



IR News

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KBank introduces world's first blockchain-based LG service Targeting an increase in L/G issuance via electronic channel to 35 percent

KASIKORNBANK (KBank) has developed its Letter of Guarantee service in the LG market worth THB 1.35 trillion with introduction of the world's first blockchain-based Letters of Guarantee. Time- and cost-cutting features, plus ultimate security, of this new service will assist the business sector to advance more swiftly. Four state enterprises and private businesses have participated in the development of this innovation, which is aimed at an increase in L/G issuance via electronic channel to 35 percent at the end of next year.

KBank President, Mr. Pipit Aneaknithi, said the blockchain technology is applied to create highly secure networks of document filing and retrieval of the 4.0 era. It has already induced a business turnaround in many industries, via enhancement of documentary efficiency. Taking LG service as an example – LGs in the Thai economy issued by banks are very large in number as state enterprises and large corporations require them to ensure the business reliability of their trade partners. LG service on a blockchain platform is therefore very helpful for those entities.

With an aspiration to establish a new business standard, KBank has developed a new blockchain network designed to help simplify procedures for the Bank's Letter of Guarantee process, and also tested the service on the Bank of Thailand's Regulatory Sandbox. In addition, business partners, including the Metropolitan Electricity Authority, Provincial Electricity Authority, PTT Global Chemical PCL. and PTT Polymer Marketing Co., Ltd., have participated in the development of “**Enterprise Letter of Guarantee on Blockchain**” to upgrade their LG management. For such state enterprises and large corporations that have many trade partners, all LGs deposited by their trade partners will be electronic documents and managed on a common standard through end-to-end paperless processes; they will be highly secure, easy to examine and difficult to forge. The LGs on blockchain can be conveniently examined anytime and anywhere, and each change will be automatically recorded. With connectivity to other bank networks envisioned for the future, only a single access to the system will allow for investigating trade partners' LGs issued by different banks.

Enterprise Letter of Guarantee on Blockchain offers six benefits to the business: 1) **Security** - because the data storage in the blockchain system has the same standard and its status can be verified any time; 2) **Speed** - document processing can be shortened to just 30 minutes from 24 hours before; 3) **Cost reduction** - document management expenses can be cut by 50 percent; 4) **Greater efficiency** - the business sector can undertake document processing swiftly anywhere, anytime; 5) **Centralized database platform**; and 6) **New business opportunities** - because it helps businesses move quickly via a single standard data infrastructure.

Mr. Pipit added that L/G issued via the commercial banking system in Thailand is expected to reach over 1.35 trillion Baht, increasing 8 percent, in 2017. Of that total, some 330 billion Baht will be issued by KBank, which would account for the largest share of the market at 25 percent. Of that, 80 percent of L/G will be issued via KBank branches and 20 percent via our electronic channels. KBank is targeting an increase in L/G issuance via electronic channel to 35 percent by the 2018 yearend, 5 percent of which will be processed via blockchain. KBank is upbeat that our Enterprise Letter of Guarantee on Blockchain - the first of its kind in the world - will be upgraded into a new international standard, given that blockchain is useful for all parties in the connection system. Moreover, aside from helping reduce the use of paper, our service also aids in enhancing management efficiency of the business sector and competitiveness of the country toward Thailand 4.0.



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