

# Market Announcement

26 October 2020

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## iSignthis Ltd (ASX: ISX)

### Query letters regarding ISX's suspension and termination by Visa

This announcement is published by ASX Limited ('ASX'), a licensed market operator, for the purpose of performing its functions and exercising its powers under the Corporations Act 2001 (Cth) and the ASX Listing Rules.

This announcement follows an earlier announcement to the market dated 25 May 2020<sup>1</sup> concerning a query letter ASX sent to ISX on 7 May 2020 ('May Query Letter') about Visa's suspension of ISX's participation in the Visa network, and ISX's responses to that letter.

#### **Additional materials obtained from the Australian Securities and Investments Commission ('ASIC')**

In mid-July 2020, ASIC released to ASX, under section 127(4B) of the Australian Securities and Investments Commission Act 2001 ('ASIC Act'), correspondence between Visa and ISX in relation to Visa's suspension and subsequent termination of ISX's participation in the Visa network ('Additional Materials').<sup>2</sup>

#### **Relevance of the Additional Materials**

The Additional Materials indicated to ASX that:

- Visa had advised ISX by letter dated 6 March 2020 of its decision to suspend ISX's participation effective immediately. The letter states:

*'The above-mentioned anomalies and issues, taken collectively, raise serious concerns about whether iSignThis is operating appropriate programs to manage AML and Risk. Therefore, in accordance with the Visa Rules, and to safeguard Visa's global payment system from the excessive level of risk presented by the iSignThis relationship, Visa has decided to suspend iSignThis' Bank Identification Numbers (BINs) in Europe and Australia, and its activities as a registered third party for any other Visa members or clients, effective immediately. This suspension will remain in place until such time as the required further information (as set out below) is provided by iSignThis on its AML and Risk programs, to the satisfaction of Visa.'*

- Visa had advised ISX by letter dated 17 April 2020 of its decision to terminate ISX's participation in the Visa network. The letter states:

*'The [response from ISX] has not allayed the concerns outlined in the Suspension Letter, and in fact further evidence has been provided that iSignThis is not operating appropriate programs to manage Anti-Money Laundering and Risk. Therefore, in accordance with the Visa Rules, and to safeguard Visa's global payment system from the excessive level of risk presented by the iSignThis relationship, Visa has decided to terminate its relationship with iSignThis in Europe and Australia. It must also cease acting as a registered third party for any other Visa members or clients.'*

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<sup>1</sup> Available on the ASX Market Announcements Platform at [https://cdn-api.markitdigital.com/apiman-gateway/ASX/asx-research/1.0/file/2924-02238225-3A541766?access\\_token=83ff96335c2d45a094df02a206a39ff4](https://cdn-api.markitdigital.com/apiman-gateway/ASX/asx-research/1.0/file/2924-02238225-3A541766?access_token=83ff96335c2d45a094df02a206a39ff4)

<sup>2</sup> Section 127(4B) of the ASIC Act permits ASIC to release information to ASX, in its capacity as a market operator, to enable ASX to monitor compliance with, enforce or perform functions or exercise powers under the Listing Rules.

- ISX sent correspondence to Visa, in which ISX provided additional material and disputed certain findings made by Visa and the validity of the termination.
- Visa reiterated its decision to terminate ISX's participation in its network in letters to ISX dated 1 May 2020 and 12 May 2020, with the letter dated 12 May 2020 stating that Visa's decision to terminate was final.

In ASX's view, the Additional Materials raised questions as to whether ISX's response to ASX's May Query Letter, and its disclosures to the market about its relationship with Visa since it received the 6 March 2020 letter from Visa, had complied with the Listing Rules.

Consequently, ASX issued the following further query letters to ISX ('Query Letters') under Listing Rule 18.7:

- a query letter dated 23 July 2020 ('July Query Letter') requiring ISX to confirm whether it had provided the Additional Materials to the Independent Expert and, if not, why not;
- a query letter dated 5 August 2020 ('August Query Letter') referencing the Additional Materials and requiring ISX to answer further questions in relation to:
  - ISX's disclosures to the market about the timing of, basis for and impact of, the Visa suspension and termination; and
  - ISX's responses to the May Query Letter; and
- a query letter dated 10 September 2020 ('September Query Letter') requiring ISX to respond to questions and provide information in relation to representations made by ISX to the Independent Expert regarding ISX's purported reliance on Listing Rule 3.1A in relation to its disclosure of information about the Visa termination.<sup>3</sup>

Further detail in relation to the Additional Materials is set out in the August Query Letter.

ASX notes that ISX has disputed various statements made by Visa in the Additional Materials and the lawfulness of its termination by Visa. In referring to extracts from the Additional Materials, ASX is not expressing a view on whether the statements by Visa in the Additional Materials are correct or whether Visa was in fact lawfully entitled to suspend and then terminate ISX's participation in its payment network. ASX's enquiries about these matters have been prompted by the fact, as evidenced by the Additional Materials, that those statements were made and communicated to ISX, and by the need for ASX to satisfy itself as to whether ISX's disclosures to the market about its relationship with Visa, and its response to the May Query Letter about the Visa suspension, complied with the Listing Rules.

### **The reasons the further query letters have not been disclosed previously**

The Additional Materials were initially released to ASX by ASIC subject to conditions on use imposed under section 127(4D) of the ASIC Act, which restricted ASX from making any announcement to the market referring to the Additional Materials. ASX has now received consent from ASIC under section 127(4FA) of the ASIC Act to enable ASX to publicly disclose information referring to the Additional Materials for the purpose of enabling or assisting ASX to monitor compliance with, enforce or perform functions or exercise powers under the Corporations Act or the Listing Rules.

Accordingly, in accordance with Listing Rule 18.7A and in the interests of an informed market, ASX is releasing as attachments to this announcement copies of:

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<sup>3</sup> Clayton Utz's initial report dated 16 July 2020 and its supplementary report dated 4 September 2020 are available on the ASX Market Announcements Platform at [https://cdn-api.markitdigital.com/apiman-gateway/ASX/asx-research/1.0/file/2924-02278112-3A549600?access\\_token=83ff96335c2d45a094df02a206a39ff4](https://cdn-api.markitdigital.com/apiman-gateway/ASX/asx-research/1.0/file/2924-02278112-3A549600?access_token=83ff96335c2d45a094df02a206a39ff4)

- the July Query Letter;<sup>4</sup>
- the August Query Letter;
- ISX's response to the August Query Letter dated 17 August 2020;
- ASX's email to ISX dated 20 August 2020;
- the September Query Letter;
- ISX's response to the September Query Letter dated 14 September 2020; and
- ASX's letter to ISX dated 9 October 2020.<sup>5</sup>

#### **ISX's responses to the further query letters**

ISX has advanced a number of reasons as to why it has not responded directly to the July Query Letter, the August Query Letter and questions 3a) to d) of the September Query Letter. ASX has considered, but does not accept, ISX's purported reasons for failing to properly respond directly to those matters. This includes, without limitation, ISX's argument that the release of the Additional Materials to ASX and ASX's use of the Additional Materials was unlawful and that use of the Additional Materials would involve the disclosure of personal information of ISX customers in breach of UK and European privacy laws. The Additional Materials were released to, and used by ASX, as permitted under section 127 of the ASIC Act, and the Additional Materials do not include any personal information of ISX customers provided in breach of any applicable privacy laws relating to the protection of personal information.

ISX has also submitted that it is not required to respond to the Query Letters because the matters the subject of the Query Letters are addressed by the findings of the Independent Expert. ASX does not accept this view given the limited scope of the review and the limited findings made by the Independent Expert in relation to the Visa suspension and termination and the fact that key findings were made on the basis of representations made by ISX that were not independently verified by the Independent Expert.

In ASX's view, and as advised to ISX, ISX has failed to properly respond to the July Query Letter, the August Query Letter and questions 3a) to d) of the September Query Letter, in each case in breach of Listing Rule 18.7. These breaches of Listing Rule 18.7 will operate as a further impediment to the reinstatement of ISX's securities to quotation on ASX.

Further, as a result of ISX's failure to properly respond to the Query Letters, ASX has not been able to satisfy itself that ISX has been complying with the Listing Rules in relation to ISX's disclosures to the market about its relationship with Visa, and in particular Visa's suspension and termination of ISX's participation in the Visa network.

ASX is now considering what further action should be taken in relation to these matters.

#### **Issued by ASX**

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<sup>4</sup> In ASX's view, ISX did not provide a substantive response to the questions in the July Query Letter.

<sup>5</sup> ISX did not provide any further response to the July, August or September Query Letters following this letter.



23 July 2020

Reference:

The Directors  
iSignthis Ltd  
456 Victoria Parade  
East Melbourne VIC 3002

Dear Directors

**iSignthis Ltd ('ISX'): Query Letter**

ASX Limited ('ASX') refers to:

- A. The following direction ("Direction") given by ASX to ISX under listing rule 18.8 on 1 May 2020:
- "In accordance with Listing Rule 18.8(l), ASX directs ISX to engage an independent expert, acceptable to ASX, to review its policies and processes to comply with Listing Rule 3.1 and to release to the market the findings of, and any changes ISX proposes to make to its compliance policies and processes in response to, the review. The review should also assess each contract that ISX has entered into since 1 January 2018 (other than the Key Contracts) to determine whether or not a reasonable person would have expected information about the contract to affect the price or value of ISX's shares and, if so, whether ISX has disclosed the matters set out in section 4.15 of GN 8 in relation to that contract. To the extent it hasn't, ISX will be expected to make corrective disclosure and, if it does not, ASX will give a further direction under Listing Rules 18.8(a) and (b) that ISX do so."
- B. The Report prepared by Clayton Utz ("Independent Expert") dated 16 July 2020 ("Independent Expert's Report") provided to ASX on 17 July 2020 by email from Mr John Karantzis.
- C. The following correspondence between ISX and Visa, copies of which are attached to this letter:
- (a) Visa letter to ISX dated 6 March 2020;
  - (b) Visa letter to ISX dated 17 April 2020;
  - (c) Emails from ISX to Visa dated 8 April 2020, 16 April 2020, 21 April 2020 and 27 April 2020 and emails from Visa to ISX dated 19 March 2020 and 17 April 2020;
  - (d) Visa letter to ISX dated 1 May 2020;
  - (e) ISX letter to Visa dated 5 May 2020;
  - (f) Visa letter to ISX dated 12 May 2020; and
  - (g) ISX email to Visa dated 12 May 2020.
- D. Listing Rule 18.7 which states:
- 'An entity must give ASX any information, document or explanation that ASX:*
- (a) asks for to enable ASX to be satisfied that the entity is, and has been, complying with, or will comply with, the listing rules or any conditions or requirements imposed under the listing rules:*
  - (b) reasonably requires to perform its obligations as a licensed market operator,*
- The entity must do so within the time specified by ASX ...'*

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E. Listing Rule 18.8, which states:

*‘An entity must comply with any requirement ASX imposes on it in order to ensure compliance with the listing rules.’*

### **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 separately confirm whether ISX provided a full copy of each of the following documents to the Independent Expert for the purposes of preparation of the Independent Expert’s Report:
  - (a) Visa letter to ISX dated 6 March 2020;
  - (b) Visa letter to ISX dated 17 April 2020;
  - (c) Emails from ISX to Visa dated 8 April 2020, 16 April 2020, 21 April 2020 and 27 April 2020 and emails from Visa to ISX dated 19 March 2020 and 17 April 2020;
  - (d) Visa letter to ISX dated 1 May 2020;
  - (e) ISX letter to Visa dated 5 May 2020;
  - (f) Visa letter to ISX dated 12 May 2020; and
  - (g) ISX email to Visa dated 12 May 2020.
2. If the answer to any of the questions in 1(a)-(g) is ‘no’, please explain in detail, referencing specific parts of each document, which correspondence was not provided to the Independent Expert and the basis on which that information was not considered material information for the purposes of the review by the Independent Expert.
3. 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.

Please note that ASX reserves its right under Listing Rule 18.7A to release this letter (other than the attachments which are not for release to the market) 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.

### **The basis for this request**

The request for information in this letter is made pursuant to Listing Rule 18.7, which requires ISX to give to ASX any information, document or explanation that ASX asks for to enable it to be satisfied that ISX is, and has been, complying with the Listing Rules, or any conditions or requirements imposed under the listing rules, or reasonably requires to perform its obligations as a licensed market operator.

ISX is obliged to comply with ASX’s request for information under its listing agreement with ASX and also under section 793C of the Corporations Act.

Should ISX fail to provide the requested information, it will be in breach of the Listing Rules, giving ASX an additional basis under Listing Rule 17.3.1 to continue ISX’s current suspension and a basis under Listing Rule 17.12 to remove ISX from the ASX official list.

Noting that ISX’s shares are already suspended, if ISX fails to provide an adequate response to this letter, ASX specifically reserves the right to remove ISX from the ASX official list.

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### **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 **4.00pm AEST on Friday, 24 July 2020**.

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

### **Enquiries**

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

Yours sincerely,

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**Janine Ryan**  
ASX Chief Compliance Officer



5 August 2020

The Directors  
iSignthis Ltd  
456 Victoria Parade  
East Melbourne VIC 3002

Dear Directors

### **iSignthis Ltd ('ISX'): Query Letter**

ASX Limited ('ASX') refers to:

- A. The letter dated 6 March 2020<sup>1</sup> from Visa Europe Limited to ISX's managing director Mr John Karantzis headed '*iSignthis Ltd & iSignthis eMoney Ltd (together, "IsignThis") – Suspension of Acquiring Bank Identification Numbers*' ('**Visa Suspension Letter**'). After setting out a number of issues with ISX's framework for addressing anti-money laundering ('**AML**') and other risks, that letter concluded:

*'The ongoing alerts from the Visa Compliance Programs and the suspected transaction laundering identifications lead Visa to reasonably conclude that IsignThis is introducing excessive risk into the Visa payment system and is not operating in sound and safe manner.'*

#### **Conclusion and Action**

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*The above-mentioned anomalies and issues, taken collectively, raise serious concerns about whether IsignThis is operating appropriate programs to manage AML and Risk. Therefore, in accordance with the Visa Rules, and to safeguard Visa's global payment system from the excessive level of risk presented by the IsignThis relationship, Visa has decided to suspend IsignThis' Bank Identification Numbers (BINs) in Europe and Australia, and its activities as a registered third party for any other Visa members or clients, effective immediately. This suspension will remain in place until such time as the required further information (as set out below) is provided by IsignThis on its AML and Risk programs, to the satisfaction of Visa.'*

- B. ISX's announcement titled 'Operational Update' released on the ASX Markets Announcements Platform ('**MAP**') on 20 March 2020<sup>2</sup> ('**20 March Announcement**') in which ISX provided an update on the impact of COVID-19 on its operations and which included the following statement:

*'The Company is also expecting audit results in early April from Visa Inc with regards to access to product ...'*

- C. The letter dated 17 April 2020 from Visa Europe Limited to ISX's managing director Mr John Karantzis titled '*iSignthis Ltd & iSignthis eMoney Ltd (together, "IsignThis") – Termination of License*' ('**Visa Termination Letter**'). Extracts from that letter are set out below:

*'Further to the letter from Visa dated 9 March 2020<sup>3</sup> (sent by email) (the "Suspension Letter"), Visa has now fully reviewed the additional information provided by IsignThis in response (the "IST Response"). The information contained in the IST Response has confirmed the concerns set out in the Suspension Letter and, as a result, Visa has determined that IsignThis presents a level of risk to the Visa payment network that exceeds reasonably acceptable thresholds. Visa has therefore decided to terminate its relationship with IsignThis. ...'*

<sup>1</sup> ASX notes ISX's response to 1 a) of the Query Letter that it was first advised by Visa of its intention to conduct the Visa Audit on 9 March 2020. Noting that 6 March 2020 was a Friday, ASX assumes that ISX did not receive this letter until Monday 9 March 2020.

<sup>2</sup> See <https://www.asx.com.au/asxpdf/20200320/pdf/44g80plvkz1k6l.pdf>.

<sup>3</sup> See note 1 above.

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### **Conclusion and Action**

*The IST Response has not allayed the concerns outlined in the Suspension Letter, and in fact further evidence has been provided that iSignThis is not operating appropriate programs to manage Anti-Money Laundering and Risk. Therefore, in accordance with the Visa Rules, and to safeguard Visa's global payment system from the excessive level of risk presented by the iSignThis relationship, Visa has decided to terminate its relationship with iSignThis in Europe and Australia. It must also cease acting as a registered third party for any other Visa members or clients.'*

- D. ISX's Appendix 4C for the March 2020 quarter released on MAP on 29 April 2020<sup>4</sup> (**'29 April Appendix 4C'**), which included the following statement:

*'Processing to merchants across the Visa network was also suspended for parts of March pending response to Visa re queries on ASX "investigation", concerns re "derogatory media" and the focus on high risk merchants. The Company is providing Visa with information regarding the ASX "investigation" and other matters. Visa has notified that their response times on this matter have been impacted by COVID-19.'*

- E. The letter dated 1 May 2020 from Visa Europe Limited to ISX's managing director Mr John Karantzis titled *'iSignthis Ltd & iSignthis eMoney Ltd (together, "iSignThis") – Termination of License'* (**'Visa 1 May Letter'**) which included the following statement:

#### **'2. Basis for Termination**

*Visa has decided to terminate the membership with iSignThis because of systematic issues with the IST Risk Programs which cannot be easily or quickly remedied. Although iSignThis has acknowledged some failings in its procedures, it still appears to have a fundamental misunderstanding of its role as a Visa client and a responsible acquirer. In particular, it does not see its role as monitoring the merchant and, as further outlined below, apparently still does not understand when investigations of suspicious merchant behaviour is required. It is indicative of a reluctance to meet Visa's standards that iSignThis did not propose to take steps to terminate client agreements or address control deficiencies until Visa had issued the Termination Letter. As a regulated entity, we would expect iSignThis to regularly assess the adequacy of its systems and controls to ensure that it manages AML/ATF risk effectively, particularly as Visa had raised these issues several times in the past. In order to get to a level which would satisfy Visa that iSignThis is no longer introducing excessive risk into its payments network, there would need to be a significant shift in corporate culture regarding risk and a complete redesign of the IST Risk Programs. Visa is not prepared and not obligated to allow iSignThis to continue to conduct its business in the meantime.'*

- F. ASX's query letter to ISX dated 7 May 2020 (**'Query Letter'**), a copy of which was released on MAP on 25 May 2020<sup>5</sup>.

- G. The letter dated 12 May 2020 from Visa Europe Limited to ISX's managing director Mr John Karantzis titled *'ISX Termination – Final response'* (**'Visa 12 May Letter'**) which stated:

*'We write in response to your letter dated 5 May 2020 (the "5 May Letter"), following the termination letter from Visa, dated 17 April 2020 (the "Termination Letter"), and subsequent correspondence.*

*In a gesture of good faith, we have reviewed all of the information provided in the 5 May Letter, however Visa has not altered its decision to terminate the relationship with iSignThis.*

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<sup>4</sup> See <https://www.asx.com.au/asxpdf/20200429/pdf/44hcbj12w6hhwh.pdf>.

<sup>5</sup> See <https://www.asx.com.au/asxpdf/20200525/pdf/44j2zvhw5krw6.pdf>.

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*We will continue to communicate with you on final matters relating to the process of off-boarding, however please note that we will not review any further information relating to the basis of the decision to terminate, which is final.'*

- H. The letter from ISX to ASX dated 13 May 2020 purporting to respond to the Query Letter ('**First Response**'), the text of which was released on MAP on 25 May 2020.<sup>6</sup>
- I. The email from ISX to ASX dated 20 May 2020 purporting to respond to the Query Letter ('**Second Response**'), the text of which was released on MAP on 25 May 2020.<sup>7</sup>
- J. The letter from ISX to its shareholders dated 24 May 2020, a copy of which was released on MAP on 25 May 2020<sup>8</sup>, ('**24 May Shareholder Letter**') which included the following statement:

*'iSignthis Ltd (ISX or the Company) will end its contractual relationship with Visa as a principal member in approximately 90 days. The Company ceased processing as a principal acquiring member in mid-March and has been engaged since that time with Visa in commercial-in-confidence negotiations.'*

- K. The letter from ISX to ASX dated 25 May 2020 responding to the Query Letter ('Third Response'), a copy of which was released on MAP on 25 May 2020.<sup>9</sup>
- L. The Independent Expert's Report prepared by Clayton Utz dated 16 July 2020, a copy of which was provided to ASX on 17 July 2020.
- M. The address by ISX's MD and CFO to its 2020 annual general meeting ('**AGM Address**') released on MAP on 17 July 2020<sup>10</sup>) which included the following statement:

*'Processing to merchants across the Visa network was suspended in March and will likely be terminated.'*

- N. ISX's Appendix 4C for the June 2020 quarter released on MAP on 31 July 2020<sup>11</sup> ('**June Quarter Appendix 4C**'), which included the following statement:

*'2Q20 receipts from customers were down circa 20% from 1Q20 to \$8.4m due to impacts from the ASX suspension and COVID-19 in the quarter.'*

- O. The letter from ISX's solicitors, HWLEbsworth, to ASX dated 31 July 2020 which included the following statement:

*'So far as the Visa matter relates to ISX, the termination of the licence itself is the material event, and that has been dealt with by ISX's announcement on the 24th May 2020. All matters prior to the termination were a component of a negotiation, were incomplete, and were not required to be announced under LR3.1.'*

- P. 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.

- Q. 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*

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<sup>6</sup> See <https://www.asx.com.au/asxpdf/20200525/pdf/44j2zvhw5krw6.pdf>.

<sup>7</sup> See <https://www.asx.com.au/asxpdf/20200525/pdf/44j2zvhw5krw6.pdf>.

<sup>8</sup> See <https://www.asx.com.au/asxpdf/20200525/pdf/44j2zvhw5krw6.pdf>.

<sup>9</sup> See <https://www.asx.com.au/asxpdf/20200525/pdf/44j2zvhw5krw6.pdf>.

<sup>10</sup> See <https://www.asx.com.au/asxpdf/20200525/pdf/44j2zvhw5krw6.pdf>.

<sup>11</sup> See <https://www.asx.com.au/asxpdf/20200731/pdf/44l1mkjk03dgtv.pdf>

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*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.’*

R. Listing Rule 17.12, which states:

*‘ASX may at any time remove an entity from the official list if, in ASX’s opinion, any of the following applies.*

- *The entity is unable or unwilling to comply with, or breaks, a listing rule. ...*
- *It is appropriate for some other reason.’*

S. Listing Rule 18.7 which states:

*‘An entity must give ASX any information, document or explanation that ASX:*

*(a) asks for to enable ASX to be satisfied that the entity is, and has been, complying with, or will comply with, the listing rules or any conditions or requirements imposed under the listing rules:*

*(b) reasonably requires to perform its obligations as a licensed market operator,*

*The entity must do so within the time specified by ASX ...’*

T. Listing Rule 18.8, which states:

*‘ASX may require an entity to do or refrain from doing any act or thing that, in ASX’s opinion, is necessary to ensure or facilitate compliance with the listing rules ...’*

### **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.

ASX notes that ISX should have a full copy of all of the correspondence referred to above. ISX should have regard to the full correspondence in responding to these questions.

ASX further notes that by referencing findings and statements made by Visa, ASX is not expressing any view on the accuracy of those statements or findings. The questions asked by ASX in this query letter do not go to whether those statements and findings are correct or not. The questions relate solely to the fact that those statements and findings were made and communicated to ISX and the implications of that to ISX’s compliance with the Listing Rules.

### **ISX’s announcements to the market in relation to Visa**

1. ASX notes that ISX received the Visa Suspension Letter on or about 6 March 2020. The Visa Suspension Letter indicated that ISX had been suspended and contained details of the further information required to be *‘provided by IsignThis on its AML and Risk programs, to the satisfaction of Visa’* for the suspension to be lifted.

In relation to the statement in the 20 March Announcement that *‘The Company is also expecting audit results in early April from Visa Inc with regards to access to product’*, please separately respond to the following questions:

- a) Was the reference to *‘expecting audit results’* a reference to Visa’s review of the information *‘to be provided by IsignThis on its AML and Risk programs, to the satisfaction of Visa’* before the suspension would be lifted? If the answer to this question is ‘no’, please explain what ‘audit results’ ISX was expecting.

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- b) Was the reference to the Visa audit being *'with regards to access to product'* meant to convey that ISX's membership of the Visa network had been suspended? If the answer to this question is 'no', please explain what that reference was intended to convey. If the answer to this question is 'yes', please explain why ISX did not clearly state that its membership of the Visa network had been suspended by Visa.
- c) Having presumably previously determined that it was not required to notify the market of the Visa suspension when it was advised by Visa to ISX on 6 March 2020, please explain why ISX determined to disclose the *'audit ... with regards to access to product'* in the 20 March Announcement, commenting specifically on whether the Company had changed its view on whether the suspension by Visa was material?
2. Having regard to the Visa Suspension Letter and the Visa Termination Letter, in relation to the statements in the 29 April Appendix 4C, please separately respond to the following questions:
- a) Please explain why ISX did not disclose in the 29 April Appendix 4C that Visa had stated that it had terminated its relationship with ISX, 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.
- b) In relation to the statement *'processing .... was also suspended for parts of March'*, please explain why ISX did not state in the Appendix 4C that the suspension was ongoing throughout April 2020 as well.
- c) In relation to the statement that *'pending response to Visa re queries on ASX "investigation", concerns re "derogatory media" and the focus on high risk merchants'*, please explain why ISX did not include all of the relevant basis for the queries, including the fact that they primarily related to ISX's AML and Risk programs.
3. Having regard to the Visa Termination Letter, the Visa 1 May Letter and the Visa 12 May Letter, each of which stated that Visa had terminated its relationship with ISX, please explain why information relating to the termination of the Visa relationship was not released to the market on each of those dates, commenting specifically in relation to each letter 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.
4. Having regard to the Visa Termination Letter, the Visa 1 May Letter and the Visa 12 May Letter, each of which stated that Visa had terminated its relationship with ISX, please separately respond to the following questions in relation to the statement in the 24 May Shareholder Letter that *'Isignthis Ltd (ISX or the Company) will end its contractual relationship with Visa as a principal member in approximately 90 days'*:
- a) Please explain why ISX first released information in relation to the termination of the Visa relationship on 24 May 2020.
- b) Please explain why ISX did not state that it was Visa who had terminated the relationship?
- c) Please explain the basis for the reference to the contractual relationship ending in *'approximately 90 days'*.
5. Having regard to the Visa Termination Letter, the Visa 1 May Letter and the Visa 12 May Letter, each of which stated that Visa had terminated its relationship with ISX, please explain why ISX made the following statement in the AGM Address:

*'Processing to merchants across the Visa network was suspended in March and will likely be terminated.'*

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6. Having regard to the Visa Suspension Letter and the Visa Termination Letter, in relation to the statement in the June Quarter Appendix 4C that *'2Q20 receipts from customers were down circa 20% from 1Q20 to \$8.4m due to impacts from the ASX suspension and COVID-19 in the quarter'*, please respond separately to the following questions:

- a) Please explain why ISX did not state that one of the reasons that receipts from customers were down was due to the suspension and subsequent termination by Visa.
- b) Please explain the impact of the Visa suspension and subsequent termination on both customer receipts and revenue in the June 2020 quarter, having regard to the magnitude of customer receipts and revenue respectively from 'processing to merchants across the Visa network' in the two immediately preceding quarters, and why ISX did not disclose that impact in the June Quarter Appendix 4C.

#### **ISX's responses to ASX's Query Letter in relation to Visa**

Having regard to the correspondence with Visa referenced above, all of which was dated prior to ISX's First Response, ISX's Second Response and ISX's Third Response to the Query Letter, please respond separately in relation to each of the questions below:

7. The ISX First Response included the following statement:

*'In respect of Visa Inc, ISX is currently in negotiation with Visa about the continuation or termination and the terms of such continuation/termination of ISX's principal membership of the scheme. It is likely that the relationship will terminate in 120 days.'*

- a) Having regard to the Visa Termination Letter, the Visa 1 May Letter and the Visa 12 May Letter, in which Visa stated that the decision to terminate *'was final'*, please explain why ISX stated it was *'currently in negotiation with Visa about the continuation or termination'*.
- b) Having regard to the Visa Termination Letter, the Visa 1 May Letter and the Visa 12 May Letter, each of which stated that Visa had terminated its relationship with ISX, please explain why ISX stated that *'It is likely that the relationship will terminate in 120 days'*.

8. The ISX First Response included the following statement:

*'No one card acquiring or incoming payment method is material to the price or value of ISX's shares, as revenues are sourced through ISX processing the different methods, with consumers utilising the means presented to make payments.'*

- a) Please explain the basis on which ISX considered the termination of the Visa relationship was not material.
- b) How much revenue did ISX generate from 'processing to merchants across the Visa network' in each of the following quarters:
  - i) the September 2019 quarter (Q3 FY2019);
  - ii) the December 2019 quarter (Q4 FY2019);
  - iii) the March 2020 quarter (Q1 FY2020); and
  - iv) the June 2020 quarter (Q2 FY2020).

For each of i) to iv) above, please provide the dollar value (in Australian dollars) and also the percentage of ISX's total quarterly revenue it represented in the relevant quarter.

9. The ISX First Response included the following statement:

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*'This is an incomplete negotiation and is not one that would be ordinarily conducted in public, nor would any reasonable person expect it to be.'*

*'You can be assured that ISX will make an announcement at the conclusion of the process.'*

Having regard to the Visa Termination Letter, the Visa 1 May Letter and the Visa 12 May Letter, in which Visa stated that the decision to terminate *'was final'*, please explain why ISX stated it was *'currently in negotiation with Visa about the continuation or termination'*. Please provide copies of relevant correspondence with Visa that indicates that the parties were in negotiation up to and after 12 May 2020.

10. The ISX Third Response included the following statement in response to question 1 b) of the Query Letter (*'Please explain the scope and subject matter of the Visa Audit and specifically whether it concerned: • the enquiries referred to in the Appendix 4C that Visa was making in relation to the 'ASX "investigation", concerns re "derogatory media" and the focus on high risk merchants' ('Visa Queries'); • IEL's PCI DSS certification; • anti-money laundering issues (noting the statement on Visa's Global Registry of Service Providers ... showing IEL's current status as 'SUSPENDED BY AML'); or • something else?'*):

***'ISX Response*** *ISX understands that the audit was related to compliance and risk review.'*

Given the specific reference to anti-money laundering issues in question 1 b) of the Query Letter, please explain why ISX's response did not state that the queries included queries in relation to AML?

11. The ISX Third Response included the following statement in response to question 1 c) iii) of the Visa Query Letter (*'If Visa did cut-off IEL's access to the relevant Visa products pending the outcome of the Visa Audit, why wasn't that fact mentioned in the 20 March Announcement?'*):

***'ISX Response:*** *Access to Visa products was not at the time and is not material to the price or value of ISX shares. In any event, ISX was of the view that it was making progress in re-establishing services. It was an incomplete, confidential, ongoing negotiation that a reasonable person would not have expected to be made public'*

- a) Please explain the basis on which ISX considered the suspension of the Visa relationship was *'not at the time material'*.
- b) Please explain whether ISX continues to be of the view that the suspension and termination of access to Visa product is not material and, if so, on what basis.

12. The ISX Third Response included the following statement in response to question 2 b) of the Query Letter (*'When did ISX first become aware that Visa had suspended IEL from processing payments to merchants across the Visa network pending a response to the Visa Queries?'*):

***'ISX Response:*** *Visa Queries were not the basis for suspension. The basis for suspension included the "ASX Investigation" and derogatory media.'*

Given ISX's response to question 2 a) of the Query Letter that the *'Visa Audit'* was the same thing as the *'Visa Queries'*, please explain:

- a) why this response did not state that ISX became aware of the suspension on 9 March 2020, the date ISX gave for the date it became aware of the *'Visa Audit'*.
- b) why ISX stated that the Visa Queries were not the basis for the suspension.

13. The ISX Third Response included the following statement in response to question 2 d) of the Query Letter (*'Did Visa indicate to IEL at the time it notified IEL of its suspension pending a response to the Visa Queries, or subsequently, the reasons for IEL's suspension? If so, what were they?'*):

***'ISX Response:*** *Brand risk, including derogatory media and "ASX Investigation".'*

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Please explain why this response did not also include a reference to:

- a) Visa's expression of its 'serious concerns about whether IsignThis is operating appropriate programs to manage AML and Risk' and 'the excessive level of risk presented [to Visa] by the IsignThis relationship', as stated in the Suspension Letter dated 6 March 2020;
- b) Visa's queries in relation to ISX's AML and Risk programs.

14. The ISX Third Response included the following statement in response to question 2 e) of the Query Letter ('Noting the statement on Visa's Global Registry of Service Providers ... showing IEL's current status as 'SUSPENDED BY AML', did Visa indicate to ISX at the time it notified IEL of its suspension pending a response to the Visa Queries, or subsequently, that Visa had anti-money laundering concerns?'):

**'ISX Response:** The question misleadingly conflates different issues. The issues are unrelated, as PCI DSS was not part of any Visa Query, and the apparent reason for the suspension is addressed above. No regulator has suggested that ISX has at any time been in breach of any anti-money laundering regulatory obligations. The only assertions of money laundering appear to have originated with certain elements of the Australian media that are closely linked to the ASX by virtue of commercial relationships, social media and the ASX itself.'

Having regard to the concerns raised in the Visa Suspension Letter in relation to 'AML Concerns', 'concerns about whether IsignThis is operating appropriate programs to manage AML and Risk' and requiring further information in relation to 'Isignthis's AML and Risk programs', please explain why the answer to this question was not 'yes'.

15. The ISX Third Response included the following statement in response to question 2 f) of the Query Letter ('If the answer to question 2 e) is 'no' then what does ISX understand by the statement on Visa's Global Registry of Service Providers that IEL's status is 'SUSPENDED BY AML'?'):

**'ISX Response:** ISX has no understanding of the statement. The reference makes no sense, since there is no apparent relationship between AML and PCI DSS.'

Having regard to the numerous references to AML concerns in the Visa Correspondence, including 'concerns about whether IsignThis is operating appropriate programs to manage AML and Risk' and the 'excessive level of risk presented by the IsignThis relationship', please explain the basis on which ISX indicated that it had no understanding of the statement 'SUSPENDED BY AML'.

16. The ISX Third Response included the following statement in response to question 2 g) of the Query Letter ('What is the current status of the Visa Enquiries? Has ISX or IEL responded to them and, if so, when did it respond? Has Visa accepted those responses as adequate?'):

**'ISX Response:** Please refer to ISX's Letter to Shareholders dated 24th May 2020, copy attached.'

Please explain specifically which statements in the 24 May Shareholders Letter ISX considers provide a response to each of the matters set out in question 2 g).

17. The ISX Third Response included the following statement in response to question 2 h) of the Query Letter ('Has Visa resumed providing the processing services that were suspended in March 2020 pending a response to the Visa Queries? If so, when did they resume?'):

**'ISX Response:** Please refer to ISX's Letter to Shareholders dated 24th May 2020, copy attached.'

Please explain specifically which statements in the 24 May Shareholders Letter ISX considers provide a response to each of the matters set out in question 2 h).

#### Statements in the Independent Expert's Report in relation to Visa

18. The Independent Expert's Report dated 16 July 2020 includes the following statements:

### **'Visa disclosures**

*ISX's correspondence with ASX as released to the market by ASX on 25 May 2020 notes ISX's view that the Visa principal membership is not material and ASX Listing Rule 3.1 does not apply.*

*However, based on information provided to us by ISX, we understand as follows:*

- (i) at the time of entry into the contract with Visa, the Visa principal membership was considered strategically important by ISX and was disclosed to the market at that time;*
- (ii) at the time of the initial suspension, the suspension was not considered by ISX to be material on the basis that:*
  - A. the suspension was not anticipated to last for an extended period;*
  - B. the Visa relationship was no longer considered to be material (either on the basis of revenue contributions or on the basis of its strategic importance);*
  - C. following the initial suspension, ISX continued to (and continues to) process transactions with Visa; and*
  - D. termination of the contract with Visa was considered by ISX to be an unlikely outcome for a period of time following the initial suspension;*
- (iii) ISX subsequently determined that, as a consequence of delays by Visa in responding to ISX's correspondence around the suspension, primarily due to COVID-19, it was prudent to make an announcement in respect of the suspension, given the time that had elapsed since the initial suspension and the fact that it may lead to a material event (being the termination of the Visa arrangement). ISX then provided the update on the suspension in the Appendix 4C lodged on 29 April 2020;*
- (iv) ISX was withholding, based on legal advice, the potential termination (not the suspension itself) from the market in reliance on ASX Listing Rule 3.1A; and ...*

### **Materiality of the suspension**

*In all the circumstances, we have formed the view that a decision as to whether the suspension of the Visa arrangement was of itself material required the ISX Board to make a judgement call, having regard to a range of circumstances at that time (as noted above at section (i) to (v)).*

*A conservative approach, given the surrounding circumstances, would have been to disclose the fact of the suspension in the context of ISX confirming its views that the Visa arrangement was no longer considered strategically material (together with any other disclosures considered appropriate at that time).*

*However, based on the information available to us, we are unable to conclude that the decision taken by ISX to not announce the Visa suspension at the time of the initial suspension constituted a breach of its continuous disclosure obligations.*

### **Disclosure of the suspension**

*As noted above, ISX announced the fact of the suspension in its Appendix 4C on 29 April 2020 on the basis that it had formed the view that the suspension subsequently became material (as it could lead to a material event, being termination of the Visa arrangement).*

*We consider that the disclosure in the Appendix 4C in these circumstances was deficient. In particular, if the fact of the suspension was announced on the basis that ISX considered it to be*

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*potentially material information, the announcement did not fully disclose potentially material information. In particular, we consider that the disclosure should have included the following:*

- (i) additional information regarding the potential impact of the suspension; and*
- (ii) if the suspension was considered to be material at the time of announcement, a statement that ISX would continue to update the market in relation to material developments in respect of the ongoing discussions with Visa, or in respect of alternative arrangements that could be made by ISX.'*

- a) Please explain how ISX reconciles the statement above that by 29 April 2020 *'it had formed the view that the suspension subsequently became material (as it could lead to a material event, being the termination of the Visa arrangement'* with the statements in the ISX First Response, ISX Second Response and ISX Third Response that access to Visa product was not material.
  - b) Please explain why ISX considered that the findings of the Independent Expert in relation to the Visa disclosures did not require disclosure to the market in accordance with the direction issued by ASX on 1 May 2020 to *'publish the findings'* of the Independent Expert.
19. The letter from ISX's solicitors, HWLEbworth, to ASX dated 31 July 2020 included the following statement:

*'So far as the Visa matter relates to ISX, the termination of the licence itself is the material event, and that has been dealt with by ISX's announcement on the 24th May 2020. All matters prior to the termination were a component of a negotiation, were incomplete, and were not required to be announced under LR3.1.'*

- a) Please explain how ISX reconciles the statement that *'the termination of the licence itself is the material event'* with the statements in the ISX First Response, ISX Second Response and ISX Third Response that access to Visa product was not material.
  - b) Please explain how ISX considers that the termination of the Visa relationship was dealt with in the 24 May Shareholders Letter when that announcement did not state that the Visa relationship had been terminated by Visa nor did it state the basis for that termination nor quantify the impact of the suspension and termination.
20. Please confirm that ISX is complying with the Listing Rules and, in particular, Listing Rule 3.1.
21. 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.

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.

In this regard, ASX refers to section 14 of ASX Listing Rules Guidance Note 14 ASX Market Announcements Platform, which applies to all market announcements and which states:

*'An announcement for release to the market must be accurate, complete and not misleading.*

*Opinions expressed in an announcement should be honestly held and balanced and should be clearly identified as a statement of opinion rather than a statement of fact ...*

*MAP should only be used to publish information that is appropriately given to ASX under the Listing Rules or the Corporations Act for publication to the market. It should not be used as a guise to publish material that is really promotional, political or tendentious in nature. An announcement for release to the market*

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*must also be couched in language that is appropriate for release to the market. It should be factual, relevant and expressed in a clear and objective manner. Emotive, intemperate or defamatory language should not be used ...*

*ASX may refuse to accept or publish an announcement from a listed entity that does not meet the standards described above or may require the entity to lodge a corrective announcement.'*

Please also note that once ASX has received and analysed the information above, it is possible that ASX will need to make further enquiries of ISX to satisfy itself that ISX is and has been complying with the Listing Rules, including in particular Listing Rule 3.1.

### **The basis for this request**

The request for information in this letter is made pursuant to Listing Rule 18.7, which requires ISX to give to ASX any information, document or explanation that ASX asks for to enable it to be satisfied that ISX is, and has been, complying with the Listing Rules, or any conditions or requirements imposed under the listing rules, or reasonably requires to perform its obligations as a licensed market operator.

ISX is obliged to comply with ASX's request for information under its listing agreement with ASX and also under section 793C of the Corporations Act.

Should ISX fail to provide the requested information, it will be in breach of the Listing Rules, giving ASX an additional basis under Listing Rule 17.3.1 to continue ISX's current suspension and a basis under Listing Rule 17.12 to remove ISX from the ASX official list.

### **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 **4.00pm AEST on Monday 17 August 2020**.

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

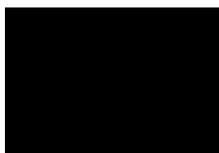
### **Listing Rules 3.1 and 3.1A**

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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**Janine Ryan**  
ASX Chief Compliance Officer

17<sup>th</sup> August 2020

Australian Securities Exchange (ASX Ltd)

Bridge St, Sydney, NSW, 2000

Att : Ms J Ryan, Chief Compliance Officer

Dear Ms Ryan

### Reply to ASX Query Letter dated 5<sup>th</sup> August 2020

Your letter is a naked attempt to smear ISX by quoting a few selective and inaccurate extracts from unlawfully obtained documents, taken out of context, to give a false impression.

The full series of documents shows the true position - that ISX and Visa were engaged in robust negotiations for a number of months. Visa expressed concern about doing business with ISX because of the controversy surrounding ISX. That controversy has been massively fuelled, if not caused, by ASX.

In that atmosphere of controversy, Visa has made reference to a range of reasons for possible termination. Visa has advanced a variety of inconsistent reasons, although your letter implies that there was just one. Ultimately the relationship was terminated in the context of rule changes by Visa that are inconsistent with the business model of ISX.

Your letter fails to mention that:

- The extracted Visa statements were contested;
- Regardless of whether ISX's risk management measures were adequate, none of the feared risks have come to pass;
- Specifically, there have been no illegal client transactions processed through Visa;
- AML risk speculation by Visa is not supported by ISX's independent AML audit and the lack of expressed concern by AML regulators (noting Visa is neither an auditor nor a regulator).
- Visa's rule changes are currently subject to review by various regulators.

Visa is being investigated by the European Union's Director-General of Competition for making its Staged Digital Wallet (SDW) rule changes, which are inconsistent with ISX's business model. Since Visa's actions arguably constitute a substantial lessening of competition in Australian markets related to credit card use, the matter is now being examined by the Australian Competition and Consumer Commission (ACCC). Visa has publicly acknowledged the investigation.<sup>1</sup>

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<sup>1</sup> Quarterly Report (Form 10Q) filed by Visa with the US Securities and Exchange Commission on 30 July 2020, page 29: "On June 26, 2020, the European Commission ("EC") informed Visa that it has opened a preliminary investigation into Visa's rules regarding staged digital wallets and issued a request for information regarding such rules." (Emphasis added.) and iSignthis Ltd announcement released by ASX 25<sup>th</sup> May 2020

## The documents

You have repeatedly failed to answer reasonable questions about the provenance, modification and dissemination of the confidential documents passing between ISX's subsidiary and Visa, including those extracted in your Query Letter.

ISX has now learnt that the documents were supplied to you by ASIC. Putting aside some serious legal issues about how those documents were passed to ASIC, your use of those documents raises some grave legal implications for ASX which are relevant to its privileged position as a holder of an Australian Market Licence and as a market operator. As a significant international financial institution (and "*the heart of Australia's financial markets*"), ASX has legal duties and a moral obligation to respect all applicable EU and Australian laws.

ISX has been advised that the source of the documents was Visa Europe, which include illegally transferred personally identifiable information (passports, licences, addresses and credit information) in addition to the documents that ASX has so far indicated this it has in its possession. The data breach is the subject of privacy and data breach notifications in Australia, Cyprus, UK, EU and the USA, and ASX is likely to be subject to resulting inquiries.

In addition to EU data protection laws which are relevant to persons who further disseminate information that is received from a data breach, Australian law prevents you misusing the documents.

Specifically, section 127(4F) of the *Australian Securities and Investments Commission Act 2001* (together with sub-section (4FA)) limits your use and disclosure of the documents. Since it is no part of your function under the listing rules to publish confidential information, you would be in breach of that section if you publish your Query Letter without appropriate redactions or if you otherwise publish parts or all of the confidential documents shared with you by ASIC. While you are likely to claim that you are seeking to enforce the listing rules, the fact is that your Query Letter has been deliberately written in a way that discloses parts of the confidential information when it could have asked your questions more simply without doing so.

We have no objection to you publishing the Query Letter in a form that fully redacts all extracts and quotes from the confidential documents, together with a complete copy of this reply.

However if you publish your Query Letter without appropriate redactions or if you otherwise publish parts or all of the confidential documents, you will have breached section 127(4F) and we will have an obligation to:

- Refer the matter to the Australian Federal Police, for an apparent breach of section 127(4F); and
- Refer the matter to the Federal Treasurer as a breach of ASX's fundamental obligations to act lawfully (without limitation, under section 762A of the Corporations Act) under the conditions attaching to ASX's Australian Market Licence issued by the Federal Treasurer.

### **The Independent Expert's Report**

Your Query Letter purports to be an exercise in enforcing the listing rules, when it is in fact a vexatious attempt to undermine the work of the Independent Expert (undertaken at your request and at considerable expense to ISX).

At your request ISX has now asked the Independent Expert to advise whether his opinion is changed by the additional documents that you have supplied to him. We will provide you with the Independent Expert's further report when it is available.

Until then, your questions and any further steps are highly premature. We will provide a further response when we provide you with the Independent Expert's further report.

Yours sincerely,



 Karantzis

**Managing Director**

**iSignthis Ltd**

**From:** [REDACTED]  
**To:** [REDACTED]  
**Cc:** [REDACTED]  
**Subject:** RE: ASX query letter  
**Date:** Thursday, 20 August 2020 11:18:00 AM

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Dear Directors

We refer to the letter dated 17 August 2020 from Mr Karantzis purporting to respond to ASX's query letter dated 5 August 2020 (August Query Letter).

The August Query Letter required ISX to respond to questions relating to ISX's disclosures to the market, and ISX's responses to earlier ASX query letters in relation to Visa's suspension and termination of ISX as a member of the Visa network, and the findings of the Independent Expert about that matter. ASX issued the Query Letter in light of the release by ASIC to ASX of additional material relating to the Visa suspension and termination as referred to in that letter (Relevant Information).

ISX has failed to properly respond to any of the questions in the Query Letter and is therefore in breach of Listing Rule 18.7. This follows ISX's failure to satisfactorily respond to ASX's earlier query letter dated 5 May 2020 in relation to ISX's disclosures regarding Visa, which also constituted a breach of Listing Rule 18.7.

ASX has considered, but does not accept, ISX's purported bases for failing to properly respond to the August Query Letter.

First, ISX has repeated its unfounded allegations that the Relevant Information was unlawfully obtained. ASX has responded to those allegations previously, including most recently in the cover email attaching the August Query Letter. ASX notes that:

- The Relevant Information was provided by ASIC to ASX under section 127(4B) of the Australian Securities and Investments Commission Act. The purpose of section 127(4B) is to authorise use and disclosure of information by ASIC to ASX if ASIC is satisfied that the information will enable ASX to monitor compliance with, enforce, or perform functions or exercise powers under the Corporations Act or the listing rules.
- The Relevant Information does not contain any personal information relating to ISX customers, nor does it include "illegally transferred personally identifiable information (passports, licences, addresses and credit information)". ISX has not identified any protected personal information in the Relevant Information that has been disclosed to ASX, or by ASX to the Independent Expert, nor how any such disclosure may have breached any European or UK laws relating to the protection of personal information.

Second, ISX has indicated that it has now advised the Independent Expert to review the Relevant Information and update its report and therefore ASX's questions are '*highly premature*'. ASX has considered, but does not accept, that this is a proper basis for failing to answer the questions in

the August Query letter.

ISX is required to comply with its obligations under the Listing Rules, including complying with its continuous disclosure obligations under Listing Rule 3.1 and its obligations to give to ASX any information that ASX asks for under Listing Rule 18.7 to enable ASX to be satisfied that the entity is, and has been complying with the Listing Rules. The questions in the August Query Letter relate to ISX's reasons for making, or determining not to make, various disclosures under Listing Rules 3.1 and 18.7. These are matters in respect of which only ISX is in a position to respond. ISX's obligation to respond to the August Query Letter is not, and cannot be, obviated by any further work the Independent Expert has been requested by ISX to perform.

ASX further notes that:

- on 23 July 2020, it issued a query letter to ISX requiring ISX to confirm whether it had provided the Relevant Information to the Independent Expert and, if not, why not. ISX did not provide a satisfactory response, in breach of listing rule 18.7.
- On 30 July 2020 and 5 August 2020, ASX requested ISX to ask the Independent Expert to review the Relevant Information and confirm whether any additional findings were required in its report. ISX did not do so.
- On 13 August 2020, ISX attempted to lodge on the market announcements platform, and subsequently published on its website, an announcement stating that *'Further, iSignthis is aware that the ASX has been in communication with the Independent Expert post the report being provided to the ASX, and the ASX has requested the Expert to consider further material that has been made available by the ASX. Subsequent to those ASX communications and additional material, the Independent Expert has confirmed to ISX in writing that it has delivered its final report to ISX in accordance with the scope of the report'*.
- On 17 August 2020, shortly after advising ASX that ISX had advised the Independent Expert to review the Relevant Information and update its report, ISX sought to lodge on the market announcements platform, and subsequently published on its website, a full copy of the existing Independent Expert Report under cover of an announcement that did not refer to the further work being done by the Independent Expert and stated that *'The Company is pleased with the outcome and findings of the Report, and has already implemented the recommendations'*.

In ASX's view, this conduct is likely to mislead investors as to the current status of the Independent Expert Report.

ASX has given ISX ample opportunity to provide satisfactory responses to ASX's queries regarding its disclosures in relation to its suspension and termination by Visa. ASX is considering whether further action is required in relation to the matters set out in this email. ASX can only base its decisions in relation to monitoring and enforcing compliance with the Listing Rules on the information available to it. Should ISX provide ASX with a further response to the August Query Letter or a revised Independent Expert Report, ASX will take this into consideration in its deliberations. Failing that, ASX will have no option but to determine any further action required based on the information currently available to it.

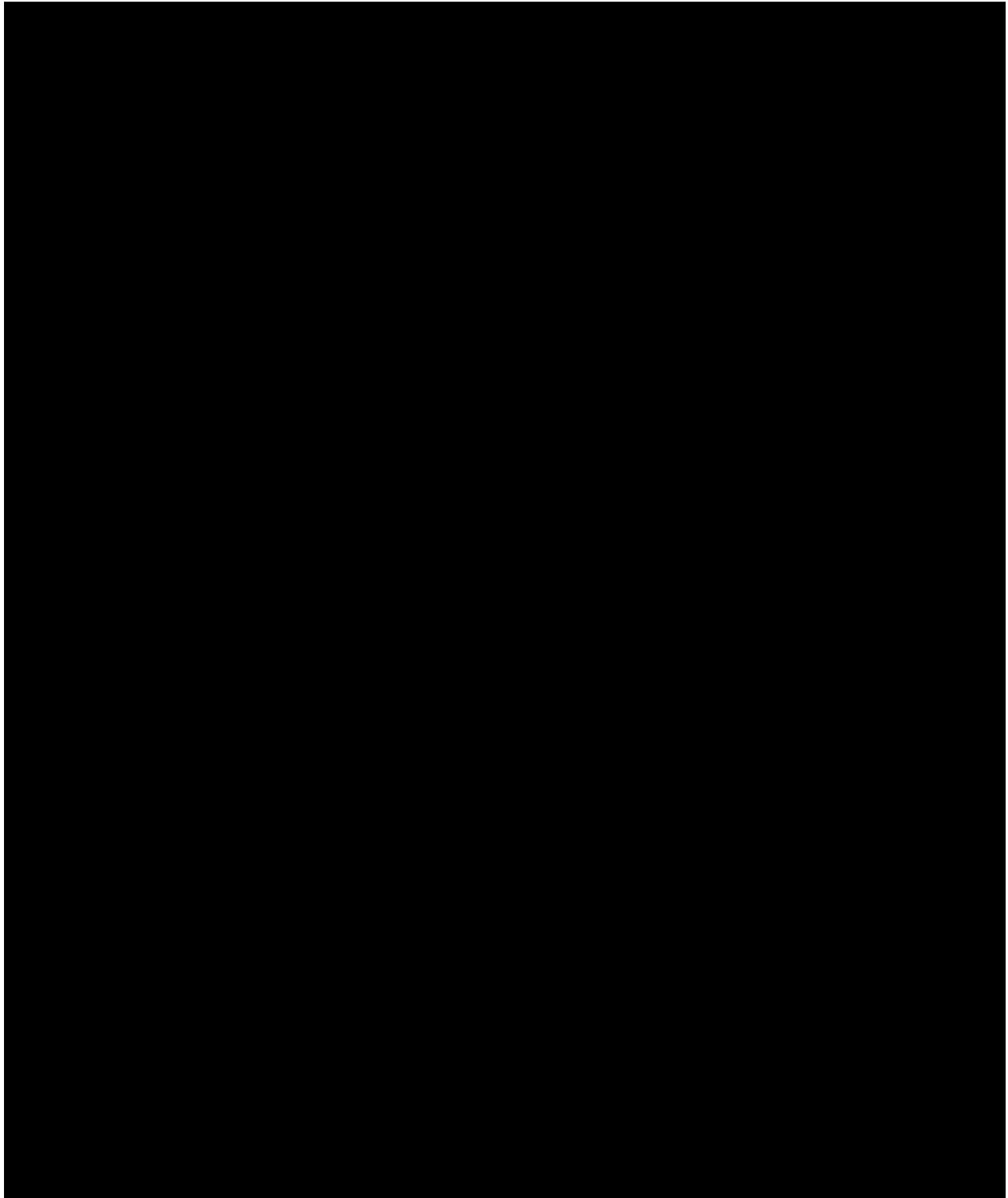
As previously advised, ASX reserves the right to publish the August Query Letter and any response received from ISX. In this regard, ASX notes that confidentiality agreements that ISX

may have entered into do not override ISX's continuous disclosure obligations under the Listing Rules nor affect ASX's powers and obligations under the Listing Rules or Corporations Act to ensure that the market in ISX shares is properly informed.

ASX reserves the right to release a copy of this email and any response from ISX to the market under listing rule 18.7A.

Kind regards

Janine Ryan  
Chief Compliance Officer





10 September 2020

The Directors  
iSignthis Ltd  
456 Victoria Parade  
East Melbourne VIC 3002

Dear Directors

**iSignthis Ltd ('ISX'): Query Letter**

ASX Limited ('ASX') refers to:

- A. Clause 2.3 of the Executive Summary of the Supplementary Report dated 4 September 2020 prepared by the Independent Expert ('Supplementary Report') which states:

*'We understand, based on our review of the Additional Materials, that there were two separate limbs of ASX Listing Rule 3.1A on which ISX relied during different periods in withholding the information from disclosure to the market, as follows:*

- (a) from 17 April 2020 to 12 May 2020 - on the basis that the purported termination was invalid and constituted an incomplete negotiation; and*
- (b) from 12 May 2020 to 21 May 2020 - on the basis that it would have been a breach of law (being the European Regulatory Requirements) to disclose that information unless and until the notification process with the CBC had been concluded, in each case, in addition to the information being confidential and that a reasonable person would not have expected the information to be disclosed at that time.'*

- B. Clause 2.1(c) of the Detailed Report included in the Supplementary Report which states:

*'(c) Throughout the Initial Period, ISX was withholding disclosure of the purported termination in reliance on ASX Listing Rule 3.1A on the basis that the purported termination was invalid and constituted an incomplete negotiation (in addition to the information being confidential and that a reasonable person would not have expected the information to be disclosed at that point).'*

- C. Clause 2.2(b) of the Detailed Report included in the Supplementary Report which states:

*'(b) it is beyond the Agreed Scope for us to assess from a contractual perspective whether the position taken by ISX in relation to the validity or otherwise of the purported termination by Visa was justified or reasonable. We understand that ISX sought and obtained independent legal advice in that regard.'*

- D. Clauses 2.1(e) and (g) of the Detailed Report included in the Supplementary Report which states:

*'(e) Although we are unable to comment on foreign laws and regulations, we understand from ISX that ISX is required pursuant to the EU Payments Services Directive and the terms of ISEM's Electronic Money Authorisation (**European Regulatory Requirements**) to notify the regulator (being Central Bank of Cyprus (**CBC**)) immediately upon any change in circumstances as to payment scheme arrangements.*

.....

*(g) Throughout the Second Period, ISX was withholding disclosure of the termination in reliance on ASX Listing Rule 3.1A on the basis that it would have been a breach of law (being the European Regulatory Requirements) to disclose that information*

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*unless and until the notification process with the CBC had been concluded (in addition to the information being confidential and that a reasonable person would not have expected the information to be disclosed at that point).'*

- E. 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.
- F. Listing Rule 3.1A which provides that Listing Rule 3.1 does not apply to particular information while each of the following is satisfied in relation to the information:

*3.1A.1 One or more of the following 5 situations applies:*

- It would be a breach of a law to disclose the information;*

*.....*

*3.1A.2 The information is confidential and ASX has not formed the view that the information has ceased to be confidential; and*

*3.1A.3 A reasonable person would not expect the information to be disclosed.'*

- G. 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.'*

- H. Listing Rule 17.12, which states:

*'ASX may at any time remove an entity from the official list if, in ASX's opinion, any of the following applies.*

- The entity is unable or unwilling to comply with, or breaks, a listing rule. ...*
- It is appropriate for some other reason.'*

- I. Listing Rule 18.7 which states:

*'An entity must give ASX any information, document or explanation that ASX:*

*(a) asks for to enable ASX to be satisfied that the entity is, and has been, complying with, or will comply with, the listing rules or any conditions or requirements imposed under the listing rules; or*

*(b) reasonably requires to perform its obligations as a licensed market operator,*

*The entity must do so within the time specified by ASX ...'*

- J. Listing Rule 18.8, which states:

*'An entity must comply with any requirement ASX imposes on it in order to ensure compliance with the listing rules.'*

## **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 confirm whether ISX advised the Independent Expert of each of its purported bases for relying on Listing Rule 3.1A as set out in clause 2.3 of the Executive Summary of the Supplementary Report when the Independent Expert prepared its initial report dated 16 July 2020 and, if not, why not.
  2. In relation to the independent legal advice referred to in clause 2.1(b) of the Detailed Report please:
    - a) provide a copy of the legal advice (not for release to the market); and
    - b) confirm whether a copy of the legal advice was provided to the Independent Expert for the purpose of preparing the Supplementary Report.
  3. Please explain, with reference to specific provisions of the EU Payment Services Directive and the terms of ISEM's Electronic Money Authorisation, each of the following:
    - a) the information which ISX is required to notify to CBC;
    - b) the process for notification to CBC;
    - c) the requirement not to disclose the information prior to notification to CBC; and
    - d) the requirement not to disclose the information prior to receiving a formal response from CBC to the notification.
  4. Please confirm whether ISX obtained legal advice on its notification obligations under the European Regulatory Requirements, either a) generally or b) specifically in relation to ISX's suspension and termination by Visa, and, if so, from whom and on what date.
  5. If the answer to question 4a) or 4b) is yes, please:
    - a) provide a copy of the relevant legal advice (not for release to the market); and
    - b) confirm whether a copy of the relevant legal advice was provided to the Independent Expert for the purpose of preparing the Supplementary Report.
  6. If the answer to question 4b) is no, please advise when ISX formed the view that it would be a breach of law to disclose the information in relation to ISX's termination by Visa until it had received a response from CBC and the basis on which ISX formed that view.
  7. Please confirm that ISX is complying with the Listing Rules and, in particular, Listing Rule 3.1.
  8. 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.

Please note that ASX reserves its right under Listing Rule 18.7A to release this letter and ISX's response to the market.

Please also note that once ASX has received and analysed the information above, it is possible that ASX will need to make further enquiries of ISX to satisfy itself that ISX is and has been complying with the Listing Rules, including in particular Listing Rule 3.1.

#### **The basis for this request**

The request for information in this letter is made pursuant to Listing Rule 18.7, which requires ISX to give to ASX any information, document or explanation that ASX asks for to enable it to be satisfied that ISX is, and has been, complying with the Listing Rules, or any conditions or requirements imposed under the listing rules, or reasonably requires to perform its obligations as a licensed market operator.

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ISX is obliged to comply with ASX's request for information under its listing agreement with ASX and also under section 793C of the Corporations Act.

Should ISX fail to provide the requested information, it will be in breach of the Listing Rules, giving ASX an additional basis under Listing Rule 17.3.1 to continue ISX's current suspension and a basis under Listing Rule 17.12 to remove ISX from the ASX official list.

Noting that ISX's shares are already suspended, if ISX fails to provide an adequate response to this letter, ASX specifically reserves the right to remove ISX from the ASX official list.

**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 **4.00pm AEST on Tuesday 15 September 2020**.

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

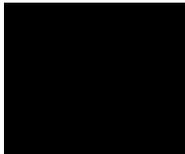
**Listing Rules 3.1 and 3.1A**

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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**Janine Ryan**  
ASX Chief Compliance Officer

14<sup>th</sup> September 2020

Ms Janine Ryan  
Chief Compliance Officer  
ASX Limited  
20 Bridge Street  
Sydney NSW 2000

Dear Ms Ryan

### Query Letter dated 10 September 2020 (Query Letter)

Once again ASX Limited (**ASX**) is abusing its coercive powers under the Listing Rules. This time ASX's conduct is even more egregious because ASX wrongly claims to have the power to compel iSignthis Limited (**ISX**) to produce legal advice under the threat of delisting if ISX fails to comply.

ASX's demand is expressly made pursuant to Listing Rule 18.7. In particular, ASX says that it:

*"...requires ISX to give to ASX any information, document or explanation that ASX asks for to enable it to be satisfied that ISX is, and has been, complying with the Listing Rules, or any conditions or requirements imposed under the listing rules, or reasonably requires to perform its obligations as a licensed market operator."*

For the following reasons, ASX has failed to exercise the power under Listing Rule 18.7 in good faith, honestly and fairly and/or reasonably.

- (a) **First**, by compelling a listed entity to produce legal advice, ASX is plainly acting in bad faith and unreasonably. ASX has no power to do so and it should not have misrepresented that it has any such power.
- (b) **Secondly**, the Query Letter has not been issued in good faith for a proper purpose. The Query Letter purports to be issued to enable ASX *"to be satisfied that ISX is, and has been, complying with Listing Rules."* That premise is fundamentally flawed as the two reports prepared by the Independent Experts have conclusively dealt with this very issue. Furthermore, the material information concerning ISX's relationship with Visa has been fully disclosed to the market – the agreement is terminated.
- (c) The simple fact is that ASX does not like the conclusions reached by the Independent Experts because they do not support ASX's campaign to keep trading in ISX's shares suspended. Although the Query Letter is issued under the guise of wanting *"to be satisfied that ISX is, and has been, complying with the Listing Rules"*, in fact this is yet another attempt by ASX to undermine the reports prepared by the Independent Experts. We remind you that those reports were prepared at the

request of ASX and at a great cost to ISX's shareholders. Furthermore, it was ASX's previous head of compliance, Mr Kevin Lewis, who in fact unilaterally added the Visa termination to the Independent Experts' review (without updating the market that ASX had amended its directions to ISX) and who defined the scope of that additional review in his emails with the Independent Experts on 17 June 2020 and 18 June 2020.

- (d) **Thirdly**, it is apparent from the Amended Defence, belatedly filed by ASX in the Federal Court proceeding (particularly, paragraph 73), that ASX intends to use the termination of the Visa relationship to deflect liability for ISX's loss and damage. It is not appropriate for ASX to issue a Query Letter in a vain attempt to bolster that assertion. Doing so plainly constitutes an abuse of the power in Listing Rule 18.7.

The regulatory inquiry into Visa's actions is now with the United Kingdom's Information Commissioner, the Cypriot Office of the Commissioner for Personal Data Protection, the Office of the Australian Information Commissioner, and the Directorate General Competition of the European Union – and it is Visa that is under scrutiny, not ISX or any of its subsidiaries. The ACCC is also at the preliminary stages of examining Visa's actions.

ISX will continue to call-out ASX's transparent attempts to use the circumstances surrounding the termination of ISX's relationship with Visa as a new excuse to maintain the suspension of trading in ISX's shares and to create new controversies to divert attention from ASX's wrongful conduct which is the subject of the litigation in the Federal Court.

Notwithstanding the above, as the Query Letter is clearly a deliberate and transparent strategy to continue the suspension of trading in ISX's shares, the answers to ASX's questions are set out below. Nothing stated in the answers below is intended to waive ISX's legal professional privilege.

1. Yes, ISX did.
2. (a) ASX has no power to compel the production of documents which are the subject of legal professional privilege. ISX has not waived, and ISX will not waive, its legal professional privilege. Accordingly, a copy of the legal advice will not be provided to ASX.
- (b) ISX told the Independent Experts that it had sought and obtained independent legal advice. That advice (and the substance of that advice) was not disclosed to the Independent Expert as it is subject to legal professional privilege.
3. It is not for ISX to give ASX advice in relation to the European regulatory regime. ASX is directed to the following legislation and directives:

- <https://www.centralbank.cy/images/media/redirectfile/Electronic%20Money%20Institutions/EMI-DIRECTIVE-EN-UNOF-TRANSL-241-29062012.pdf>

- <https://eba.europa.eu/sites/default/documents/files/documents/10180/1904583/f0e94433-f59b-4c24-9cec-2d6a2277b62c/Final%20Guidelines%20on%20Authorisations%20of%20Payment%20Institutions%20%28EBA-GL-2017-09%29.pdf?retry=1>
  - <https://www.centralbank.cy/images/media/redirectfile/AUTHORISATIONS/Payment-systems-Laws-2018-2019-EN-Unofficial-%20translation-04072019.pdf>
  - <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32009L0110&from=EN>
  - <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32015L2366&from=EN>
  - <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32015R0847>
  - **The Prevention and Suppression of Money Laundering Activities Laws of 2007 to 2019 (unofficial consolidation)**
4. No legal advice was obtained as ISX's subsidiary was aware of its obligations under the European regulatory regime.
  5. Not applicable.
  6. ISX formed the view on 12 May 2020, when its subsidiary notified ISX that it had been in communication with the CBC. That communication, and all subsequent communications with the CBC, was, and remains, subject to the confidentiality regime imposed by the legislation and directives referred to in paragraph 3 above, which prohibits disclosure.
  7. Yes, confirmed. ISX expects ASX to also comply with the Listing Rules.
  8. Yes, confirmed.

Yours sincerely



Managing Director



9 October 2020

The Directors  
iSignthis Ltd  
456 Victoria Parade  
East Melbourne VIC 3002

Dear Directors

We refer to:

- ASX's query letter dated 10 September 2020 (September Query Letter), which required ISX to respond to questions regarding its purported reliance on Listing Rule 3.1A in relation to its disclosures regarding its suspension and termination by Visa;
- ISX's response to the September Query Letter received on 15 September 2020; and
- ASX's earlier query letters regarding the Visa suspension and termination dated 23 July 2020 (July Query Letter) and 5 August 2020 (August Query Letter).

ISX has failed to respond properly to a number of questions in the September Query Letter, referring to ISX's legal proceedings and the Independent Expert Report and Supplementary Report to justify its position in this regard.

The fact that ISX has commenced legal proceedings against ASX does not in any way affect its obligations to comply with the Listing Rules. ISX has both statutory and contractual obligations to comply with the Listing Rules despite that legal action. Further, ASX has statutory obligations to monitor and enforce ISX's compliance by ISX with the Listing Rules, which it must continue to satisfy despite that legal action. Consistent with its statutory obligations, ASX issued the July Query Letter, the August Query Letter and the September Query Letter to enable ASX to be satisfied that ISX has complied with the Listing Rules in relation to disclosure of its suspension and termination by Visa. ISX is obliged under Listing Rule 18.7 to respond properly to those Query Letters.

Further, ASX has already explained to ISX why the Independent Expert Report and Supplementary Report do not address the issues sought to be addressed in the August Query Letter and the September Query Letter. To reiterate:

- The Supplementary Report included certain findings concerning ISX's purported reliance on Listing Rule 3.1A in relation to its suspension and termination by Visa. These findings were based on representations made to the Independent Expert by ISX and not independently verified by the Independent Expert. The September Query Letter included questions about the representations made by ISX to the Independent Expert. The context for those questions included:
  - the materiality of those representations to the Independent Expert's findings on this matter;
  - the fact that those representations included matters that had not been raised by ISX with ASX in correspondence regarding the Visa suspension and termination over a considerable period of time,

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and that had not been referenced in the original Independent Expert's Report dated 16 July 2020; and

- the fact that ISX had previously made inconsistent statements to ASX.

In view of the new information contained in the Supplementary Report, ASX issued the September Query Letter to enable it to determine whether it could be satisfied that ISX had complied with the Listing Rules with respect to its disclosures about the Visa suspension and termination.

- The Independent Expert has not made any findings that:
  - The disclosures made by ISX in relation to its termination by Visa; or
  - ISX's responses to ASX's query letter dated 7 May 2020, complied with the Listing Rules.

ASX issued the August Query Letter to address outstanding questions in relation to those matters. ISX has failed to properly respond to the August Query Letter.

In relation to question 2a) of the September Query Letter, ISX has declined to provide a copy of the legal advice requested by ASX on the basis that it is protected from disclosure by legal professional privilege. That legal advice was referred to in the Supplementary Report as follows (emphasis added):

*'it is beyond the Agreed Scope for us to assess from a contractual perspective whether the position taken by ISX in relation to the validity or otherwise of the purported termination by Visa was justified or reasonable. **We understand that ISX sought and obtained independent legal advice in that regard;***

This followed an earlier reference in the Independent Expert Report dated 16 July 2020, which stated (emphasis added):

*"ISX was withholding, **based on legal advice**, the potential termination (not the suspension itself) from the market in reliance on ASX Listing Rule 3.1A"*

ISX publicly released the Independent Expert Report and the Supplementary Report and has also publicly stated that "the Supplementary Report vindicates the position adopted by ISX in relation to disclosure of its dispute with Visa." This was plainly done by ISX in a seeming attempt to justify its position in relation to the Visa disclosures. The clear inference from these actions is that ISX's view in relation to invalidity of the Visa termination was supported by legal advice.

Based on the matters referred to in the previous paragraph, it would appear to ASX that ISX has waived its privilege in the legal advice in question by voluntarily publishing the Independent Expert Report and the Supplementary Report containing specific references to the legal advice ISX had received and by making public statements that those reports vindicate its position.

Regardless of who is correct on this issue (and ASX reserves its rights in this regard), if ISX does not provide satisfactory evidence supporting its contention that the purported termination by Visa was invalid, ASX will have no option but to determine any further action against ISX under the Listing Rules based on the information currently available to it.

ISX has also failed to respond properly to questions 3a)-d) of the September Query Letter. These questions required ISX to explain, with reference to specific provisions of the EU Payment Services Directive and the terms of ISEM's Electronic Money Authorisation, the basis on which ISX alleged that it would be a breach of law to disclose the Visa termination to ASX until it had notified the CBC of the termination and received a formal response from CBC to the notification.

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It is not a satisfactory response to questions 3a)-d) of the September Query Letter for ISX to state that *“It is not for ISX to give ASX advice in relation to the European regulatory regime”* and provide links to seven different websites (a number of which don’t work) for ASX to ascertain the provisions on which ISX is purporting to rely. ISX has failed to properly respond to questions 3a)-d) of the September Query Letter, in breach of Listing Rule 18.7.

Despite this, ASX has reviewed the materials at the links provided by ISX and has not been able to identify any provision that supports ISX’s position.

If it is ISX’s position that it was under an obligation under Cyprus law that prohibited it from disclosing material information about the Visa termination to the market until it had notified the CBC and received an acknowledgment back of that notification, it is incumbent on ISX to explain the source of that obligation.

If ISX is not prepared to do this, ASX will have no option but to determine any further action against ISX under the Listing Rules based on the information currently available to it.

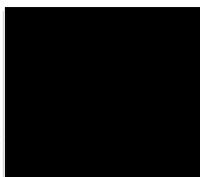
ASX is currently awaiting consent from ASIC under section 127 of the ASIC Act to publish to the market information about the documents released to ASX under that section. Subject to receipt of that consent, in the interests of an informed market, ASX is intending to publish copies of the July Query Letter, the August Query Letter and the September Query Letter, together with information about ISX’s responses to those Query Letters.

ASX will thereafter proceed to consider what further action is required under the Listing Rules in relation to the substantive matters addressed in those Query Letters and ISX’s repeated failure to respond satisfactorily to query letters issued by ASX.

ASX would strongly encourage ISX, as a matter of urgency, to revisit its responses to the August and September Query Letters and to provide proper answers to the outstanding questions in those Query Letters.

ASX reserves the right to publish a copy of this email and any response pursuant to Listing Rule 18.7A.

Yours sincerely



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**Janine Ryan**  
Chief Compliance Officer