4th June 2018

EMA's : Launch & First Contracts

Australian Securities and Frankfurt Stock Exchange cross listed iSignthis Ltd (ASX: ISX | FRA_DE: TA8), the global leader in RegTech for identity verification and transactional banking/payments, is pleased to provide the following business update.

E Money Accounts (EMA)

The Company is pleased to announce that it has launched a tailored business to business Euro (€) based transactional banking service, aimed at providing a service to its AML regulated merchant base and affiliate networks.

EMA represents a new revenue stream, which is independent of our payment processing services, but which may supplement payment services by Clients.

The EMA allows merchants to retain funds on deposit with iSignthis, and utilise those funds to make payments to 'suppliers' including affiliates, sub affiliates, marketing companies, advertising providers, utilities, service providers, personnel and government agencies.

'Suppliers' are AML screened by iSignthis, and a number of payout options are available including SWIFT, SEPA, and Original Credit Transaction to a Visa card.

The EMA has been designed to fill a niche requirement for Clients in the AML regulated sector businesses, in particular the small to mid-scale CFD, FX and Gaming industry, where retail banking facilities do not provide reasonable operating solutions.

Business Model

The business model is based upon iSignthis charging a percentage fee on all inflow of monies, and a fixed fee for outflow via SEPA and SWIFT. OCT is charged as a combination of fixed and percentage fee for payments outbound.

The Company's 'active' transactional banking solutions now include;
- processing of cards inbound for Visa and Mastercard
- processing of BPAY & EFT (direct debit) payments inbound
- a number of Alternative Payment methods such as PoliPayments, Trustly and Sofort.
- outbound OCT payments across the Visa network for MCC6211 (Brokers) and Visa & Mastercard for MCC7995 (Gaming/Wagering/Gambling)
- EMA deposit facilities with SWIFT, SEPA and OCT outbound facilities.

Client

The Company has already contracted two clients to the new facility, with a number of additional merchants under negotiation.

Clients are contracted in the range of 100bps to 450bps against fund inflows, dependent upon which other ISXPay® services are also contracted by the Client as a merchant, and overall deposit volumes.

EMA funds inflow is expected to be in the order of €2-5m/ month against current contracts.

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Glossary

AML = *Anti Money Laundering, usually refers to a regulatory regime that banks, brokers, exchanges, credit providers etc. need to comply with. AML requires KYC.*

Acquiring bank = *(also called acquirers, processing banks or merchant banks) are financial institutions, members of Visa and MasterCard, that contract with merchants to enable them to accept debit and credit card payments for their products and services. They can also, and mostly do, contract with third parties to provide some of these services.*

Cardholder = authorised user of credit or debit card

Card issuer =*(Monetary) financial institutions that are Principal Members of a Credit Card Association, which issue payment cards on behalf of the Credit Card Associations, and contract with their cardholders for the terms of the repayment of transactions. iSignthis is a Principal Member of Visa Inc (NYSE:V), Mastercard Worldwide (NYSE:MA) and JCB International*

Credit Card Associations = *member-owned association of banks that govern the issuing of Visa, MasterCard, JCB, AMEX, Diners, Discover and China UnionPay cards and the acquiring of transactions from those cards. Both organisations have developed payment systems to facilitate the processing of transactions between member banks.*

CTF or CFT = *Counter Terrorism Funding, or Counter Funding of Terrorism, is often paired with AML as AML/CTF or AML/CFT*

Dynamic Data =one-time data related to an e-Payment transaction, that is current and used as an input at the time of **KYC** check. Unlike **Historic Data**, Dynamic data is only applicable and accessible via the person to whom it relates and can only be compiled with the KYC target person's active involvement. Refer to '**Secret'**

e-KYC = electronic or digital KYC. The process of customer identification remotely via the internet, rather than face-to-face / manual processes.

eMoney = electronic money whether it is held on a payment device in the electronic money holder's possession or stored remotely at a server and managed by the electronic money holder through a specific account for electronic money.

eMoney Regulation = *DIRECTIVE 2009/110/EC OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 16 September 2009 on the taking up, pursuit and prudential supervision of the business of electronic money institutions*[1]

e-Wallet = a means of storing or processing funds via your mobile, laptop, tablet etc. to more than one merchant or other person.

Enhanced Due Diligence (EDD) = for Higher-Risk Customers. Customers that pose higher money laundering or terrorist financing risks present increased exposure to merchants; **due diligence** policies, procedures, and processes should be **enhanced** as a result.

EMA = E Money Account based on an eWallet for business to business payments.

EOI = Evidence of Identity, which forms the basis of **KYC**.

Gross Processed Turnover Value (GPTV) = the value of third party monies processed by the Company for which it charges an MSF

KYC = **K**now **Y**our **C**ustomer, a mandatory customer identification process that banks and AML regulated entities must perform prior to offering a consumer service in order to comply with AML law or regulation.

Identification = the means whereby a person is identified by name and other unique attributes, prior to those details being verified by a customer due diligence process.

Merchant = *is a business that has contracted with an acquiring MFI or Payment Facilitator to accept card payments*

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[1] http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32009L0110&from=en

OCT = Original Credit Transaction (OCT) and is a method credits (pushes) funds to a recipient's Visa account; optionally, the developer may debit (pull) those funds from a sender's Visa account via Account Funding Transaction (AFT).

Paydentity = the convergence of payments and identity, incorporating payment instrument verification and customer identification, in order to remotely link an electronic payment with a person's identity, usually for the purpose of satisfying Anti Money Laundering (AML) or Anti-Fraud, or both requirements.

Monetary Financial Institution (MFI) = *EU Regulation 2013/33/13 defines MFIs as resident undertakings that belong to any of the following sectors Credit Institution (Bank), Central Bank or eMoney Institution (e-Bank), such as iSignthis eMoney Ltd.*

Merchant Services Fee (MSF)= is the fee, designated in basis points, charged to the merchant for the provision of transactional banking services by the Company

Payment Facilitator = *is an organisation that has contracted with an acquiring bank to provide merchants with card payment processing services on behalf of an acquirer. Payment processors must be registered with Visa and MasterCard and must identify on all of their marketing materials, including their websites, the name of the bank partner.*

Payment Service Provider (PSP) = *an entity licensed or authorised to provide transactional banking services, including card issue, card acquire, credit facilities and bank transfers. The Company's subsidiary iSignthis eMoney Ltd is a European Economic Area Authorised eMoney Monetary Financial Institution (MFI) no 115.1.3.17 and can offer PSP service, including card acquiring and issuing.*

PCI = *Payment Card Industry, comprising Visa, Mastercard, American Express, Diners, Discover, China Union Pay. PCI sets the global standards required for security and interconnectivity of banks & processors to merchants via its data security standard (DSS). Level / Tier 1 is the highest standard possible, to which level the Company is certified.*

PSC = A **Person of Significant Control** is anyone that exerts a significant influence or control over a company. They are identified as a PSC if they meet any of the following criteria: Hold more than 25% of a share in a company or have the right to participate in more than 25% of the surplus assets of a company.

Revenue = i) GPTV x MSF and/or, ii) Flat Fee Charge x Units Consumed, and/or iii) Integration and Ad Hoc Services.

Secret = Information which can only be known by or in the possession of (e.g. one-time passcode or cryptographic key) the authorised users. This information is transmitted by iSignthis securely within standard payment messages and used as the basis of challenge / response knowledge based authentication **EOI**. The Secret is comprised of **Dynamic Data**. By way of example, the United Kingdom's Joint Money Laundering Steering Group (JMLSG) 2017 Revision at s5.3.89 refers.

Service provider = *any third party that provides a service used in the card payment transaction process: point-of-sale terminals, payment gateways, web hosting, SSL certificates, shopping carts etc.*

SCA = Strong Customer Authentication, a means whereby two factor authentication (2FA) is linked to a person's KYC identity and a specific payment instrument (e.g. card or eWallet), and the 2FA is used to authenticate remote payment transactions executed on the payment instrument.

Static Data (aka Historic Data) = data that may have been secret at a historic point in time. E.g. What is or was presumed to be non-public data related to a **KYC** target person, including their credit history report, the person's mother's maiden name, the persons full name, their driver's license number etc. It may predate the **KYC** process by years, months or days, and may be discernable to party's other than who it relates by way of data hacks/breaches[2], social media. Static Data is susceptible to data breaches, such as the US and UK 2017 Equifax data breach.

UBO = Ultimate Beneficial Owner, companies are increasingly expected to understand who they are doing business with. This serves to prevent doing business with mala fide parties. Any institutions that fall within the scope of the Anti-Money Laundering and Anti-Terrorist Financing Act must retrieve the identity of the UBO (the ultimate beneficial owner) of their business relations on a mandatory basis.

Verification = the means whereby a person's details, including name, date of birth, address and other unique attributes having been previously identified, are verified via a customer due diligence process.

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[2] http://www.informationisbeautiful.net/visualizations/worlds-biggest-data-breaches-hacks/

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