

**ANSWERS OF DIGITAL ASSET TO QUESTIONS ON NOTICE POSED BY THE
PARLIAMENTARY JOINT COMMITTEE ON CORPORATIONS AND FINANCIAL SERVICES
IN RESPECT OF THE ASX CHESS REPLACEMENT PROJECT**

Dear Committee Members,

Digital Asset appreciates the opportunity to respond in writing to questions posed by members of the Parliamentary Joint Committee on Corporations and Financial Services (**Committee**) regarding the ASX CHESS Replacement Project (the **Transformation Project**) to Mr Eric Saraniecki, Co-founder and Head of Strategic Initiatives for Digital Asset, at the hearing on 8 June 2023 (**Hearing**).

1. The Digital Asset Project Team

Question: On page 4 of the Hansard transcript, the Chair posed a question to the following effect to Mr Saraniecki: *In the context of project management and risk meetings, during the project how many persons were in the DA project team for the Transformation Project?*

In response, Mr Saraniecki explained that the size of the DA project team for the Transformation Project was variable and changed over the course of the Transformation Project. Mr Saraniecki then sought and was granted the opportunity to take the balance of the question on notice so that a more specific answer could be provided.

Answer: Project management and risk meetings were chiefly attended by 6 people ([REDACTED], [REDACTED], Yuval Rooz, Co-founder and CEO of Digital Asset, [REDACTED], [REDACTED], and Eric Saraniecki) as the leadership of the program. These people reflected the concerns of the team in leadership, management, and risk forums. The Digital Asset project team size varied between 27 and 43 people, depending on the nature of the work that needed to be completed at different stages of the project.

2. The ASX Project Team

Question: On page 4 of the Hansard transcript, the Chair posed a question to the following effect to Mr Saraniecki: *In the context of project management and risk meetings, during the project how many persons were in the ASX project team for the Transformation Project?*

In response, Mr Saraniecki explained that he could give the Committee a sense of the magnitude of the kinds of weights between the two teams in that Digital Asset accounted generally for about 10% and ASX for about 90% of the overall personnel on the Transformation Project. Mr Saraniecki then sought and was granted the opportunity to take the balance of the question on notice.

Answer:

With respect to the total number of ASX personnel working on the Transformation Project, Digital Asset is unaware of the exact number. However, it was indicated to Digital Asset staff by ASX

from time to time that the ASX project team included hundreds of staff members. With respect to program management and risk meetings, the core leadership group from ASX consisted of approximately 8 people, but the specific individuals changed over the course of the delivery. The core leadership group from ASX who were involved in program management and risk meetings (rotating throughout the program) included Cliff Richards – Head of Equity Post Trade, [REDACTED], Katie McDermott – General Manager, Post Trade & Issuer Services, Dan Chesterman – CIO, Peter Hiom – Deputy CEO, Dominic Stevens – Managing Director and CEO, Tim Hogben – COO, [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], and [REDACTED].

3. Transformation Project Team Risk Meetings

Question: On page 4 of the Hansard transcript, the Chair posed the following question to Mr Saraniecki regarding the project team risk meetings: *When you say ‘regular meetings’, how frequent is regular?*

In response, Mr Saraniecki explained that Digital Asset’s normal cadence with meetings of the project teams in relation to risk was to do things on a bi-weekly or monthly basis. Mr Saraniecki then sought and was granted the opportunity to take the balance of the question on notice.

Answer: The frequency of project team meetings in relation to risk changed throughout the course of the Transformation Project.

Up until late-2020

During this period:

- a. key risks were communicated by Digital Asset via the monthly status reports called “*Spider DA Monthly Reports*” that Digital Asset provided by email to key ASX Program leads;
- b. detailed discussions concerning risks took place in a series of milestone-based meetings of key project team personnel called the “*ASX-DA Joint Leads Retrospectives*” which were held from November 2018 until July 2022;
- c. risks were also communicated to ASX by Digital Asset:
 - i. in the course of requirements gathering workshops; and
 - ii. as part of weekly Project Working Group meetings called “*ASX / DA Program Meetings*”, where project risks were a standing agenda item.
- d. some risks that related specifically to ASX Change Requests concerning functional requirements such as Net Broker Obligation (**NBO**), obligation management, and default management were jointly discussed in meetings held specifically for this purpose.

From late 2020

In approximately late 2020, ASX instructed Digital Asset to stop organising all of the Transformation Project meetings that Digital Asset had previously organised, and from this time onwards ASX organised meetings called “*CHESS Replacement Project JPWG Meetings*”.

These meetings were conducted by ASX's Project Manager. Digital Asset attended the meetings, and presented on the parts of the report discussed at these meetings that Digital Asset had produced. From late 2021 onwards:

- a. Digital Asset was no longer asked to present at these meetings (but was still invited to attend); and
- b. the reports discussed at these meetings were put together by ASX with input from Digital Asset, and Digital Asset leadership attended as an observer with the ability to answer questions if raised by others.

Risks were also shared directly with the ASX executive team, including the CEO, CIO and CTO as well as key program leadership as part of a weekly executive-level summary email.

Towards the end of this period, in mid-2022:

- a. ASX also arranged a series of Risk Review Workshops attended by ASX program leadership, ASX's Enterprise Risk team and Digital Asset. Many of these Workshops were held in response to an escalation of the core risk items raised by Digital Asset in 2019; and
- b. ASX organized a Risk Governance Process Review meeting in August 2022, the purpose of which was to review the Risk Governance Process. As part of this analysis Digital Asset prepared and shared a comparison analysis of the Digital Asset and ASX risk frameworks at this time.

4. Timing for end of Risk Committee Meetings

Question: On page 4 of the Hansard transcript, the Chair posed the following question regarding risk management meetings between ASX and Digital Asset: *In 2019, that stopped occurring—is that correct? In what month did they stop?*

In response, Mr Saraniecki explained that these meetings stopped in 2019. Mr Saraniecki then sought and was granted the opportunity to take the balance of the question on notice.

Answer: As noted above, meetings between ASX and Digital Asset at which risks associated with the Transformation Project were discussed continued to occur, in different forms, throughout the life of the project. When Mr Saraniecki referred to meetings that stopped in 2019, he was actually referring to meetings regarding the core issues associated with the Transformation Project. At the 17 July 2019 Joint Program Leads Retrospective Meeting ASX personnel requested that Digital Asset stop addressing the core issues in the joint meetings.

5. Timing of Original Investment by ASX in Digital Asset

Question: On page 5 of the Hansard transcript, the Chair posed a question to the following effect to Mr Saraniecki: *When exactly did Digital Asset begin its financial relationship with the ASX?*

In response, Mr Saraniecki explained that the initial investment by ASX took place in Digital Asset's Series A investment round, in around 2016. Mr Saraniecki then sought and was granted the opportunity to take the balance of the question on notice.

Answer: The original investment by ASX in Digital Asset occurred in January 2016 as part of Digital Asset's Series A Investment Round.

6. Personnel involved in Original Investment by ASX in Digital Asset

Question: On page 5 of the Hansard transcript, the Chair posed a question to the following effect to Mr Saraniecki: *Which people were involved in the establishment phase of the financial relationship between Digital Asset and ASX?*

In response, Mr Saraniecki explained that for Digital Asset, it was the executive membership group and, from the ASX, similarly, a subset of their executive team and a subset of the leadership of the eventual project team. Mr Saraniecki then sought and was granted the opportunity to take the balance of the question on notice.

Answer: The personnel involved in the original investment by ASX in Digital Asset were as follows:

For Digital Asset

- a. Blythe Masters, then CEO and Chairperson (Ms Masters left Digital Asset in 2018);
- b. Yuval Rooz, Co-founder and then COO / CFO (current CEO); and
- c. Eric Saraniecki, Co-founder and then Head of Product (current Head of Strategic Initiatives).

For ASX

- d. Elmer Funke Kupper, then Managing Director and CEO (Mr Kupper left ASX in 2016);
- e. Peter Hiom, then Deputy CEO (Mr Hiom left ASX in 2022);
- f. Cliff Richards, then Head of the Equity Post Trade business (Mr Richards left ASX in 2022);
- g. Till Rosar, then General Manager Strategy (Mr Rosar left ASX in 2016); and
- h. Tim Hogben, then COO (current Group Executive, Securities and Payments).

7. External Project Management Vendor retained by ASX

Question: On page 6 of the Hansard transcript, Mr Hawke posed a question to the following effect to Mr Saraniecki: *What is the name of the external project management vendor engaged by ASX in respect of the Transformation ?*

In response, Mr Saraniecki explained that a good example of another vendor that was engaged by ASX in respect of the Transformation Project was the external project management firm brought in by ASX. Mr Saraniecki then sought and was granted the opportunity to take the balance of the question on notice.

Answer: The external Project Management Vendor retained by ASX in respect of the Transformation Project was Seven Consulting. There were several people who joined the project

from Seven Consulting, but to Digital Asset's knowledge the two key individuals were Rob Creek and Mark Cumming.

8. Other External Vendors retained by ASX

Question: On page 6 of the Hansard transcript, Mr Hawke posed the following question to Mr Saraniecki: *Could you provide us with [a] list of any other vendors that your company is aware of that were involved in [the Transformation Project]?*

In response, Mr Saraniecki sought and was granted the opportunity to take the question on notice.

Answer: Digital Asset is aware of the following additional external vendors who were retained by ASX in respect of the Transformation Project:

- a. Industrie&Co (became Accenture in May 2021);
- b. Exactpro;
- c. IntellectEU;
- d. SWIFT;
- e. Data61;
- f. KPMG;
- g. Accenture (delivery, not review); and
- h. VMware.

9. Location of the Digital Asset Australian Office

Question: On page 8 of the Hansard transcript, the Chair posed the following question to Mr Saraniecki: *Where [is Digital Asset] located now in Australia?*

In response, Mr Saraniecki acknowledged that due to COVID he had not had the opportunity to visit the Australian office in person and so sought and was granted the opportunity to take the question on notice.

Answer: During the Proof of Concept phase and then during the Transformation Project up until 2019, Digital Asset staff were co-located with the ASX project team on floor 4 and then 11 at 20 Bridge Street, Sydney, NSW, 2000 (owned by ASX).

In 2019, Digital Asset opened its own office space on Level 12, 20 Bridge Street, Sydney, NSW, 2000, Australia, but still continued to occupy space on Level 11 to remain close to the ASX team. In 2020 ASX requested that Digital Asset give up the space it was occupying on Level 11 to make room for the expanding ASX project team.

10. Time lost in respect of the Net Broker Obligation

Question: On page 9 of the Hansard transcript, Senator Scarr posed the following question to Mr Saraniecki: *How much time, effort and resourcing—ballpark— was dedicated just to that one*

issue of designing the system to cope with [the Net Broker Obligation] and then having to remove it?

In response, Mr Saraniecki explained that he could give a rough estimate that months and much developer time was lost in that initial implementation. Mr Saraniecki then sought and was granted the opportunity to take the balance of the question on notice.

Answer: The Net Broker Obligation (**NBO**) is a foundational part of the legacy CHES application design and was included in ASX's requirements for the Transformation Project. As described in Digital Asset's submission dated 26 May 2023 (**Submission**), CHES informs brokers of the net payment and delivery obligation or entitlement of a clearing participant in a specified security as part of overnight processing on each trade date.

It is difficult to estimate the time lost in working on the NBO, for two reasons. *First*, the number of parallel work streams undertaken simultaneously along with the monolithic design of CHES makes it hard to quantify the delay effect caused by any single factor. *Second*, delays associated with design requirements inevitably result in many complex downstream impacts, for example in respect of reporting, messaging, default management, settlement failures, entitlement tracking, corporate actions and settlement locks.

Once it was established that the NBO was an ASX requirement, Digital Asset estimates that approximately six months of additional effort was expended by Digital Asset with ASX to determine an application design that avoided any change to the NBO; as well as Digital Asset's work to implement and test it.

Further, during the course of the Transformation Project, until September 2020—when ASX finally acknowledged that the NBO design was inconsistent with modern system architecture—an unquantifiable amount of effort went into lobbying ASX to change their mind on the NBO. This effort peaked in a formal presentation by Digital Asset to ASX executives and SMEs in September 2019, which, among other things, described the fundamental conflict between the NBO design and the proposed system architecture.

Once ASX had finally agreed to abandon the original design of the NBO, Digital Asset estimates that another six months of additional effort was expended by Digital Asset on re-determining the system design with the new NBO design, and then implementing the resultant changes. As part of this process of replacing the NBO with Net Novated Delivery Position (**NNDP**), significant new reporting complexity was added to the critical batch settlement processes, which caused further delays. The change to NNDP was described to market participants by ASX as a "compromise" and the new reporting complexity formed part of this compromise. Digital Asset is not able to comment on the additional time and effort expended by ASX in relation to NNDP.

11. The Appointment of Accenture

Question: On page 11 of the Hansard transcript, Senator Scarr posed the following question to Mr Saraniecki: *Did [ASX] discuss with [Digital Asset] the choice of an independent expert [to conduct an independent review of the Transformation Project]?*

In response, Mr Saraniecki explained that he was not privy to that decision making process. Mr Saraniecki then sought and was granted the opportunity to take the balance of the question on notice.

Answer: ASX informed Digital Asset of the appointment of Accenture, and in response Digital Asset expressed its views concerning the potential issues associated with such an appointment. These concerns are set out in the Submission and were described by Mr Saraniecki at the Hearing.

However, Digital Asset does not believe it was consulted by ASX at all in respect of the appointment of Accenture. Digital Asset has not been able to locate any records which suggest that any such consultation took place prior to ASX's appointment of Accenture.

With respect to the independent review process itself, Digital Asset again notes that it recommended an independent review several times over the course of the program, starting in January 2019. Specifically, on or about 4 January 2019, [REDACTED] of Digital Asset sent an email to Dan Chesterman of ASX with the subject line "*Contact for independently evaluating Spider*", in which [REDACTED] proposed James Bawtree as an independent reviewer for the Transformation Project.

Contrary to ASX's statements at the 8 June 2023 hearing, Digital Asset did not agree to the ultimate scope proposed by ASX for the Accenture Report. Specifically, Digital Asset did not agree with ASX's decision to exclude the program requirements from the scope of the Accenture Report. For example, on 2 August 2022, Digital Asset's CEO Yuval Rooz sent an email to ASX's CEO Helen Lofthouse in which Mr Rooz raised issues with ASX's decision to exclude "*issues that exist within the broader CHESS Replacement programme*" and "*ASXO architecture or governance processes*" from the statement of work for the Accenture Report. It was Digital Asset's opinion—as reflected in risk analyses from July 2019—that the program requirements for the Transformation Project were the key source of the core issues. During the review this point was reiterated to Accenture by Digital Asset, but was not investigated by Accenture or addressed in the final report on the basis it was out of scope.

12. Tenure of Mr Peter Hiom as Chairman of the Digital Asset Board of Directors

Question: On page 11 of the Hansard transcript, Senator Scarr posed a question to the following effect to Mr Saraniecki: *Was Mr Peter Hiom a chair of the board of directors of Digital Asset for a period of time?*

In response, Mr Saraniecki said words to the effect that Mr Hiom was chair of the board of directors of Digital Asset for a period of time. Mr Saraniecki then sought and was granted the opportunity to take the balance of the question on notice.

Answer: Mr Hiom was Chairman of Digital Asset's Board of Directors from October 2019 until October 2020.

13. Risk issues raised by Digital Asset with ASX Board Members

Question: On page 12 of the Hansard transcript, Senator Scarr posed the following question to Mr Saraniecki: *Was there any attempt [by Digital Asset] to try to elevate [risks regarding a lack of test data] to the non-executive board, to the chair of ASX?*

In response, Mr Saraniecki sought and was granted the opportunity to take the question on notice.

Answer: Digital Asset personnel had numerous discussions with non-executive Board members of ASX and the Chair of the ASX Board regarding issues associated with the Transformation

Project. However, Digital Asset is not aware of any discussions with non-executive Board members of ASX or the Chair of the ASX Board that specifically addressed risks associated with the lack of test data. These risks were, however, regularly addressed with senior ASX management.

14. A timeline of investment by ASX in Digital Asset

Question: On page 16 of the Hansard transcript, Mr Pitt posed the following question to Mr Saraniecki: *On notice, could you provide the committee with a time line from the point the contract was awarded through to today which outlines what the ASX levels of investment/shareholding/ownership in Digital Asset were, what influence that then meant, who came onto boards and when and where, and any other point of influence inside the company?*

In response, Mr Saraniecki sought and was granted the opportunity to take the question on notice.

Answer: The requested timelines are as follows:

Date	Event
Investment by ASX in Digital Asset	
January 2016	Initial investment by ASX in Digital Asset's Series A Fundraising Round (~4.2% on a fully diluted basis)
June 2016	Additional follow-on investment by ASX in Digital Asset after Digital Asset was awarded the Proof of Concept engagement as a precursor to the Transformation Project (~7.5% on a fully diluted basis)
December 2017	ASX participates in Digital Asset Series B convertible note offering; note was subsequently converted to equity in August 2019
August 2019	Additional investment by ASX in Digital Asset's Series C Fundraising Round and conversion of Series B convertible note to equity (~8.3% on a fully diluted basis)
July 2020	Follow-on investment by ASX in Digital Asset's Series C Fundraising Round (~8.7% on a fully diluted basis)
ASX Representation on Digital Asset's Board of Directors	
January 2016	Peter Hiom, then Deputy CEO of ASX, appointed as a director of Digital Asset
October 2019	Peter Hiom elected Chairperson of Digital Asset's Board of Directors (with a term of 12-18 months) following resignation of previous Chairperson
October 2020	Pieter Hiom replaced as Chairperson by Susan Hauser, a then recently appointed Independent Director of Digital Asset. Peter Hiom remains a Director after this time

July 2021	Peter Hiom resigns his Directorship as of 1 July 2021 after resigning as Deputy CEO of ASX
July 2021	Andrew Jones, General Manager Securities and Payments replaces Mr Hiom as ASX's representative on the Digital Asset Board of Directors
March 2023	Andrew Jones resigns his Directorship as of 23 March 2023; ASX no longer has a representative on Digital Asset's Board

At no point was ASX's shareholding in Digital Asset sufficient to influence Digital Asset's decision-making process.

There were no other points of influence by ASX inside Digital Asset.