'As part of the part consideration for the acquisition of 100% of issued capital of iSignthis B.V. and ISX IP Ltd (together known as "iSignthis") the vendor also issued 336,666,667

performance shares (on a post consolidation basis) based on achievement of the following milestones within three (3) [years] of completing the transaction:

- (i) 112,222,222 Class A Performance Shares – on achievement of annual revenue of at least \$5,000,000. Annual revenue will be calculated on annualised basis over a 6 month reporting period. Class A Performance Shares will expire if unconverted within three (3) years of completing the transaction;
- (ii) 112,222,222 Class B Performance Shares – on achievement of annual revenue of at least \$7,500,000. Annual revenue will be calculated on annualised basis over a 6 month reporting period. Class B Performance Shares will expire if unconverted within three (3) years of completing the transaction; and
- (iii) 112,222,223 Class C Performance Shares – on achievement of annual revenue of at least \$10,000,000. Annual revenue will be calculated on annualised basis over a 6 month reporting period. Class C Performance Shares will expire if unconverted within three (3) years of completing the transaction.

As at the date of this audited report, all three milestones have been met. The Performance Rights will therefore convert and be issued as fully paid ordinary shares per the terms outlined in the Prospectus dated December 2014 as soon as practically possible.'

- vii) The Directors' Declaration on page 54, which included the following statements:

'In the directors' opinion:

- *the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;*
- *the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;*
- *the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2018 and of its performance for the financial year ended on that date; ...'*

- viii) The Independent Auditor's Report on pages 55-57, which noted that revenue recognition was a 'key audit matter', and included the following statements:

'Key audit matter

Revenue recognition – Note 5

The Group derives revenue through the rendering of services which are performed under a combination of individual contractual agreements.

Determining the appropriate revenue recognition methods for multiple contractual agreements can be complex and involves management judgment, which include determination of each performance obligation within contracts and identifying when performance obligations are satisfied so revenue can be recognised.

We have determined the occurrence of revenue to be a key audit matter due to the application of judgment due to the complexity and customised nature of the arrangements entered into with customers.'

- X. ISX's announcement titled 'GPTV Update' released on MAP on 3 September 2018 (the '3 September 2018 Announcement'), which included the following statements (emphasis added):

[ISX] 'has contracted a major merchant in the MCC 6211 category (equities/brokers/market makers/FX/CFD), in Australia.

The Company's contracted merchants for Australian acquiring include XM.com, IC Markets, EuropeFX, ForexFS, DVMarkets, GMTMarkets, Tradedirect365 and others, some of which are already transacting and contributing to revenue.

The new merchant has a GPTV (Gross Processed Turnover Volume) of over AU\$200m, and was most recently a NAB customer. It is anticipated that the merchant will come onstream and contribute to revenues within four to six (4-6) weeks. The aggregate contracted GPTV based upon the Company's due diligence review of historic merchant account statements, is now expected to be in excess of AU\$880m across the EU and Australia, including JCB contribution.

The Company has been throttling back transaction flow to below its contracted GPTV merchant maximums, due to changes arising from Apple's policy of protecting user privacy and ensuring compliance with the EU's new privacy regulations known as the GDPR, and the previously reported third party functional and/or throughput limitations. Apple's decision to restrict third party cookies to enhance privacy affected devices globally using its Safari browser, and was announced with minimal notice by Apple ... ISXPay® throughput on Safari browsers is now restored in Australia and the EU as a result of resolving issues associated with Apple's blocking of third party cookies and cross site tracking on iOS and MacOS devices, and the Company is now ramping up transactional volumes and revenue flows.

Further increased throughput is anticipated as partners complete upgrades to their systems over the next few weeks, and the Company's own Tier 1 connections come onstream per the timetable announced last week.'

- Y. ISX's announcement titled 'Market Update regarding Supply Chain Issues' released on MAP on 26 September 2018 (the '26 September 2018 Announcement'), which included the following statements (emphasis added):

'A> Kobenhavns Andelkasse Bank (<https://kbh-andelskasse.dk>)

As of the 13th September 2018, the Kobenhavns Andelkasse Bank ("KAB") was placed under the control of the Danish State administration company for banks, known as "Finansiel Stabilitet" ("FS").

The Company is continuing to seek clarification but has received information from FS in the last 24 hours, that where a resolution was previously thought possible, means the Company's clearing and settlement of its partner card networks via KAB is no longer possible.

The KAB matter has already impacted processing, clearing and settlement intermittently during July and August, and most of the September month. The Company's merchants have in the meantime made arrangements to continue to utilise their existing card processing facilities outside of the Company's present network.

The Company had used KAB as part of its card and APM clearing and settlement network, including for holding Company's own, settlement and client funds in EMA's ...

B> Revenue Impact

The Company's revenues and cash flow will be impacted this quarter as a consequence of settlement funds being returned back up the supply chain, and settlement being deferred or via alternate (non company) channels. The resulting deferred cash flows and corresponding revenues

will be recognised once settled, with a further USD\$500k identified in third party (non KAB) suspense accounts. Consequently, the Company advises September quarter receipts will be down significantly from last quarter, with resultant cash receipts possibly as low as \$1.2m ...

C> Central Banking

... The Company had previously planned to use KAB to conduct an orderly transition to its own banking facilities. The KAB matter mean [sic] that the company will not be processing EU card transactions (with corresponding impact on revenues) until our own central bank facilities are commissioned. The Company's core banking and Tier 1 card processing systems will be going live progressively through October into early December as previously announced, with EMA's going live before end of October ...

F> Summary

Whilst the KAB matter has significant impact on short term revenues, the Company's Tier 1 facilities are being progressively completed and commissioned over the coming weeks in any case ...'

- Z. ISX's announcement titled 'Supply Chain Update' released on MAP on 12 October 2018, which included the following statements (emphasis added):

[ISX] 'has resolved its supply chain issues associated with its settlement bank.

The Company is receiving funds from its card processing partners, including JCB, into its account held with its banking partner that is replacing Koebanhavn Andelskasse, and will be in a position to settle merchants directly within the next week to ten days ...'

- AA. ISX's Appendix 4C for the September 2018 quarter released on MAP on 30 October 2018, which disclosed cash receipts from customers of \$986,000 for the September 2018 quarter.

- BB. ISX's announcement titled 'EU Visa & Mastercard Tier 1 Live' released on MAP on 27 November 2018, which included the following statements (emphasis added):

'The Company has previously announced that it contracted more than AUD\$880m of merchant GPTV, to be processed during FY/CY2019 and beyond ... The Company expects that Gross Processed Turnover Volume (GPTV) will gradually be loaded to ISXPAY over January and be at full GPTV monthly throughput by March 2019. The \$880m annual GPTV will be subject to merchant and seasonal fluctuations during the course of the year, with some months performing stronger than others. GPTV volume ramping is non-linear accelerating post March 2019 ...

The "Merchant Services Fee (MSF)% x monthly processed GPTV" will be booked as gross profit each month, without any cashflow lag, as MSF is deducted at daily or weekly settlement to merchant ...

Card Scheme Interchange fees will be collected and booked as revenue, and are payable to the card schemes by ISXPAY per the terms of its Principal licenses, and do not contribute to gross profit.

The overwhelming majority of ISXPAY's merchants fall under MCC6211 (CFD/FX Brokers & Market makers), many of whom also utilise the Paydentity™ platform to meet their compliance requirements.'

- CC. ISX's Appendix 4C for the December 2018 quarter released on MAP on 31 January 2019, which disclosed cash receipts from customers of \$936,000 for the December 2018 quarter.

- DD. ISX's annual report for the financial year ended 31 December 2018 released on MAP on 11 April 2019, which included the following disclosures:

- i) On page 25:

'AASB 15 Revenue from Contracts with Customers

The consolidated entity has adopted AASB 15 from 1 January 2018...

There was a nil impact on the revenue recognition from adoption of this standard.'

- ii) Total revenue of \$6,091,994 for the year to 31 December 2018, which comprised contracted service fees of \$6,091,994 and licensing fees of nil (in Note 5 on page 31).
 - iii) Other income of \$531,419 for the year to 31 December 2018 which comprised research & development tax concession of \$471,769 and interest of \$59,650 (in Note 6 on page 32).
 - iv) Trade receivables of \$353,800 and other receivables of \$430,160 at 31 December 2018 (in Note 10 on page 35).
- EE. ISX's announcement titled 'Quarterly Investor Briefing - Q1 2019' released on MAP on 30 April 2019, which included the following statement on page 6 (emphasis added):
- 'Revenues : \$1.85m UP↑ 56% from \$1.042m (from Q4 2018)'*
- FF. ISX's Half Yearly Report and Accounts for the half year ended 30 June 2019 released on MAP on 28 August 2019, which included the following comparative disclosures (for the half year ended 30 June 2018):
- i) Revenue of \$5,002,479 for the half year to 30 June 2018, which comprised contracted service fees of \$5,002,479 and nil licencing fees (in Note 5 on page 16).
 - ii) Other income of \$509,578 for the half year to 30 June 2018, which comprised interest revenue of \$ 31,059 and a research & development tax concession of \$478,519 (in Note 6 on page 17).
 - iii) Revenue by geography: sales revenue of \$1,285,339 from Australia, and \$3,717,140 from Europe/BVI) (see note 4 on page 16).
- GG. ISX's announcement titled 'iSignthis restates funds held on behalf of merchants' released on MAP on 24 September 2019, which included the following statements (emphasis added):
- 'The Company has been working proactively with ASIC, and has previously disclosed the matter of client funds (i.e. not company funds) of two Australian Financial Services Licensed (AFSL) merchants being moved from 'on balance sheet' to 'off balance sheet', per Page 11 of ISX's Half Yearly Report announced 28th August 2019 ...*
- The situation has arisen due to the unusual circumstances of ASIC having been successful in Federal Court to freeze the funds of these two merchants, which funds are held by the Company ...*
- These merchants are no longer active customers of iSignthis, with the processing of transactions and revenue generation ceased over a year ago in March 2018.'*
- HH. Various material available on the internet regarding TRADOLOGIC and its founder Ilan Tzorya suggesting that TRADOLOGIC was engaged in unlawful activity, including for example: 'German, Austrian police raid offices, arrest suspects in Israel-linked scam' (<https://www.timesofisrael.com/german-austrian-police-raid-offices-arrest-suspects-in-israel-linked-scam/>)
- II. Listing Rule 19.11A, which states:
- '19.11A If a listing rule requires an entity to give ASX +accounts, the following rules apply.*
- ...
- b) *The +accounts must be prepared to Australian accounting standards ...*

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- c) *If the listing rule requires audited +accounts, the audit must be conducted in accordance with Australian auditing standards by a registered company auditor...*
- d) *If the listing rule requires +accounts to be reviewed, the review must be conducted in accordance with Australian auditing standards ...'*
- JJ. Listing rule 3.1, which requires a listed entity to immediately give ASX any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities.
- KK. The definition of 'aware' in Chapter 19 of the Listing Rules, which states that:
- 'an entity becomes aware of information if, and as soon as, an officer of the entity (or, in the case of a trust, an officer of the responsible entity) has, or ought reasonably to have, come into possession of the information in the course of the performance of their duties as an officer of that entity' and section 4.4 in Guidance Note 8 Continuous Disclosure: Listing Rules 3.1 – 3.1B 'When does an entity become aware of information.'*
- LL. Listing rule 18.7 which states:
- 'An entity must give ASX any information, document or explanation that ASX asks for to enable it to be satisfied that the entity is, and has been, complying with the listing rules. The entity must do so within the time specified by ASX ...'*

Questions and Request for Information

Having regard to the above, ASX asks ISX to respond separately to each of the following questions and requests for information.

1. Please provide a copy of the following documents (not for release to the market):
 - a) ISX's eMoney Institution (EMI) License #115.1.3.17 granted by the Central Bank of Cyprus in 2017, including the attaching conditions and any subsequent revisions to the licence and/or conditions;
 - b) ISX's SWIFT usership membership including any attaching conditions and any subsequent revisions; and
 - c) ISX's '*certification arrangements with a Eurosystem Central Bank for a EURO (€) based Account*' (see paragraph R above), including the attaching conditions and any subsequent revisions to the certification and/or conditions.
2. ASX notes that:
 - ISX's revenue experienced very significant growth during the June 2018 half year, particularly during the June 2018 quarter, notwithstanding the 'supply side network technical issue' (see sub-paragraphs Oii) and P above). In turn, the revenue based milestones for all three classes of performance shares converted into fully paid ordinary shares in ISX (see sub-paragraph Wvi) above).
 - Subsequently, there was a significant decline in ISX's revenue and cash receipts from customers in the December 2018 half year, which ISX appears to have primarily attributed to supply chain issues associated with its former settlement bank, Kobenhavns Andelkasse Bank (KAB), and the new user privacy policy which Apple implemented in September 2018 (see paragraphs Y and Z above).

In the following table ASX has summarised the revenue, cash receipts from customers and receivables disclosed by ISX in its quarterly, half yearly and annual reports for various periods between 1 July 2017 and 31 December 2018. (Note: ASX's calculations are denoted with an asterisk.)

A\$	Sep 2017 quarter	Dec 2017 quarter	Dec 2017 half year	Mar 2018 quarter	June 2018 quarter	June 2018 half year	June 2018 full year	Sep 2018 quarter	Dec 2018 quarter	Dec 2018 half year
Revenue (incl R&D / interest)	273,912*	553,000	826,912	1,480,000	4,032,057*	5,512,057	6,338,969	69,356*	1,042,000	1,111,356*²
Revenue (excl R&D / interest)			799,499			5,001,347* / 5,002,479¹	5,800,846			1,090,647* / 1,089,515*
Trade & other receivables			288,868				1,231,953			894,501
Trade receivables only							1,109,386			353,800
Cash receipts from customers ³	329,000	392,000	721,000	1,571,000	2,633,000	4,204,000	4,925,000	986,000	936,000	1,922,000

¹ Source: June 2019 Half Year Report

² Calculation: \$6,623,413 (revenue plus other income for full year to 31 December 2018) less \$5,512,057 (June 2018 half year)

³ Source: Appendices 4C

In light of the above:

a) Please provide a detailed breakdown of ISX's contracted service fees revenue:

- i) by the merchant sectors listed in the March 2018 Quarter Appendix 4C (see sub-paragraph Oiii) above);
- ii) by the 7 services/solutions listed in the March 2018 Quarter Appendix 4C (see sub-paragraph Oiii) above);
- iii) by country; and
- iv) by customer (note: customer names are not for release to the market),

during each of the following periods:

- i) the six months ended 31 December 2017;
- ii) the six months ended 30 June 2018; and
- iii) the six months ended 31 December 2018.

b) Please provide a detailed breakdown of ISX's contracted service fees revenue:

- i) by the merchant sectors listed in the March 2018 Quarter Appendix 4C (see sub-paragraph Oiii) above);
- ii) by the 7 services/solutions listed in the March 2018 Quarter Appendix 4C (see sub-paragraph Oiii) above);
- iii) by country; and
- iv) by customer (note: customer names are not for release to the market),

during each of the following periods:

- i) the month ended 30 April 2018;
- ii) the month ended 31 May 2018;
- iii) the month ended 30 June 2018;

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- iv) the month ended 31 July 2018;
- v) the month ended 31 August 2018; and
- vi) the month ended 30 September 2018.
- c) Please provide a detailed breakdown of ISX's trade receivables and other receivables balances at 30 June 2018 by customer, together with the dates on which the respective payments were subsequently received by ISX.
- d) Was any of ISX's contracted service fees revenue for the six months to 30 June 2018 refunded or otherwise reversed in subsequent periods?
- If the answer to this question is 'yes', please provide details.
- e) How many chargeback transactions did ISX process and how much chargeback related revenue did ISX derive during each of the following periods:
- i) the six months ended 31 December 2017;
- ii) the six months ended 30 June 2018; and
- iii) the six months ended 31 December 2018.
- f) Please provide a copy of ISX's agreements with each customer listed in response to question 2a)iv) above (not for release to the market).
- g) Please list all of the customer agreements which have been terminated during 2018 and 2019 to date and provide the following information for each:
- i) whether the agreement was terminated by ISX, the customer, or by mutual agreement;
- ii) the termination date;
- iii) the reasons for termination; and
- iv) a copy of the termination notice (note - the termination notice is not for release to the market).
- h) ASX notes that ISX changed its policy for recognising R&D tax incentive revenue in the 30 June 2018 Accounts (see sub-paragraph Wiv) above).
- i) When did ISX resolve to change this policy? Please provide a specific date.
- ii) What was the rationale for changing the policy in FY2018 rather than in previous years?
- iii) When did ISX receive the R&D cash refund which related to the June half 2018 R&D tax incentive revenue?
- i) Please provide a copy of the minutes of the meetings of the ISX Audit Committee for 2018 and 2019 to date (not for release to the market).
3. Please provide a list of the clients introduced by TRADOLOGIC to ISX over the term of the partnership agreement referred to in paragraph A above.
4. ASX notes that:
- Two of ISX's merchants were involved in litigation with ASIC (see sub-paragraph Oii) above).
 - ASIC was subsequently successful in freezing the funds of these two merchants (see paragraph GG above).

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- Media speculation that the two merchants referred to in these announcement are TraderQ and OT Capital.
 - TraderQ and Tradefinancial are registered business names of Ozifin Tech Pty Ltd (see ASIC media release in paragraph J above).

Please confirm the identity of the two merchants.

5. During the six months ended 30 June 2018, what percentage of ISX's contracted service fees revenue was derived from each of the following customers:
 - a) TRADOLOGIC;
 - b) Any other client introduced to ISX by TRADOLOGIC;
 - c) Tradefinancial;
 - d) TraderQ; and
 - e) OTCapital.
6. Please describe the due diligence processes that ISX undertakes before agreeing to provide any payment or other financial services to a customer.
7. Specifically, please describe the due diligence processes that ISX undertook before agreeing to provide any payment or other financial services each of the following customers:
 - a) TRADOLOGIC;
 - b) Any other client introduced to ISX by TRADOLOGIC;
 - c) Tradefinancial;
 - d) TraderQ; and
 - e) OTCapital.
8. ASX notes that ISX's glossary of terms (attached to various ASX announcements) has previously included the following definitions:
 - *'Merchant Discount Rate (MDR) = the fee, designated in basis points, charged to the merchant for the provision of transactional banking services by the Company, comprising the MSF and the Interchange (IC) Fee'*
 - *'Merchant Services Fee (MSF) = is a component of the MDR fee, designated in basis points, charged to the merchant for the provision of transactional banking services by the Company'*ISX also made some statements regarding the fee which it books as revenue (see sub-paragraphs Tiii) and BB above).

In light of the above, please clarify whether ISX's revenue from settlement services reflects:

 - Gross Processing Turnover Value (GPTV) x MSF, or
 - GPTV x MDR (i.e. including the Interchange (IC) fee).
9. ASX notes that:
 - ISX has provided annualised Gross Processing Turnover Value (GPTV) figures for its settlement merchants/ISXPay customers on various occasions since 21 January 2018.

- ISX often describes these figures as *'total contracted GPTV book value'* (or words of similar import).

The following table details the initial disclosures of various annualised GPTV figures between January 2018 and September 2018:

Date of Announcement	Annualised GPTV
21 January 2018	>\$75m
5 February 2018	>\$100m
26 February 2018	>\$400m
26 April 2018	>\$500m
4 June 2018	>\$550m
31 July 2018	>\$600m
23 August 2018	>\$650m
3 September 2018	>\$880m

In light of the above:

- a) Please describe the basis upon which ISX calculated each of the annualised GPTV figures detailed in the above table, and clarify ISX's definition of 'contracted' in this context.
 - b) Please detail the composition of each of the annualised GPTV figures in the above table, including the names of the customers and the respective GPTV attributed to them.
10. The March 2018 Quarter Appendix 4C stated that ISX was *'resolving an upstream technical issue with one of our key suppliers'* and that *'this short-term supply side technical issue affects the processing of payments to some of our merchants in the EEA area.'*
- a) Which *'key supplier'* experienced the *'upstream technical issue'*?
 - b) Please list the customers which were affected by this *'upstream technical issue'*.
11. The 4 June 2018 Announcement disclosed that ISX has added *'parallel supply networks to reach core banking and card services'*.
- Please list these *'parallel supply networks'*.
12. ASX notes that:
- The 4 June 2018 Announcement disclosed that the *'supply side technical issue'* has been resolved and stated that *'the resolution of the supply side network technical issue, which previously limited our coverage and servicing of some of our contracted merchants, will very shortly no longer affect the processing of payments to (foreseeably) any of our contracted merchants in the EEA area.'*
 - The 3 September 2018 Announcement disclosed that the second reason¹ for ISX *'throttling back transaction flow'* was due to *'previously reported third party functional and/or throughput limitations'*.
 - The 26 September 2018 Announcement disclosed the 'KAB matter' and stated (amongst other things) that the KAB matter *'has already impacted processing, clearing and settlement intermittently during July and August, and most of the September month'*, *'the Company's revenues and cash flow will be impacted this quarter'*, and *'September quarter receipts will be down significantly from last quarter, with resultant cash receipts possibly as low as \$1.2m.'*

¹ The first reason was Apple's new user privacy policy.

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- In light of the above:
- a) Please detail the announcement(s) which disclosed the (unresolved) *'third party functional and/or throughput limitations'* referred in the 3 September 2018 Announcement.
 - b) When did ISX first become aware of the 'KAB matter'?
 - c) Given the 26 September 2018 Announcement disclosed that the KAB matter had already had an intermittent impact on processing, clearing and settlement during July and August and most of September 2018, please explain why this information was not released to the market prior to 26 September 2018, commenting specifically on when you believe ISX was obliged to release the information under listing rules 3.1 and 3.1A and what steps ISX took to ensure that the information was released promptly and without delay.
 - d) Given the 26 September 2018 Announcement disclosed that the KAB matter had already had an intermittent impact on processing, clearing and settlement during July and August 2018, please explain why this information was not disclosed in 'matters subsequent to the end of the financial year' (or elsewhere) in the 30 June 2018 Accounts which were released on 29 August 2018.
 - e) Given the 26 September 2018 Announcement disclosed that KAB matter placed under the control of the Danish State administration company for banks on 13 September 2018, please explain why this information was not released to the market on 13/14 September 2018, commenting specifically on when you believe ISX was obliged to release the information under listing rules 3.1 and 3.1A and what steps ISX took to ensure that the information was released promptly and without delay.
13. Why did ISX select KAB as its bank (for holding its own, settlement and client funds in EMAs) and *'as part of its card and APM clearing and settlement network'*?
 14. Please provide a copy of the recording of the analyst briefing referred to in the announcement on 3 August 2018.
 15. Please provide a copy of any equities research reports on ISX that ISX has in its possession which were published between 1 July 2017 and 31 December 2018 (not for release to the market).
 16. Please confirm that ISX is complying with the Listing Rules and, in particular, Listing Rule 3.1.
 17. Please confirm that ISX's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of ISX with delegated authority from the board to respond to ASX on disclosure matters.

Once ASX has received and analysed the information above, it is likely to make further enquiries of ISX.

Please note that ASX reserves its right under Listing Rule 18.7A to release this letter and ISX's response to the market. Accordingly, ISX's response should address each question separately and be in a format suitable for release to the market.

When and where to send your response

Unless the information is required immediately under Listing Rule 3.1, a response is requested as soon as possible and, in any event by no later than **9.00am AEDT on Friday, 25 October 2019**. However, please contact me if you require additional time to respond.

Any response should be sent to me by return email. It should not be sent to the ASX Market Announcements Office.

Listing Rules 3.1 and 3.1A

In responding to this letter, you should have regard to ISX's obligations under Listing Rules 3.1 and 3.1A and also to Guidance Note 8 Continuous Disclosure: Listing Rules 3.1-3.1B. It should be noted that ISX's obligation to disclose information under Listing Rule 3.1 is not confined to, nor is it necessarily satisfied by, answering the questions set out in this letter.

Enquiries

If you have any queries regarding any of the above, please contact me.

Yours sincerely,

James Gerraty
Senior Manager, Listings Compliance (Melbourne)