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Imperium Markets ("Imperium") was the first Fintech to be granted an Australian Markets Licence ("AML") by ASIC under the Tier 2 regime in September 2017.

Imperium operates a wholesale market for money and debt capital markets. The products and securities under our AML include term deposits, certificates of deposit, commercial paper, promissory notes, bonds and asset-backed securities. The total size of those markets are approximately $3trillion AUD.

The founders of Imperium are long time market practitioners and have held senior roles in financial markets with Australian major banks and international banks. The founders' experience as practitioners in money and debt capital markets was the motivation for founding Imperium.

Whereas equities, commodities, futures and fx markets had transitioned to platform technology the money and debt capital markets have remained analogue with transactions between counterparties often still dealt over phone, email and chat. Post-transaction the counterparties then go behind their respective firewalls to manually enter deals into spreadsheets and legacy systems just so as they can settle and reconcile that deal over the next few hours or days.

All of which results in little or no real-time data for participants and regulators, some significant counterparty & settlement risks and enormous time and cost inefficiencies for the whole market.

In being granted an AML Imperium's ambition was to create greater transparency and efficiency for ALL market participants. Firstly at the transaction level, secondly in post transaction.

Since inception Imperium has added over 40 banks as customers in its marketplace and a significant number of investors across 12 different industry segments. There has been +80 billion of Request for Quotes on the platform. Using the data generated on the Imperium marketplace participants, for the first time in market, are able to get win/loss margins and demonstrate best execution on transactions they were party to.

In October 2022 Imperium presented to the Council of Financial Regulators ("CFR") crypto working group. That presentation is attached and we ask that it be kept confidential in this submission. In that presentation Imperium addresses the issues facing the market as a whole, the solutions and benefits that Imperium proposes to deliver. It also addresses the role of CCP in a tokenised market.

In June 2023 Imperium was a successful use case in the RBA CBDC pilot. In that use case Westpac and Commonwealth Bank dealt and settled certificates of deposits in Imperium's marketplace using eAUD.

In November 2023 Imperium signed a partnership with the Digital Finance CRC ("DFCRC") https://dfcrc.com.au/ for a research project to explore the benefits of tokenisation of money market and debt securities. In that project real transactions dealt in Imperium's marketplace will be written to Imperium's distributed ledger using smart contracts. The smart contracts

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will simulate atomic settlement, custody and lifecycle asset management (coupon payments, rate resets, maturity payments etc). The automation of those processes will then be able to be measured against current settlement, custody and lifecycle processes on the same transactions.

The DFCRC research project is an opportunity for the market to test and collaborate on distributed ledger technology that can deliver the foundation for safer, reliable and scalable markets. Using distributed ledger technology as the foundation will then allow for the products and securities issued to be superior to those that exist today due to the programmability through use of smart contracts.

The CFR will no doubt receive submissions with for and against arguments for a CCP here in Australia. Imperium thinks it more important to look at the bigger picture of how transparency and efficiency can be delivered for the whole of money and debt capital markets. Any complexity involved in collateral mobilisation or repo in today's market stems from the shortcomings of the current technology that it operates on.

With the inevitability of capital markets becoming digital, and transitioning onto distributed ledger technology there will be a fundamental change to how the markets currently function. These changes are already underway on the global stage. As a partner of distributed ledger technology r3 Corda Imperium has insights into a lot of the developments of tokenisation in markets. The likes of SDX (Six Digital Exchange), HQLAx, Deutsche Borse, LSEG (London Stock Exchange), Euroclear and DTTC are already transitioning parts their businesses to distributed ledger.

A key feature of all future Financial Market Infrastructure ("FMI") will be a foundation built on distributed ledger so as traditional finance products and securities in money and debt capital markets can be tokenised and therefore be programmable. The majority of development in tokenisation globally is on bond markets. This is due to the fact that atomic/instant settlement will not be achievable in high frequency traded ("HFT") markets. Bonds and money market securities are suitable for tokenisation because there is a constant supply, they are simple (in terms of features), not HFT and can be High Quality Liquid Assets ("HQLA"). Being HQLA makes them repo eligible. Tokenisation will liberate assets to move around more freely and collateral mobilisation far less complex and much more efficient.

Here in Australia unprecedented levels of debt means a huge opportunity for participants and FMI's but it will also bring competition looking to take advantage of a complacent market. We strongly believe that there will be winners and losers in the transition of the market from analogue to digital globally, and we think those who move now will have a say in how the future of markets is shaped.

The single biggest issue facing the wholesale money and debt capital markets today in Australia is that there is no single market infrastructure for all the capital to connect.Currently the market is bifurcated due to the lack of technology for ALL wholesale participants. It's a market of "haves" and "have nots" and the technology that is available is suboptimal in terms of improving efficiency, transparency and liquidity.

- There is a monopoly provider of clearing & settlements + central securities depository. Their costs are prohibitive for many non institutional investors using their services. And their fees reflect a lack of competition which the market have no alternative but to pay.

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- Other market platforms and terminals are big bank and institutional market technologies. The costs associated with these technologies mean a lot of the non institutional investors won't use them and are viewed as the cost of doing business for banks and institutions

Both of the above points have a direct impact on liquidity of bonds (and short dated securities). And are a cost to the rest of the market. At a primary level many investors don't get to participate in new issuance due to the fact they have no custody option. And secondary market trading is problematic with a combination of no custody or technology to deal on.

Historical market structure issues mean that the banks have to bear the burden as the liquidity points for corporate bonds. With limited capacity to run trading book inventory, the market often can't transact due to banks not being able to facilitate deals. Locating liquidity is difficult when most trading is done via phone or via limited functionality on existing technology. Mark-to-market on certain bonds is difficult when those bonds don't trade. Banks can take huge haircuts on positions that they have to get off their trading books or are forced holders through sell-offs.

A shared market infrastructure that uses distributed ledger technology as its foundation means that ALL participants can have access to technology so that -

- Primary issuance becomes available to all as bonds can be written straight to distributed ledger where custody is "self custodial" and third party registries are no longer required

- Fractionalisation is a reality with "self custody" creating more liquidity in traditional assets but also giving banks opportunity to originate new product with greenfield / alternate assets

- Ownership is immutable and transactions are auditable generating significant benefits for liquidity and risk + compliance requirements

- The market becomes a multilateral, permissioned peer-to-peer, scalable distributed ecosystem that supports applications which foster and deliver digital trust between parties so that liquidity can be sourced from the whole market, not just the banks. So that the banks traders books are not adversely impacted by having to hold inventory

- Counterparty, settlement and operating risks can be significantly reduced with T+instant settlement via stablecoin/token/cbdc and all transactions are dealt through a market platform versus on phone, email, chat or dated technology

- Back office and custodian roles are automated with introduction of smart contracts

- Markets become interoperable 24/7 venues that create new channels of liquidity

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Distributed ledger will mean one single source of truth for the market where issuance, trading, custody/registry, settlement and reporting (internal and external) can be available to all. This will address much of the costs that are currently associated with participants doing business in this market. Third party providers such as clearing & settlement facilities, registries, market technology, existing legacy systems will be redundant or significantly reduced. With distributed ledger being able create a bridge to these technologies until they are turned off.

It's Imperium's intention to apply for clearing & settlement and central securities depository licences as we demonstrate to market and regulators the benefits of tokenisation. The timing will be dependent on what, if any, changes need to be made from a regulation perspective to accommodate tokenisation of settlement and assets. As a market operator Imperium see's the future of money and debt capital markets on infrastructure that allows for far greater transparency, efficiency, liquidity and mobility.