



# Market Announcement

11 October 2019

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Attached for the information of the market is ASX's query letter to iSignthis Ltd (ASX:ISX) dated 2 October 2019 and ISX's response dated 10 October 2019.

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

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10<sup>th</sup> October 2019

Australian Securities Exchange  
525 Collins Street  
MELBOURNE VIC 3000

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

**iSignthis Ltd ('ISX'): Query Letter  
Response to correspondence dated 2<sup>nd</sup> October 2019**

Please find below our response to your queries dated 2<sup>nd</sup> October 2019.

- 1. Please list all of ISX's current customers which operate cryptocurrency exchanges or engage in cryptocurrency related activities. Please also provide the date on which ISX commenced providing services to each customer.**

To the best of our knowledge and belief, the Company currently has 20 relatively small customers (among over 310 current and former contracted legal entities) who deal in cryptocurrency who commenced as customer of the Company between September 2015 to September 2019. These customers include Coinify, Blockchain, blockex, blockexmarkets, btcexe, BuyCoinNow and Prasos, who commenced between September 2015 and August 2018. None of these customers are individually material to the Company. Please see **Annexure A** for detailed Customer names and commencement dates.

The Company's Payidentity platform screens customers of the above business customers, under a process known as Know Your Customer's Customer (KYCC). KYCC provide assurance that AML/CFT regulations are being met by the crypto business, and that our customers' customers are known to ISX.

The Company asserts that with regard to cryptocurrency, neither it, nor any of its subsidiaries, issue, hold or exchange such, have not done so at any time in the past, and do not have any policy of doing so in the future.

- 2. Please list any former customers of ISX which operate (or operated) cryptocurrency exchanges or engage (or engaged) in cryptocurrency related activities. Please also provide the dates on which ISX commenced and ceased providing services to each customer.**

To the best of our knowledge and belief, the Company had 4 relatively small customers (among over 310 current and former contracted legal entities) who dealt in cryptocurrency, where the customer relationship has been terminated by ISX. These customers commenced between October 2018 and April 2019 and were terminated as a customer of the Company between January 2019 and May 2019. Please see **Annexure B** for detailed names, commencement dates and termination dates.

- 3. Did ISX provide KYC services (or any other services) for any Initial Coin Offering (ICOs)?**

No. The Company has a formal policy that it does not provide services related to an Initial Coin Offering (ICO).

- 4. Please provide a copy of ISX's agreements with each customer listed in response to questions 1-3 above (not for release to the market)**

These have been provided to the ASX. See **Annexure C** for a list of the attachments.

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5. What percentage of ISX's revenue was derived from customers listed in response to questions 1-3 above for each six-month period commencing 1 January 2016 (i.e. for the six months ended 30 June 2016, the six months ended 31 December 2016 and so on)?

	6 Months Ended 30/6/16	6 Months Ended 31/12/16	6 Months Ended 30/6/17	6 Months Ended 31/12/17	6 Months Ended 30/6/18	6 Months Ended 31/12/18	6 Months Ended 30/6/19
<b>Total Revenue - AUD</b>							
Total ICO Customer Revenue	-	-	-	-	-	-	-
Total Crypto Customer Revenue	-	22,846	178,908	546,991	210,717	205,998	878,150
% Revenue from Servicing Crypto Clients	0.0%	7.4%	16.8%	65.7%	3.8%	18.8%	10.8%
Total Other Customer Revenue	385,344	285,343	884,095	279,921	5,301,340	905,358	7,271,079
<b>Total Reported Revenue</b>	<b>\$ 385,344</b>	<b>\$ 308,189</b>	<b>\$ 1,063,003</b>	<b>\$ 826,912</b>	<b>\$ 5,512,057</b>	<b>\$ 1,111,356</b>	<b>\$ 8,149,229</b>

6. What percentage of ISX's revenue was derived from customers which operate cryptocurrency exchanges or engage in cryptocurrency related activities for the quarter ended 30 September 2019 (based on unaudited management accounts)? Please also specify the dollar value of this revenue. If revenue figures are not yet available, please provide the relevant figures for cash receipts.

For the quarter ended 30 September 2019 is approximately six point five percent (6.5%) of the Company's preliminary unaudited revenue was generated from servicing customers which operate cryptocurrency exchanges or engage in cryptocurrency related activities. With over 310 contracted legal entities, many of them relatively recent, the above percentages relative to the above crypto related services are expected to continue to decrease in coming months. See **Annexure D** for the preliminary unaudited revenue for the quarter ended 30 September 2019.

It is also worth noting that the Company provides services to cryptocurrency firms only if they are (a) subject to regulation, (b) can demonstrate that they have AML/CFT policies in place that monitor transactions, and (c) agree to the Company performing KYCC and transaction monitoring on their customers as a compliance overlay.

7. What percentage of ISX's revenue for the quarter ended 30 September 2019 (based on unaudited management accounts) was derived from customers in the following sectors:
- FX?
  - CFD's / options?
  - Gambling/wagering/casinos?
  - Payment/transaction services providers?
  - Other (e.g. online retailers)?

Please also specify the dollar value of the revenue derived from each sector listed in a)-e) above. If revenue figures are not yet available, please provide the relevant figures for cash receipts.

- FX?
- CFDs / options?
- Gambling/wagering/casinos?
- Payment/transaction services providers?
- Other (e.g. online retailers)?

Less than 31% of ISX's preliminary unaudited revenue for the quarter ended 30 September 2019 was derived from regulated customers that provide banking services, contracts for difference ("CFDs") and forex trading ("FX"), online gambling facilities ("online gambling") and cryptocurrency.

The balance of our customers, that is approximately 69%, were in sectors that include general e-commerce, online advertising and marketing, online video games, consulting services, travel and other services not required to be regulated.

*Binary Options* – The Company has not during any previous or current reporting period provided any services to any Binary Option providers within our Australian or European operations, noting that the provision of binary options has been banned by the European Securities and Markets Authority (ESMA) as at the 1<sup>st</sup> July 2019.

A detailed breakdown of revenue by customer segment based on preliminary unaudited results for the quarter ended 30 September 2019 can be found in **Annexure E**.

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8. **Please provide a copy of the loan agreements for the loans to the subsidiary of Etherstack (not for release to the market) or, if there are no such agreements, an explanation of why that is so.**

The loan documents are provided as **Attachments 8.1 – 8.5**

It should be noted that the loans were directly negotiated between the respective Chief Financial Officers of each entity. The director that was common to both entities was not involved in, nor had knowledge of, any of the loans prior to their execution. These documents are to be treated as confidential under LR3.1A.

9. **Were the loans to the subsidiary of Etherstack secured? If so, please provide a copy of the security documentation (not for release to the market).**

Yes, the loan referenced the personal property of Mr David Deacon who is a Director of Etherstack as the pledged security. Given the short nature of the loans, a formal charge was not lodged over this property.

10. **The Annual Report states that the loan ‘*transactions were completed at arm’s length*’ (see paragraph F above).**

**Please outline the factors that the directors took into account in making the determination that the exception in section 210 of the Corporations Act applied to the loans to the subsidiary of Etherstack, specifically referencing ASIC Regulatory Guide 76: *Related Party Transactions* (‘RG 76’) including paragraph 76.70 therein.**

The following is a brief account that addresses some of the factors in RG76, however section 210 and RG 76 are not actually legally applicable to the loans. This is because ISX and Etherstack are not related entities within the meaning of section 228 of the Corporations Act. The loans were reported in Note 26 to the statutory accounts under 'related party transactions' because of the common director between the corporate groups (noting the common director does not control Etherstack and did not stand to personally benefit from the borrowing).

ISX did consider the question of management of any potential conflict of interest and therefore did not inform the common director until after the arrangement was made. It also reported it in the note to its accounts to err on the side of openness.

The Chief Financial Officers of each respective company coordinated the commercial discussion in relation to the loan with Managing Director approval of each entity following.

The prevailing factoring rates for the loan which were in excess of normal lending rates ensured that these were indeed commercial and arm’s length transactions. These rates are noted within the executed contracts which we have provided as a part of question 8 above, but to reconfirm the interest rate for each of the loans was 20% on the initial advance through the term of the loan until repaid.

11. **Please confirm whether the Etherstack shares referred to in sub-paragraph G ii) above are held by ISX or by iSignthis Ltd (BVI).**

These shares are held by iSignthis Ltd BVI (incorporated in the British Virgin Isles), not the ASX Listed entity iSignthis Ltd. iSignthis Ltd (BVI) was the trustee vehicle that held ISX shares in escrow for angel investors, per ASX disclosure dated 7<sup>th</sup> October 2019.

12. **Is ISX (or any of its subsidiaries) currently the subject of any regulatory investigation, review, audit, assessment or action in any jurisdiction? If the answer to this question is ‘yes’, please provide full details.**

Yes, on 8<sup>th</sup> October 2019 ASIC issued a notice to produce certain books in relation to the Company’s compliance with its Continuous Disclosure obligations under s674 of the Corporations Act. The Company is fully cooperating with ASIC in this matter.

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Has ISX (or any of its subsidiaries) previously been the subject of any regulatory investigation, review, audit, assessment or action in any jurisdiction? If the answer to this question is 'yes', please provide full details including the outcome/s.

Yes, a review by ASIC of the financial year ending 30<sup>th</sup> June 2018, which focussed on the treatment of merchant funds following ASIC's action to freeze funds and commence action against 2 clients of Authenticate Pty Ltd. The re-categorisation of these funds has only just been finalised with ASIC and this reclassification was disclosed to the ASX on the 24<sup>th</sup> September 2019, which was the same date that ASIC disclosed the same.

We have not received any notices from any regulator or financial intelligence unit regarding our relationship as a customer at the Kobenhavns Andelskasse Bank ("KAB"). The Company held basic deposit accounts at the KAB in which client funds of the Company were deposited for safeguarding.

The Company did not offer any services to KAB.

Other than from reports in the Australian media, the Company is unaware of, and has no details of, any Suspicious Matter Reports concerning the Company, allegedly raised by or with regards to, the KAB. The Company has not received any queries from any financial intelligence unit or regulator on the matter.

More generally, some group entities are subject to routine supervision by European regulators and discussions are underway with APRA. An example of routine supervision is the November 2018 review by the Central Bank of Cyprus, a post licensing condition of our EMoney licence. The review covered all parts of the business including Anti Money Laundering / Counter Terrorism Finance policies and procedures. There were no issues raised post audit review or areas of remediation requested. ISX is unaware of any adverse views formed or actions taken by any such regulator.

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

The Company confirms that it is complying with the Listing Rules, and in particular, Listing Rule 3.1

**14. 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.**

We confirm that this response has been authorised and provided in accordance with the Company's published continuous disclosure policy (although ISX does not regard any new information contained in this response letter to be disclosable under its continuous disclosure obligations, except by way of a reference to having responded to these queries as raised by the ASX themselves).

ISX requests that Annexure A to E are not released to the market as they contain information that is commercial in confidence.

Yours faithfully



Nikolas John Karantzis  
Managing Director & CEO



Elizabeth Warrell  
Chief Financial Officer

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2 October 2019

Reference: 08077

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 'iSignthis to provide KYC services to Clearhaus' released on the ASX Market Announcements Platform ('MAP') on 24 September 2015, which included the following statements:

*[ISX] 'has entered into a partner agreement with rapidly expanding Danish payment institution and card acquirer, Clearhaus A/S ("Clearhaus").*

*Under the agreement, iSignthis' Digital KYC services, Evidence of Identity (EOI), and Strong Customer Authentication (SCA) will be made available to merchants whose payments are processed by iSignthis and acquired by Clearhaus by early 2016.*

*Authorised by the Danish Financial Supervisory Authority, and principal Visa and MasterCard member, Clearhaus is a payment and card acquiring institution focussed on providing card acceptance and payment solutions to online merchants across Europe. Since commencing payment and card acquiring operations in March 2015, Clearhaus has rapidly expanded to now process over 7% of all online merchants in Denmark in only four months of operation. Clearhaus attributes its rapid expansion to the use of modern streamlined technology, which enables customers to get running within 1-3 days and integrate faster than the incumbent companies.'*

- B. ISX's announcement titled 'iSignthis to provide KYC services to Coinify' released on MAP on 30 September 2015, which included the following statements:

*[ISX] 'has entered into a partner agreement with Europe's leading digital currency processor, Coinify.*

*Under the agreement, iSignthis' Digital KYC services, Evidence of Identity (EOI), and Strong Customer Authentication (SCA) services will be made available to all Coinify users from January 2016. Coinify will also be able to take advantage of card acceptance and processing via iSignthis.*

*Coinify is a digital payment platform provider which specialises in extending Bitcoin processing and trading services to merchants and consumers respectively ...*

*John Karantzis, Managing Director of iSignthis Ltd said "Coinify is the EU market leader, and a global top 5 bitcoin processor. The opportunity for both iSignthis and Coinify is immense, with AML compliance being one of the last barriers towards bitcoin gaining mainstream acceptance. iSignthis will be processing payments and identity directly to Coinify's acquiring bank, Clearhaus, in order to provide an integrated KYC identity, antifraud and transaction management service, allowing Coinify to now accept cards as payment for bitcoin purchase. We are very pleased to be working with Coinify in this exciting space."*

- C. ISX's announcement titled 'Bitcoin, Digital Currency and AML/CFT eKYC via Paydentity' released on MAP on 18 August 2017, which included the following statements (emphasis added):

*'The Company [ISX] is an EU regulated Monetary Financial Institution (SWIFT BIC ISEMCY21), that has been providing and continues to provide anti money laundering transaction monitoring, payment processing and remote enhanced due diligence / know your customer (KYC) for digital currency exchanges in both the US and the EU. The Company is currently providing services to Coinify.com and Blockchain.info and is contracted to provide services to blockex.com / blockexmarkets.com, btcxe.com. and BuyCoinNow.com, amongst others.*

*The Company's processed payment transaction volumes associated with digital currency have grown by more than 250% between January 1st and June 30th 2017, and continue to experience rapid compound growth.'*

- D. ISX's announcement titled 'BuyCoinNow integrated and transacting with iSignthis' released on MAP on 12 October 2017, which included the following statements:

*[ISX] 'is pleased to announce that it has completed integration of its services with cryptocurrency payment processor BuyCoinNow (www.buycoinnow.com) and that it is now processing live transactions via its Paydentity service and will contribute revenue in the current quarter. The Company has receipted funds against invoices raised to date.*

*As previously announced, iSignthis has taken a strong position in providing payment gateway and compliance solutions for the cryptocurrency industry by providing its patented AML/CTF KYC services via our other partners including Coinify.com and Blockchain.info. The agreement with BuyCoinNow further strengthens the company's position in Cryptocurrency compliance solutions, and we look forward to announcing partnerships with other players in this space soon.*

*... The Company is also building a strong relationship with the ever growing cryptocurrency exchange and wallet sector, as well as exploring KYC for Initial Coin Offerings (ICO's), all of which have ridden the wave of higher trading prices, investor interest and transactional volumes.'*

- E. ISX's announcement titled 'Prasos now processing via Paydentity' released on MAP on 20 September 2018, which included the following statements:

*[ISX] 'has signed an agreement with Prasos, Finland's largest cryptocurrency service provider, for the provision of payment processing and identity verification services.*

*Prasos received more than €140m in deposits for purchase of cryptocurrency last financial year, and the company's trading volume in the main broker services exceeded €220m during the same fiscal year.*

*The partnership with iSignthis supports Prasos' growth plans as they expand their product offerings and allows Prasos to meet the AML KYC and transaction monitoring requirement ...*

**About Prasos**

*Prasos specialises in cryptocurrency exchange services and asset management. The company was founded in Finland (Jyväskylä) in 2012 and currently it has over 60 000 clients in Europe. Prasos is one of the leading cryptocurrency service providers in the Nordics and it operates under the following main brands: Coinmotion.com, Bittiraha.fi and Denarium.'*

- F. ISX's annual report for the financial year ended 31 December 2018 released on MAP on 11 April 2019 ('Annual Report'), which included the following disclosure on page 16 and in Note 26 (on page 48):

***'Loans to key management personnel and their related parties***

*During the year the consolidated entity entered into formal, short term, interest bearing loan agreements with Etherstack Pty Limited a wholly owned subsidiary of Etherstack Plc of which Mr Scott Minehane is a director. A total of \$1,013,000 was advanced in various tranches to Etherstack Pty Limited of which \$320,000 remained outstanding at 31 December 2018 which was subsequently repaid on 29 January 2019. A total of \$21,735 interest was accrued as part of the agreements with \$12,160 outstanding at 31 December 2018 subsequently repaid on 29 January 2019. The transactions were completed at arm's length, with Mr. Minehane not benefitting directly or indirectly from the transaction. The effective annual interest rate across the total amounts advanced of 6%.'*

- G. The Full Year Statutory Accounts of Etherstack plc ('Etherstack') for the financial year ended 31 December 2018 released on MAP on 29 March 2019, which included the following disclosures:

- i) On page 66 (with figures in US\$'000):

***'Loans from Other related parties***

*During the year the consolidated entity entered into formal, short term, interest bearing loan agreements with a wholly owned subsidiary of iSignthis Ltd of which Mr Scott Minehane is a director.*

*A total of \$758 was advanced in four separate loans to Etherstack Pty Limited. Three loans were repaid during the year and the balance of \$228 owing as at 31 December 2018 was repaid in January 2019. A total of \$9 interest was paid and accrued as part of the agreements.*

*The transactions were completed at arm's length.'*

- ii) iSignthis Ltd appears to hold 410,000 shares in Etherstack (0.4% of issued capital) (see top 20 shareholders as at 15 March 2019 on page 70).

- H. 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.

- I. 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 ...'*

- J. Section 5 of ASX's Compliance Update no 09/17 dated 30 October 2017, section 3 of ASX's Compliance Update no 01/18 dated 16 February 2018 and ASX's Compliance Update no 06/19 dated 1 August 2019 which highlight ASX's significant concerns about listed entities engaging in cryptocurrency related activities.

**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 list all of ISX's current customers which operate cryptocurrency exchanges or engage in cryptocurrency related activities. Please also provide the date on which ISX commenced providing services to each customer.

2. Please list any former customers of ISX which operate (or operated) cryptocurrency exchanges or engage (or engaged) in cryptocurrency related activities. Please also provide the dates on which ISX commenced and ceased providing services to each customer.
3. Did ISX provide KYC services (or any other services) for any ICOs?  
If the answer to this question is yes, please provide details of the ICOs.
4. Please provide a copy of ISX's agreements with each customer listed in response to questions 1-3 above (not for release to the market).
5. What percentage of ISX's revenue was derived from customers listed in response to questions 1-3 above for each six month period commencing 1 January 2016 (i.e. for the six months ended 30 June 2016, the six months ended 31 December 2016 and so on)?  
Please also specify the dollar value of this revenue.
6. What percentage of ISX's revenue was derived from customers which operate cryptocurrency exchanges or engage in cryptocurrency related activities for the quarter ended 30 September 2019 (based on unaudited management accounts)? Please also specify the dollar value of this revenue. If revenue figures are not yet available, please provide the relevant figures for cash receipts.
7. What percentage of ISX's revenue for the quarter ended 30 September 2019 (based on unaudited management accounts) was derived from customers in the following sectors:
  - a) FX?
  - b) CFDs/options?
  - c) Gambling/wagering/casinos?
  - d) Payment/transaction services providers?
  - e) Other (e.g. online retailers)?Please also specify the dollar value of the revenue derived from each sector listed in a)-e) above. If revenue figures are not yet available, please provide the relevant figures for cash receipts.
8. Please provide a copy of the loan agreements for the loans to the subsidiary of Etherstack (not for release to the market) or, if there are no such agreements, an explanation of why that is so.
9. Were the loans to the subsidiary of Etherstack secured? If so, please provide a copy of the security documentation (not for release to the market).
10. The Annual Report states that the loan '*transactions were completed at arm's length*' (see paragraph F above).  
Please outline the factors that the directors took into account in making the determination that the exception in section 210 of the Corporations Act applied to the loans to the subsidiary of Etherstack, specifically referencing ASIC Regulatory Guide 76: *Related Party Transactions* ('RG 76') including paragraph 76.70 therein.
11. Please confirm whether the Etherstack shares referred to in sub-paragraph G ii) above are held by ISX or by iSignthis Ltd (BVI).
12. Is ISX (or any of its subsidiaries) currently the subject of any regulatory investigation, review, audit, assessment or action in any jurisdiction?  
If the answer to this question is 'yes', please provide full details.

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13. Has ISX (or any of its subsidiaries) previously been the subject of any regulatory investigation, review, audit, assessment or action in any jurisdiction?

If the answer to this question is 'yes', please provide full details including the outcome/s.

14. Please confirm that ISX is complying with the Listing Rules and, in particular, Listing Rule 3.1.
15. 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 Wednesday, 9 October 2019**.

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,

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**James Gerraty**  
Senior Manager, Listings Compliance (Melbourne)