

26 May 2023

**SUBMISSION OF DIGITAL ASSET TO THE
PARLIAMENTARY JOINT COMMITTEE ON CORPORATIONS AND FINANCIAL SERVICES
IN RESPECT OF THE ASX CHESSE REPLACEMENT PROJECT**

Dear Committee Members,

Digital Asset appreciates the invitation to make a submission to the Parliamentary Joint Committee on Corporations and Financial Services regarding the ASX CHESSE Replacement Project (the **Transformation Project**). Ordinarily, Digital Asset would not comment on work performed for commercial clients such as ASX. However, having reviewed the transcripts of the Committee’s previous hearings regarding the Transformation Project, it is clear that Digital Asset’s role in the Transformation Project is an issue of focus for the Committee, and that we are in a position to provide useful clarification and context to the Committee, given public statements made by ASX and Accenture.

Accordingly, Digital Asset believes it would be helpful to address a number of key issues that have been raised during the Committee’s hearings regarding the Transformation Project:

1. The rationale for the Transformation Project;
2. Digital Asset’s commercial background and qualifications for the Transformation Project;
3. Accenture’s findings and recommendations regarding the delivery of the Transformation Project, as set forth in the *ASX CHESSE Replacement Application Delivery Review*, made public by ASX on 17 November 2022 (the **Accenture Report**); and
4. The underlying causes of the “Core Issues” identified in the Accenture Report.

Each of these issues is addressed in detail below.

1. The Rationale for the Transformation Project

When ASX designed and implemented the original Clearing House Electronic Subregister System (**CHESSE**) in the late 1980s and early 1990s, it was a groundbreaking system that put Australia at the forefront of electronic clearing and settlement of securities transactions. However, over the past 30 years, exponential advances in data science, computing, software and hardware have led to the development of new technologies that can allow clearing and settlement systems to safely and reliably scale well beyond what is achievable using legacy systems such as CHESSE. For example, multiple trades can now be processed simultaneously in parallel—which allows for a significantly larger volume of trades to be processed—rather than one-at-a-time, as is required in sequential systems such as CHESSE. Similarly, distributed ledger technology (**DLT**) allows trade ledgers to be maintained across a network of interconnected nodes, rather than a single centralised system (such as CHESSE), which eliminates the need for billions of dollars in reconciliation and reduces settlement and counterparty risks.

In order to take advantage of these new technologies—and thereby remain at the forefront of global clearing and settlement in the future—ASX announced on 22 January 2016 that it would

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work with Digital Asset to “*design a new post-trade solution for the Australian equity market*” to replace the 20-year old CHESS. ASX explained that:

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.

In the same press release, ASX’s then-CEO, Mr Elmer Funke Kupper, informed the market that “[r]ather 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.”

Accordingly, based on ASX’s public statements, the rationale for the Transformation Project appeared to be clear. ASX was not seeking to simply replicate CHESS in a distributed environment, but rather to “*re-envision[] how a best practice clearing, settlement and asset servicing system can work*” using DLT.¹ This was the project that Digital Asset understood it was signing up for in 2016.

Consistent with this understanding, in 2016 Digital Asset developed a “demonstration room” for ASX that showcased the different functionality that a DLT-based clearing and settlement system could have. The demonstration room was very well received by both ASX and market participants.

2. Digital Asset’s Commercial Background and Qualifications for the Transformation Project

Digital Asset is a US software company that provides the technology and expertise necessary for its customers to modernise their legacy financial systems with Daml (our smart contract language) and Canton (our privacy-enabled blockchain). To date, more than 25 customers worldwide have partnered with Digital Asset to replace their critical infrastructure with our technology, including numerous clients that operate critical financial infrastructure. No other blockchain technology is used in as many live production deployments for capital markets.

Digital Asset was founded in 2014. From the outset, Digital Asset assembled a team of experienced executives and technologists to ensure its projects were completed to the highest standards. Today, it has more than 200 employees worldwide, including more than 20 employees in Australia. The company has a sophisticated board of directors (including independent directors)—who between them have decades of financial industry and technology experience—providing invaluable guidance and responsible governance. Digital Asset has raised more than \$300 million in capital from industry-leading investors.² Moreover, Digital Asset has been independently audited since 2016 and has consistently received a clean audit opinion through the present day. Additionally, Digital Asset is one of the only DLT companies that holds both Type 2

¹ As further evidence of ASX’s initial desire to “re-envision” CHESS, the joint project communication channel was named “CHESS Reimagined.”

² ASX is a minority shareholder in Digital Asset, and, at various times, held one of ten to fourteen board seats. ASX is similarly situated to many other large financial institutions that have invested in Digital Asset, which have held seats on Digital Asset’s board and have concurrently entered into commercial agreements with Digital Asset. Importantly, our board recused ASX’s director from any board discussions involving our work with ASX.

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SOC 2 and ISO 27001 certifications, which speaks to its sophistication and maturity as a technology services provider.

During the 23 February 2023 Committee hearing, various witnesses and Committee members noted that, at the time ASX initially elected to partner with us in 2016, Digital Asset was a relatively new company. That is technically correct, insofar as Digital Asset was only founded in 2014, two years before the Transformation Project began. However, to the extent this observation is intended as a criticism of Digital Asset's suitability for the Transformation Project, it overlooks two key facts. *First*, in 2016, every potential vendor considered by ASX for the Transformation Project had limited previous experience designing and implementing DLT-based financial systems, simply because DLT was then still a relatively nascent technology with limited application in the financial services space. *Second*, while Digital Asset was a relatively new company, the team deployed by Digital Asset for the Transformation Project had significant experience in the relevant fields. For example, each of the three project leads from Digital Asset had at least 25 years' experience in software engineering and development—much of it in the Australian financial services sector—including extensive experience managing the successful delivery of large, complex IT projects.³

Additionally, Digital Asset was initially engaged for the limited purpose of developing a “proof of concept” application that would demonstrate the benefits that a DLT-based system could bring to Australian market participants. This initial phase of the project—which ran for 12 months—gave ASX, as well as other market participants, the opportunity to further assess Digital Asset's suitability for the project. Ultimately, ASX deemed the proof of concept application to be a success, and engaged Digital Asset on the broader Transformation Project.

Accordingly, in our respectful submission, Digital Asset was highly qualified to undertake the Transformation Project when it was initially selected by ASX in 2016, and ASX undertook appropriate due diligence before ultimately engaging Digital Asset on the broader project in December 2017.

3. The Accenture Report

Digital Asset welcomed ASX's decision to engage an independent expert to review the status of the Transformation Project in July 2022. In fact, an independent review was initially proposed by Digital Asset following multiple disagreements between Digital Asset and ASX with respect to how to bring the project to completion. Accordingly, Digital Asset offered to pay for half of the review costs to ensure that Accenture would give equal consideration to ASX's and Digital Asset's input. The project had already been subject to significant delays, and it was important for ASX, Digital Asset and the broader Australian market to have clarity regarding the remaining steps required to bring the solution into production.

From Digital Asset's perspective, the final review conducted by Accenture was not independent, for a number of reasons:

1. While Digital Asset proposed an independent expert who had no prior involvement with the Transformation Project, ASX engaged Accenture, which was connected to the project in multiple ways:

³ In contrast, Digital Asset found that there was a lack of technical experience in the relevant areas on the ASX side of the Transformation Project, and that ASX did little to address this issue during the life of the project, despite requests and recommendations from Digital Asset.

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- a. Numerous Accenture personnel were previously contracted by ASX to work on the Transformation Project;⁴
 - b. A number of ASX executives and board members were previously employed by Accenture; and
 - c. Accenture is a shareholder in Digital Asset.
2. ASX refused Digital Asset’s offer to pay half of the review costs on the basis that ASX wanted Accenture to be engaged by ASX alone. As a result, we could not guarantee that Accenture would give equal consideration to our input, and, in fact, as discussed further below, when the Accenture Report was published it did not address many of the comments Digital Asset provided to Accenture.
3. The scope of the report was designed to be very limited. As the Accenture Report makes clear, its findings and recommendations “*are limited to the CHES Replacement Application delivery capabilities managed by ASX and [Digital Asset],*” and the report “*should not be considered a CHES Replacement Program-wide or ASX organisation-wide assessment.*” As a result of this scope limitation, and despite Digital Asset providing all relevant information, Accenture was not empowered to drill down into the underlying causes of the Core Issues and informed Digital Asset that information we provided for the report was “out of scope.” This limited the independence and utility of the Accenture Report. For example, while Accenture found that “*[t]he current design is contributing to challenges in achieving scalability, resiliency, and supportability,*” it did not properly consider *why* the system had been designed in that manner or *who* designed it. Digital Asset respectfully submits that, without understanding the *why* and the *who* (both of which are addressed below), it is impossible to properly determine: (a) what needs to be done to resolve the Core Issues and complete the Transformation Project; and (b) which party’s actions contributed to, or were the cause of, each Core Issue.

Notwithstanding these issues, Digital Asset agrees with many of the findings and recommendations in the Accenture Report regarding the issues associated with the Transformation Project. This is not surprising, because—as discussed further below—Digital Asset had previously identified these same issues to ASX, in some instances as far back as 2019.

That said, there are a number of findings in the Accenture Report with which Digital Asset does not agree. For example:

- 63% completion status. The Accenture Report states that only 63% of the overall project scope has been provided to ASX for testing. As an initial matter, Digital Asset does not agree with Accenture’s 63% figure, and does not understand how Accenture arrived at that number. More importantly, Accenture failed to mention that, as of January 2022, more than 90% of the overall scope of the Transformation Project had

⁴ For example, approximately 6 Accenture staff worked as part of ASX’s technical infrastructure team during the 2018-19 time period, including Tansu Senyurt, who oversaw the preparation of the Accenture Report and appeared before the Committee in February 2023. Accenture also supplied general staff to ASX who worked on the Transformation Project throughout the life of the project, and acquired a technology consulting company in 2021—Industrie&Co—which built the user interface for the new system.

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been shipped to ASX for testing. The completion percentage only declined in late 2022 because—as explained further below—over 30% of the overall scope was added by ASX *after* January 2022 (more than three years into the project).

- Complexity of solution design. Accenture was critical of the complexity associated with the solution design for the Transformation Project. Accenture failed to acknowledge, however, that the complexity was attributable not to Digital Asset, or to Daml or the DLT-based system architecture, but rather to the specific functional requirements imposed by ASX, which, as discussed further below, were incompatible with a contemporary, scalable system. When Digital Asset raised this issue with Accenture, Accenture declined to address it in the Accenture Report, on the basis that it was “not in scope.”⁵
- System testing off ledger. Accenture criticised Digital Asset for not executing system tests on a ledger environment. However, the Accenture Report fails to note that the testing process was controlled by ASX, and these tests were completed on a valid ledger for rapid application development and fast feedback cycles. There was no evidence of any functional issues found in ASX’s environments due to an environment mismatch. Moreover, the Accenture Report also fails to note that ASX never provided Digital Asset with a full production-like data set to actually test the entire system, despite the fact that, from the outset of the Transformation Project, ASX committed to provide this data. When ASX repeatedly failed to provide a production-like data set, Digital Asset flagged this failure as a risk in its risk register and raised directly with ASX’s CEO the risk to the Transformation Project resulting from ASX’s failure to provide this data.
- Draft delivery plan. A significant portion of the Accenture Report is dedicated to analysing a “Draft Delivery Plan” for the Transformation Project provided by Digital Asset to ASX in Q3 2022. Accenture criticises the plan for lacking sufficient scope; omitting interim milestones; being based on high-level estimates; and building in a significant amount of contingency. What Accenture fails to acknowledge, however, is that the draft document referred to was not a “delivery plan” in any meaningful sense. ASX had repeatedly asked Digital Asset to provide a delivery plan, and Digital Asset had objected, on the bases that (1) the delivery plan was ultimately ASX’s responsibility, and (2) in any event, a meaningful delivery plan could not possibly be prepared in circumstances where the parties had not agreed on all of the necessary inputs and dependencies, and where ASX had not yet provided a final set of functional and non-functional requirements for the new system. Digital Asset finally relented and provided the document in question as a “straw man” proposition to help promote a discussion between ASX and Digital Asset on milestones and further planning. This document has been mischaracterised in the Accenture Report and any criticism of the Transformation Project based on this document is unfounded.

Digital Asset provided written feedback on these issues (and others) to Accenture prior to the public release of the Accenture Report. However, the Accenture Report did not address Digital Asset’s comments prior to publication.

Finally, it should be noted that Digital Asset welcomed Accenture’s findings with respect to Daml (Digital Asset’s smart contract language) and DLT. Accenture found that Daml “is a

⁵ Digital Asset is happy to share with the Committee the design concerns raised to Accenture.

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capable smart contract modelling language,” that the overall quality of DA’s code was “high,” and that efficiencies were gained from the current CHES, “with 50% reduction in lines of code for similar functionality.” The code Digital Asset has delivered to date demonstrates the ability to process over 15 million trades per trading day and over 100,000 settlements during batch settlement. Both metrics exceed current market conditions and CHES capabilities. By way of example, the trading peak in March 2020 was approximately 7.2 million trades per trading day. As Accenture noted—and as discussed further below—the problems with the Transformation Project lay not with Daml, but rather with the solution design, which was driven by ASX-determined business requirements.

4. The Underlying Causes of the Core Issues Identified in the Accenture Report

Any groundbreaking digital transformation project will experience its share of unexpected issues and setbacks. It comes with the territory in this type of project, and Digital Asset is highly experienced at resolving these issues in order to take a project through to completion. However, as explained below, there were a number of underlying issues with the Transformation Project that went beyond the usual issues and setbacks in a project of this nature.

A. Fundamental conflict between ASX’s expressed transformational objective and its desire to maintain legacy CHES functionality

As noted above, when Digital Asset was initially engaged by ASX in 2016, ASX’s then-CEO, Mr Funke Kupper, informed the market that “[r]ather than replace CHES 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.” This same message was delivered to Digital Asset by numerous other ASX personnel during 2016 and 2017. Digital Asset understood this to be ASX’s objective and set about designing and building a demonstration room in 2016 that ASX used to show market participants how the clearing and settlement processes could be re-engineered and simplified using DLT in order to achieve significant benefits in scale, resilience and reliability.

However, after ASX and Digital Asset entered into the contract for the broader Transformation Project in December 2017, it became apparent to Digital Asset that, contrary to ASX’s previous statements, it was in actuality seeking to “replace CHES with a new version that [was] based on the same legacy processes that operate in the market today.” This objective was evidenced in the functional requirements imposed by ASX, which largely stipulated the legacy CHES designs, and sought to replicate the existing CHES design running on modern technology. This resulted in a substantial amount of the project’s requirements changing from those initially set forth in the contract. From Digital Asset’s perspective, this shift was driven by three primary factors:

1. Notwithstanding the transformational objectives identified by senior ASX executives, many of the ASX personnel involved in the Transformation Project on a day-to-day basis had spent decades working on CHES and were heavily invested in the existing processes and functionality.
2. While Digital Asset was not permitted to participate in the consultation process between ASX and market participants in 2018 regarding the functionality of the new system, it appeared to Digital Asset that ASX had made commitments to market participants that the legacy processes and functionality of CHES would be carried over to the new system while simultaneously delivering new capabilities. It was never

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explained how these new capabilities could be achieved without changing legacy functionality.

3. Digital Asset observed that ASX was driven by the (mistaken) conviction that keeping the legacy design would enhance ASX's ability to meet delivery milestones.

The second factor is alluded to in the Accenture Report, which notes that “[t]he CHES Replacement Application’s priorities to minimise impact to participants and uphold commitments made to the market are driving solution design and delivery decisions which are inconsistently assessed against strategic objectives for the ASX.”

The conflict between ASX's stated transformational objective and its desire to retain both the legacy CHES processes and functionality presented a significant obstacle for the Transformation Project, as the old CHES architecture and functionality was not readily compatible with the modern, scalable system that Digital Asset had been engaged to help design and build.

This issue is exemplified by ASX's approach to what it termed the net broker obligation (NBO). The NBO is a feature of the legacy CHES system. As part of overnight processing on each trade date, CHES informs brokers of the net payment and delivery obligation or entitlement of a clearing participant in a specified security.

The ability to calculate an NBO in a scalable way was included in the proof of concept application created by Digital Asset in 2017 to prove out the capabilities of a DLT-based system. However, ASX subsequently added additional requirements that were intended to ensure that the NBO was delivered in a traditional, non-scalable way.

The ASX NBO requirement was incompatible with any type of modern clearing and settlement system's scale requirements, regardless of underlying technology. As ASX explained to the market in its 18 February 2021 Consultation Paper, titled *CHES Replacement: Proposed changes to netting and settlement workflow*:

The design of the current netting process is a constraint on system scalability – as the trade count increases, the netting process takes longer, and at significantly higher volume levels would at some point exhaust the time available for overnight processing. In order to provide much greater system scalability and avoid the need for imposing limits on higher levels of trading activity to manage processing windows, it is proposed that the creation of the NBO and associated messaging be discontinued.

However, it took more than three years for ASX to come around to accepting Digital Asset's early documented warnings and suggestions to modify this process. Digital Asset explained to ASX on numerous occasions over the years that incorporating NBO messaging functionality would significantly constrain scalability and create reliability risks at high volumes (as subsequently acknowledged by ASX in its Consultation Paper). However, ASX was unwilling to accept that the original NBO design was not compatible with a modern clearing and settlement system, and ASX and Digital Asset invested a significant amount of time and effort attempting to develop the functionality as dictated by the original requirements. ASX only agreed to update the NBO requirement to account for higher scaling needs after a significant jump in intra-day trading activity in March 2020—to approximately 7.2 million trades per day—which forced ASIC to impose limits

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on the number of trades that could be executed by large equity market participants in order to avoid the legacy CHES system being overwhelmed.

Digital Asset invested significant resources to develop the NBO functionality, and subsequently invested significant resources to *remove* the NBO functionality. This exemplifies the types of disagreements that were a core reason for the delays in the Transformation Project.

B. Late changes to functional and non-functional requirements

According to the Accenture Report, as of November 2022, only 63% of the overall scope of the Transformation Project had been shipped to ASX for testing. Multiple members of the Committee were highly critical of this progress given the project had been underway for more than four years and ASX had made numerous statements to its regulators and the market that the project was well advanced.⁶

As explained above, Digital Asset does not agree with Accenture's 63% figure and does not understand how Accenture arrived at that number. Nevertheless, Digital Asset does agree that, as of November 2022, a significant portion of ASX's proposed functional and non-functional requirements had not yet been provided to ASX for testing.

The Accenture Report fails to mention, however, that many of the functional and non-functional requirements assessed by Accenture in November 2022 were only added by ASX via change requests submitted between April to November 2022. As of January 2022, more than 90% of the overall scope of the Transformation Project had been shipped to ASX for testing. Over 30% of the overall scope was added by ASX after January 2022 and ASX was still in the process of adding requirements when the project was paused in November 2022.

This begs the obvious question—why did ASX submit so many change requests more than three years into the project? Digital Asset accepts that, in any transformation project of this nature, there inevitably will be some functional and non-functional requirements that the customer is not aware of at the outset of the project, but that come to light during the course of designing and building the application. These will need to be addressed via change requests.

However, the volume and significance of the change requests submitted by ASX in 2022 were, in Digital Asset's experience, highly unusual. From Digital Asset's perspective, there were a number of causes for these late requests:

1. At the outset of the Transformation Project, ASX initially specified relatively limited, and fairly high-level, functional and non-functional requirements.
2. When Digital Asset notified ASX in July 2019 that it believed various functional and non-functional requirements that would be required by ASX were missing, ASX was initially reluctant to add these requirements, both because of the potential impact on the project delivery schedule and because existing functional requirements would need to be changed in order to address them.

⁶ Digital Asset wishes to emphasise that it was not involved in preparing any of ASX's updates to its regulators or the market regarding the status of the Transformation Project, or ASX's promised delivery dates for various aspects of the project. Digital Asset was generally not consulted by ASX before these updates or market announcements were provided.

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3. Functional and non-functional requirements that had previously been recommended by Digital Asset were often added by ASX only after something had gone wrong (either in testing or in live trading). The discussion above regarding NBO functionality exemplifies this.

As a result of these factors, issues were often addressed via change requests much later in the process than they otherwise could have been (and, as noted above, a substantial amount of the project's requirements were changed from those initially set forth in the contract). These change requests often resulted in additional work, as already-delivered functional and non-functional requirements needed to be revised to accommodate the new changes, resulting in delays to the project. These delays were compounded by the fact that ASX sought to replace the entire CHES system all at once rather than incrementally over time, which meant that any change request by ASX—no matter how insignificant—resulted in significant delays to the project.

A good example of this issue was the non-functional requirement for scalability. Initially, ASX specified that the new system had to be able to process 2 million trades per day, which was double the (then) previous single-day maximum volume. Digital Asset recommended at all times that scalability should be based not on the previous maximum trading volume, but rather on the potential volume of trades that the system may have to process in the future. ASX declined to adopt this recommendation or to engage with Digital Asset on potential future trading volumes. However, between the inception of the project and March 2020, the single-day maximum trading volume in the Australian market increased incrementally from 1 million to 7.2 million trades per day, with the result that ASX's scalability requirement increased from 2 million to 5 million, then to 10 million and finally to 15 million trades per day. The significant increase in this non-functional requirement more than two years into the Transformation Project, as well as the gradual process by which the final non-functional requirement was arrived at by ASX, caused significant delays and forced ASX to make material changes to other functional requirements (such as NBO functionality, discussed above).

C. Divergent assessments of project risk

Consistent with the issues discussed above, Digital Asset began identifying risks for ASX associated with the Transformation Project as early as July 2019. Our approach was consistent with industry standard practices and risks were identified in:

1. Digital Asset's risk register, which was accessible by ASX in real-time and provided to ASX every fortnight in status reports;
2. Weekly update emails that were sent to senior ASX executives, including ASX's CEO; and
3. Weekly update calls with ASX's CEO as well as the ASX team managing the Transformation Project.

However, it is Digital Asset's understanding that our risk assessments may not have been provided to ASX's Board and regulators. For example:

1. Despite requests from Digital Asset, ASX never provided Digital Asset with any visibility into the risk register for the Transformation Project that was shared with ASX's Board and regulators.

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2. ASX asked Digital Asset to change the magnitude of risks in Digital Asset's risk report because they did not match how ASX rated those risks internally. Despite this request, Digital Asset continued to report those risks consistent with industry standard practices.
3. ASX created its own risk register for the Transformation Project and used this private risk register to brief ASX's Board and ASX's regulators. Digital Asset was never provided with this risk register and only became aware of it in late 2020. To the best of Digital Asset's knowledge, ASX's Board and ASX's regulators were never shown Digital Asset's risk registers.
4. In about September 2021, ASX verbally instructed Digital Asset not to discuss risks in the weekly update emails regarding the Transformation Project that Digital Asset sent to senior ASX executives.

The Statement of Work for the Transformation Project stipulated that delivery risks would be managed consistent with *AS/NZS ISO 31000:2009 Risk Management – Principles and Guidelines*. Digital Asset's risk register complied with these principles and guidelines. In contrast, Digital Asset's understanding was that ASX's approach to risk categorisation was much more forgiving. As a result, Digital Asset believes that ASX's risk register likely had a higher tolerance for delivery risk than Digital Asset's risk register. Digital Asset flagged this divergence to ASX and sought to align the parties' approach to risk categorisation to industry best practice, but ASX did not agree with Digital Asset's assessment.

D. Reluctance to provide necessary test data

As noted above, in general ASX was reluctant to acknowledge risks raised by Digital Asset until those risks were confirmed to be real problems—either as a result of real world experience or as a result of testing. However, ASX was also often reluctant to provide Digital Asset with test data sets that would enable Digital Asset to test and validate the risks it was raising. For example, data sets that allowed the testing of settlement and overnight batch processes were provided late in the project and were only partially complete. Moreover, they were not representative of production size and shape, which prevented Digital Asset from validating or remediating the non-functional requirements for core parts of the system.

This created something of a Catch 22 for Digital Asset because ASX would often not acknowledge risks until they could be validated by testing, but Digital Asset could not run the necessary tests without the appropriate data sets, which ASX was reluctant to provide.

5. Conclusion

We are aware, based on recent press reports, that ASX is currently considering abandoning the Transformation Project in favour of a non-DLT-based, "out-of-the-box" product created for another foreign equities exchange. This suggests a narrative that the root cause of the issues associated with the Transformation Project was the decision to use a DLT-based system and, moreover, that an "out-of-the-box" solution exists that could meet the requirements of CHES. Both suggestions are unequivocally wrong.

The issues associated with the Transformation Project stemmed not from the underlying technology, but rather from ASX's unique functional requirements, which sought to carry over processes and functionality from the legacy CHES system that are simply not compatible with

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modern clearing and settlement systems (including so-called “out-of-the-box” products used by other exchanges).

Accordingly, unless ASX decides to abandon these unique functional requirements going forward, any “out-of-the-box” product will require significant bespoke modification, resulting in a project that will essentially be as costly and time consuming as the Transformation Project.

If the underlying issues discussed above are addressed, Digital Asset remains confident that the Transformation Project can be completed by ASX in a manner that will deliver significant benefits to Australian market participants over the coming decades above and beyond what any legacy “out-of-the-box” product could offer.

Digital Asset remains committed to the Transformation Project. Given that Digital Asset’s technology is successfully being used to operate critical financial infrastructure in other markets, we genuinely believe that a new CHES system based on DLT that leverages the work already completed by Digital Asset can meet all of the requirements for a safe, stable and scalable clearing and settlement system necessary to position the Australian market as a premier destination well into the future.

We hope that the Committee finds our submission helpful in its ongoing inquiries.