



Media Release

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ASX SELECTS DIGITAL ASSET TO DEVELOP DISTRIBUTED LEDGER TECHNOLOGY FOR THE AUSTRALIAN EQUITY MARKET

ASX Limited (ASX) today announced that it has selected US-based firm Digital Asset Holdings, LLC (Digital Asset) to develop solutions for the Australian market utilising Distributed Ledger Technology.

ASX has joined 12 other global financial services leaders and made a minority investment in Digital Asset. ASX has paid A\$14.9 million to acquire a 5% equity interest in Digital Asset, fund an initial phase of development, and acquire a warrant that will give ASX the right to purchase further equity and appoint a director to the board. The warrant is exercisable if certain conditions are met.

In February 2015, ASX announced that it would replace or upgrade all of its main trading and post-trade platforms. Phase 1 of the program runs to the end of 2016 and will replace ASX's existing trading and risk management systems.

Phase 2 focuses on ASX's post-trade services, including clearing and settlement of the cash equities market. The system that currently provides the clearing and settlement services to the Australian equity market is known as CHES.

ASX will work with Digital Asset to design a new post-trade solution for the Australian equity market.

The initial 6 to 12 months will be used to develop a solution that demonstrates the benefits that Distributed Ledger Technology could bring to a broad range of users – including investors, listed companies and intermediaries.

The development will take place alongside CHES, which will continue to operate as normal. This will allow all stakeholders to assess the benefits and implications before a final decision is made on Australia's post-trade technology in 2017.

ASX and Digital Asset will engage with regulators and Government agencies to assess the benefits that a new solution could deliver to them, and ensure that any future post-trade solution will meet the high regulatory, operational and security standards that apply to Australia's financial markets.

Distributed Ledger Technology is sometimes referred to as blockchain. The standards that apply to regulated financial markets mean that the design of a solution will differ from the publicly available blockchain. The architecture will be based on a private network whereby all parties that participate will be permissioned to do so – as they are today when they connect to CHES.



Distributed Ledger Technology may be able to significantly simplify and speed-up post-trade processing. For ASX clients this could remove risk and reduce back-office administration and compliance costs, while investors could experience significantly faster settlement of equity transactions – potentially in near real-time.

Adoption of Distributed Ledger Technology has the potential to stimulate greater innovation by ASX and third parties to develop new services for intermediaries, end-investors and listed companies. This would create a more competitive marketplace across a broad range of services.

Mr Elmer Funke Kupper, ASX Managing Director and CEO, said “There has been very little innovation in the post-trade services that operate around the world for the better part of 20 years.

“Rather than replace CHESS with a new version that is based on the same legacy processes that operate in the market today, we should aim to re-engineer and simplify those processes to deliver significant benefits to the users of the market.

“The initial phase of work is designed to bring the benefits to life and to test if Distributed Ledger Technology can work at the scale of the Australian equity market. By building a solution alongside the existing CHESS system, all stakeholders can participate fully in the innovation process and have confidence in the clearing and settlement processes that underpin one of the top 10 equity markets in the world.”

Ms Blythe Masters, CEO of Digital Asset, said: “Digital Asset is delighted to partner with ASX. The work we have done with ASX to date indicates that Australia has a unique opportunity to be a world leader in the adoption of Distributed Ledger Technology. We expect the solution that Digital Asset can deliver will bring significant benefits and exciting new business opportunities to ASX and the Australian market.”

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