

Update

Melbourne, Australia, 28th February 2017

Merchant Update - XM

The company is pleased to announce that it has completed its requirements for integration with XM.com, to the satisfaction of both parties.

XM's requirements included additions to the ISX platform, together with integrations with additional Asian payment facilitators, external data sources and the MT4/MT5 trading platforms.

XM has advised that it is currently planning its operational cutover process to the ISX platform, which involves changes to back office, operations, payment facilitation across multiple regions, transaction processing and compliance functions, impacting XM customers, operations and personnel directly. The planning by ISX has included allowing for a 'hot' cutover to ensure that there are no customer outages.

The Company will advise the market via the announcements platform upon successful cutover, the final date of which will be confirmed by XM shortly and is anticipated to be within weeks.

Other Merchants

The Company is actively engaged in finalising integrations with:

- Valutrades,
- Marketsworld,
- IronFX,
- Calforex

ISX resources are limited in number and highly specialised. As such, the company is now purely focussed on maximising revenue opportunities against shortest timeframes, noting that core regulatory requirements have now been incorporated into the platform.

We have therefore prioritised contracted merchants based upon mutual readiness to complete integrations, and thus drive revenues. Companies such as Leverate and FXNet are expected to commence and conclude their integrations during April 2017.

The Company will advise the market via the announcements platform of successful cutover of each merchant. The cutovers are expected progressively during early Q4FY2017.

Other contracted merchants will be added to the integration schedule as we deploy and cutover the above merchants. The above is not in any order of priority, and may change if circumstances or merchant availability changes.

Merchant Card Acquirer Connections

Payment services rely upon the merchant having an established merchant facility with a card acquiring institution. The Australian merchant acquiring model differs from rest of world and is dominated by our few banks. In the EU, acquirers are more likely to be standalone specialised financial institutions that offer transactional based payment facilitation and acquiring services.

The following key acquiring partners have been integrated and are transactional with Paydentity™ and will be available in due course to ISXPay for the above merchants:

- PowerCash21
- CardPay
- Avoda ChinaUnionPay
- Ehking
- Yeepay
- Clearhaus
- Payvision
- Credorax
- eMerchantPay (IPG)
- Barclays

Acquirers being finalised

- NAB (under test)

The company has connected to a number of acquirers, and continues to connect to other acquirers upon request of merchants, or as strategic opportunities arise.

The advantage gained in deploying our service to industry leader XM.com is that we now have a substantial network of infrastructure modules and connections to the most popular acquirers used across the FX industry sector. This will allow for faster integrations and deployment of our service to existing and future contracted merchants.

Each connection requires bespoke integration, test and certification. With the exception of Barclay's and Aveda, the company has commercial agreements in place whereby the acquirer shares part of the revenue generated from provision of acquiring services to the merchant.

The Company does not share its gateway or identity fees, unless a channel sales agreement has been negotiated. The Company is reviewing its channel versus direct sales strategy, with all merchant sales thus far having been as a result of direct sales.

Commercial Status of Existing Merchants

Coinify, Blockchain and Ixaris are commercially live, further proving the Paydentity technology, with modest revenues - increasing on a month to month basis as new jurisdictions come online and services are offered to a broader customer base - now being booked and invoiced.

Sales Activity

The Sales Pipeline continues to grow, with an expectation that further merchants will be contracted in the near future.

Regulatory Environment

The Company relies upon regulatory certainty in order to launch its services. Whilst the EU parliament passed the 4AMLD into European law early last year, implementation into local regulation ("transposition") with sectoral guidance is a matter for individual member state regulators.

As such, the Company has been developing its systems in anticipation of transposition and regulatory requirements being published in key jurisdictions, noting that full commercial release of the platform relies upon finalised regulatory requirements.

The UK's HM Treasury has publicly confirmed¹ during November 2016 that the 4AMLD will be transposed into UK law, and will be implemented despite Brexit. The UK's Joint Money Laundering Steering Group (JMLSG) guidance therefore remains relevant.

The Cypriot regulator (CySec) published its most recent directive in a consolidated form mid-October 2016².

Taken together, these two regulations have provided the framework for ISX to complete its platform in order to prepare for the EU's 4AMLD. The requisite logic, displays and reports were developed during January and early February 2017.

The Company responded quickly to these core regulatory announcements, ensuring that requirements were incorporated into the iSignthis platform within 8 working weeks, taking into account the Christmas slowdown.

The EU's 4AMLD, the UK's JMLSG, Cypriot CySec, Swiss finma, US BSA, Canada's PoC and Australia's AUSTRAC regulations form the basis of the ISX platform. The various modules developed by ISX to meet compliance of these regulations will provide the basis for delivering solutions to other FATF jurisdictions.

The Company has moved rapidly to incorporate the final regulatory requirements as they become known, placing the company at the forefront of the RegTech sector. The delivery of transactional banking, together with dynamic identity verification, has been a complex and involved project. The Company is now uniquely placed as the only provider of a Paydentity™ style service that automates convergence of payment transactions with identity verification, and has reasonably maintained its previously estimated completion date of end January 2017 for delivery of core service.

¹ <https://www.gov.uk/government/consultations/transposition-of-the-fourth-money-laundering-directive>

² <http://www.cysec.gov.cy/en-GB/legislation/services-markets/epey/ΔΕΥΤΕΡΟΓΕΝΗΣ-ΝΟΜΟΘΕΣΙΑ/39324/>