

RESPONSE TO QUESTION ON NOTICE

Inquiry	Parliamentary Joint Committee on Corporations and Financial Services ² Oversight of ASIC, the Takeovers Panel and the Corporations Legislation
Hearing Date	23 February 2023
Topic	Selection of Digital Asset
Reference	Pages 62 and 63 of Hansard transcript

Question

CHAIR: Did the board undertake a process of selection that involved bids from different companies? Was this the best one? I think we received evidence that described it as having been done 'in-house'. I'm trying to understand what that means.

Mr Roche: The board was looking at the possibility—I think it spent 2½ years investigating the viability of a distributed ledger technology platform to provide a clearing and settlement function. We considered a range of potential partners in that process, and we did choose Digital Asset.

CHAIR: So there were a range of potential partners. How many were there?

Mr Roche: I don't have that information at hand.

CHAIR: Could you take that on notice and give me a sense of that?

Mr Roche: Sure, we'll take that on notice.

Ms Lofthouse: I think there were around a dozen, but we'll take it on notice.

CHAIR: Right. Did it come down to a shortlist?

Ms Lofthouse: I believe so, yes.

CHAIR: What was the relative cost, the pricing, on what they were supposed to provide you, and for what? Did they all get the same brief or did they create different briefs and you had to compare for [inaudible]?

Ms Lofthouse: We'll have to take that question on notice. At the time when we were assessing the various possible entities, the focus was really on expertise and who had the most expertise. There were processes of evaluating that, and going through some processes to assess that. The detail of the requirements for the build would have been later, in terms of the detailed investigation work that was underway.

CHAIR: Was the solution design created and delivered by Digital Asset?

Ms Lofthouse: I don't have that detail to hand. I believe so, or they are part of it and the overall solution design would involve multiple components, so ASX components as well as the VMware components.

Answer

How many potential partners were considered before selecting DA? Did it come down to a shortlist?

DLT was new and innovative technology at the time and the key criterion for ASX was assessing capability from a system performance point of view rather than a traditional tender process. Initial investigations by ASX at the time (2015) included an analysis of DLT which revealed wide interest in its application with more than 400 organisations seeking to leverage the technology.



ASX identified seven potential partners and undertook a due diligence process which included individual meetings with all seven entities to test a selection of criteria regarding DLT and to better understand each entity's experience in financial markets. Following this process two short-listed candidates were identified and further workshops with the finalists took place in December 2015 and January 2016.

The primary objective of these workshops was to enable candidates to demonstrate solutions and capability to solve three ASX use cases (cash equity transaction lifecycle, securities lending, and a corporate action) with a working Proof of Concept using their DLT. The goal was to establish whether DLT could play a role in replacing CHES, and to identify a strategic partner with the relevant technology and financial markets expertise and capabilities to help ASX to deliver a solution.

The Proof of Concept was used to assess the performance of the candidates, following which DA was chosen to progress to a further stage of prototype development.

Did all the potential partners receive the same brief, and provide pricing information on the same brief?

The short-listed candidates received the same brief to produce a Proof of Concept during the workshops in Sydney (referred to above).

Pricing was not a determining factor in the final decision to select DA.

Did DA create/deliver the original solution design?

DA contributed to the original solution design but was not solely responsible for all components.

ASX determined the business requirements and functional requirements for the new system, with various inputs from stakeholders.

ASX also determined the non-functional requirements for the new system.

ASX, DA and other technology partners were responsible for determining different aspects of the technology solution design for the new system in order to give effect to such functional requirements and non-functional requirements.