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World Bank Mandates Commonwealth Bank of Australia for World's First Blockchain Bond.

WASHINGTON/SYDNEY, August 9/10, 2018—The World Bank (International Bank for Reconstruction and Development, IBRD rated Aaa/AAA) has mandated the Commonwealth Bank of Australia (CBA) as the sole arranger of the first bond globally to be created, allocated, transferred and managed through its life cycle using distributed ledger technology.

Indicative investor interest in bond-i (blockchain operated new debt instrument) has been strong. The World Bank and CBA expect to launch the transaction following a period of consultation with a broader set of investors.

Blockchain has the potential to streamline processes among numerous debt capital market intermediaries and agents. This can help simplify raising capital and trading securities; improve operational efficiencies; and enhance regulatory oversight.

The World Bank issues between US$50-US$60 billion annually in bonds for sustainable development. It has a 70-year track record of innovation in the capital markets. Among its pioneering issuances are the first bond in global format—a globally traded and settled bond issued in September 1989; and the first e-bond, a fully integrated electronic bond issued in January 2000. As a frequent issuer in the Australian dollar market, it has since 1986 raised nearly A$60 billion from investors globally.

Arunma Oteh, World Bank Treasurer, said: "Since our first bond transaction in 1947, innovation and investor satisfaction have been important hallmarks of our success with leveraging capital markets for development. Today, we believe that emerging technologies, equally offer transformative, yet prudent possibilities for us to continue to innovate, respond to investor needs and strengthen markets. We are therefore delighted that after working with our information technology colleagues and the Commonwealth Bank of Australia over several months, that we are now in a position to launch our first blockchain bond transaction. CBA's commitment and Microsoft's wealth of experience have been instrumental to achieving this historic milestone.

Our sincere appreciation to our pioneer blockchain bond investors, who are partnering with us on this transaction because of our common desire to champion greater efficiency, and transparency as well as more robust issuance processes.

Our goal is to continue to harness innovation for the benefit of markets and our mission of ending poverty and boosting shared prosperity."

Denis Robitaille, World Bank Group Chief Information Officer, said: "Helping countries transition to technology-led development is key to our goals of reducing poverty and promoting lasting development. This is at the heart of the World Bank's Innovation Lab—and this pioneering bond is a milestone in our efforts to learn how we can advise our client countries on the opportunities and risk that disruptive technologies offer as we strive to achieve the Sustainable Development Goals."

James Wall, Executive General Manager of International, CBA said: "We take a collaborative approach to innovating and have a track record of partnering with other leading financial institutions, government bodies and corporates to innovate through blockchain. We believe that this transaction will be ground breaking as a demonstration of how blockchain technology can act as a facilitating platform for different participants. We are delighted to have partnered with the World Bank and fully support its vision of making innovative use of technology such as blockchain to increase the efficiency of financing solutions to better achieve their goal to end extreme poverty."

The bond-i blockchain platform was built and developed by the CBA Blockchain Centre of Excellence. Since 2009, CBA has acted as lead manager for a number of IBRD bond issuances in the Australian and New Zealand capital markets. CBA's dedicated blockchain team has taken a lead role in applying blockchain technology to capital markets.

Sophie Gilder, Head of Blockchain, Innovation Labs, CBA said: "We know blockchain has the potential to revolutionize financial services and markets, and this transaction is a significant step towards that future state. By working collaboratively with the World Bank, we were able to find solutions to technical and legal considerations to make this ground-breaking transaction a reality. This project further solidifies CBA's position at the forefront of blockchain technology and we are excited to build on this, in partnership with our clients."

The development of this offering has been conducted with the support and input of the investor community including Northern Trust, QBE and Treasury Corporation of Victoria.

World Bank infrastructure for the bond will run in Washington, D.C. on the Microsoft Azure cloud computing platform. Microsoft validated the system's operational capabilities, security and scale.

Matt Kerner, general manager, Azure Blockchain Engineering at Microsoft, said:
"Microsoft's mission to empower every person and organization on the planet aligns well with the noble work of World Bank."

The law firm of King & Wood Mallesons acted as deal counsel on the bond issue and advised on the legal architecture for its implementation.

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