

News Release

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Banks, IBM and Scentre launch Lygon blockchain to transform bank guarantee process

ANZ, Commonwealth Bank, IBM, Scentre Group and Westpac have jointly launched a live pilot for Lygon, a new digital platform using blockchain technology to transform the way businesses obtain and manage bank guarantees that are often required as part of a retail property lease.

The launch marks a significant milestone in the global development of blockchain solutions. Lygon represents an industry solution that the participants could not have individually implemented. The founding members have brought together their deep understanding of industry processes to navigate from proof of concept to a live platform that will directly benefit customers and address their feedback on the way in which bank guarantees have been issued to date.

Historically, bank guarantees have been issued manually and on paper. Digitising this process reduces the risk of fraud for all parties involved, decreases the potential for errors and significantly increases the speed of execution.

Initial findings suggest that the Lygon platform has the potential to reduce the time it takes to issue a bank guarantee from up to a month to on or around the same day. Lygon has the potential to benefit many sectors and to reduce the risk of fraud across billions of dollars guaranteed by the banks.

This new, digital process increases transparency and security through the use of blockchain technology while maintaining the privacy required in such a business process.

The pilot will run for eight weeks with live data and transactions for a test group of retail property leasing customers from 3 July. In subsequent phases, Lygon plans to expand the range of digitised bank guarantees that it supports across other industries as well as offering its services to other customers in the retail property sector.

Thousands of retailers around Australia - from single store operators to national and international brands - need bank guarantees from their banks to secure a lease over a retail tenancy.

The pilot will involve lease holders with retail outlets in some of Scentre Group's Westfield living centres across Australia. After the pilot, Lygon intends to offer access to the platform to all issuers, applicants, and beneficiaries and support broader use cases over time.

The Lygon platform will be operated by Lygon 1B Pty Ltd, a company jointly owned by the five founding members.

Nigel Dobson, ANZ Banking Services Lead:

"This is a unique and transformational platform that enables the complete digitisation of bank guarantees. We are proud to have developed this platform in Australia and see truly beneficial outcomes for small-to-medium sized businesses in particular. Retailers of all sizes with physical outlets will experience radically improved bank guarantee cycle times. Additionally, retail landlords will benefit from managing their outstanding guarantees in a secure, transparent and auditable manner. We look forward to working with our customers

over the coming weeks. While the live platform will benefit retailers with rental bonds, we see the platform eventually supporting all types of bank guarantees and therefore benefiting the wider community.”

Michael Thorpe, Managing Director, Future Cities, Institutional Banking and Markets, Commonwealth Bank:

“Commonwealth Bank has a strong track record of collaborating to innovate through blockchain technology. This pilot is a collaborative industry approach to explore how we could use blockchain technology to revolutionise bank guarantees and make the process simpler, easier and more transparent for our business customers – simplifying document exchange, using real time monitoring and speeding up the issuing process. While the pilot is focussed on retail property leasing, the digitisation of bank guarantees would benefit many other industries and geographies where bank guarantees, or standard letters of credit, are used.”

Paul Hutchison, Vice President, Blockchain, Asia Pacific, IBM:

“Leveraging the IBM Blockchain Platform, we have transformed a paper-based banking process into an enterprise grade digital platform ready for live production at-scale. Lygon streamlines the bank guarantee process, making it more secure, helping reduce fraud risks and providing advanced transparency and privacy settings. IBM is proud to be an integral part of this development and to provide the infrastructure for this innovative banking solution which we expect to take off here in Australia and globally.”

John Papagiannis, Director Leasing and Retail Solutions, Scentre Group (owner and operator of Westfield in Australia and New Zealand):

“Bank guarantees are an important part of our relationship with our retail partners, and each year we complete several thousand leases across our portfolio.

“The current paper-based process is a pain point for us and for our retail partners because of the time involved and the manual nature of the process, taking valuable time away from focussing on customers.

“We are pleased to continue our investment in developing market-leading technology that helps our retail partners become more efficient by digitising a process that will reduce cost and risk in their businesses. We look forward to analysing the outcome of the first pilot.”

Didier Van Not, General Manager Corporate and Institutional Banking, Westpac:

“While the pilot is focussed on retail property leasing, this technology has the potential to benefit many sectors and reduce the risk of fraud across billions of dollars guaranteed by the banks.”

“This is a significant expansion of the proof of concept we conducted in 2017. We have created a blockchain-based platform to digitise the bank guarantee ecosystem. The pilot will test live transactions using distributed ledger to prove the technology is commercially viable. It is a great example of digital transformation that refines the customer experience.”

About Lygon 1B:

The formation of [Lygon 1B](#) Pty Ltd (“Lygon 1B”) by ANZ Bank, Commonwealth Bank of Australia, IBM Australia, Scentre Group and Westpac aims to facilitate the digitisation of bank guarantees through its secure platform, Lygon, which creates efficiencies and greater transparency for participants. For all enquiries, please email info@lygon.io

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