14th August 2018

Consumer and Corporations Policy Division
The Treasury
Langton Crescent
PARKES ACT 2600

Dear Sir/Madam

Modernising Business Registers Program

myStake Pty. Ltd. is Australia's first blockchain-based digital share registry for private and unlisted public companies. It is a SaaS product offered directly to companies or their advisors (accountants or lawyers) and has been operating since 2017. We believe that tokenising shares with smart contracts will give greater transparency, confidence, and potentially greater liquidity to companies and shareholders. Our ambition is to use blockchain technology in order to create a defensible audit trail for corporate actions, providing an immutable record of the company's history. In addition, by tokenising shares and embedding both company specific rules as well as some Corporations Act rules in smart contracts, we can automate corporate compliance, provide better data, and deliver instant transfer of value for transactions.

We recognise that blockchain or distributed ledger technology (DLT) may seem unproven in the context of government regulated data, however as you are aware the ASX is nearing completion of its CHESS replacement program with DLT. We are also aware of a number of United Kingdom and United States companies 'tokenising' private company securities. To our knowledge we are the only Australian company to do so at this time.

We have been discussing the scope and implications of this technology and our product with ASIC. There appears to be regulatory efficiencies in this technology that may be of interest to ASIC.

Fundamental opportunity provided by the technology

As you are aware the Corporations Act prescribes that all companies keep a member's register among other things. They must also inform ASIC and other agencies of changes relating to their corporate actions. The companies register is usually kept by an advisor and anecdotal evidence suggests that some 20% of data on these registers is different to the ASIC register. In addition, ASIC registers are used as the default 'source of truth' when in

fact the company's own register is the legally binding truth. Blockchain technology provides the opportunity for a transparent audit trail of all corporate actions available to whoever the individual company chooses to allow access – including the regulator.

The opportunity is to replace the current dual register system with a single tokenised register to which the regulator(s) has unrestricted access, probably via a node or nodes. With a user-friendly front end and verified digital identities this technology would provide a one-step corporate action process that is fully visible to the regulator. This could relieve the regulator(s) of the burden of maintaining registers as we currently understand them.

Assuming future adoption of tokenised share (and other asset) registries by other market participants (in addition to ourselves) the regulator may wish to set the operating standards by which blockchains and DLT's could be developed to suit the regulator needs.

We would be happy to participate further in your process if you wish. We have provided (below) responses to a selected number of questions you asked in the consultation paper but note that none of the questions (or the responses to the last round of consultation) contemplate blockchain or DLT and the resultant fundamental shift in thinking about registries and the operating activity of regulators.

Peter Devine
Chairman

myStake

Response to the four focus areas

1. What flexibility would you like to see introduced into the relevant legislation?

We would encourage maximum flexibility for the Registrar, preferably with delegated powers to be able to react to market changes from improving technology.

2. What modern services should be provided for Australia's business registers?

The New Zealand companies register which is open to the public and can be searched by director, shareholder or company is a good model to follow using existing technologies.

However, blockchain technology provides an opportunity to fundamentally change the way registries are maintained and available as well as greater transparency for regulators.

3. What services should be provided to allow direct connection from business systems to the registers?

In terms of services to be provided, the following would allow a more direct connection from business systems to the current registers:

- Modern REST API access for seamless, automatic update.
- Push/Pull communication system.
- Allowance of real-time response when communication is made.

4. What types of API users (e.g. registrants, intermediaries, data consumers) could the Charging Framework appropriately apply to?

The charges should apply to data consumers. A carefully designed system could also negate the need for and cost of intermediaries.

5. What level of identity verification should be required to obtain a DIN? Is it appropriate to use a digital identity to verify the identity of the company director? If not digital, what other identity verification means should be used and why?

If a Director Identification Number (DIN) is to be unique, there must be some level of identity verification in order to prevent duplication or multiple IDs being assigned to the same director. In order to have a process that is repeatable, scalable, and convenient, some form of digital identity would be required, including digital verification. This might be through scanning some form of personal identification such as a driver's license or passport when one applies for a DIN.

myStake already has a DIN system in place, including digital identity verification via a third-party provider (VixVerify). Due to being built on DLT, each director has a unique identity, and every action they perform gets automatically recorded.

6. Ensuring that all directors consent to their role as a company director will be an important part of forming a company and maintaining its registration. What is the most appropriate and efficient manner of gaining a director's consent before issuing a DIN?

Blockchain technology allows a time stamped, immutable, digital signature for these and other corporate actions.

7. Should the law allow authorised agents to apply for a DIN on behalf of their client? If so, how does this fit in the consent framework?

Yes, but the approval must be verified.