Santander launches the first end-to-end blockchain bond

- The $20 million bond opens the door to new disruptive technology that can make issuing bonds faster, more efficient and simpler.

- The bond was issued and will exist on the blockchain to maturity.

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Banco Santander today announced that it has issued the first end-to-end blockchain bond. The bank issued the bond directly onto the blockchain and the bond will also continue to exist only on the blockchain: a first step towards a potential secondary market for mainstream security tokens in the future.

Banco Santander is itself the issuer of the $20 million bond, while one of the Group’s units purchased the bond at market price. The bond carries a quarterly coupon of 1.98%. Santander Securities Services is acting as tokenization agent and custodian of the cryptographic keys. Santander Corporate and Investment Banking (CIB), the bank’s global division that supports corporate and institutional clients, acted as dealer for the issuance, continuing the work which started in Santander’s blockchain lab in 2016.

Santander used the public Ethereum blockchain, one of the more advanced open source blockchain technologies. This allows Santander to achieve the milestone of tokenizing the bond securely and registering it in a permissioned manner on the blockchain. The cash used to complete the investment (on-chain delivery-versus-payment) and the quarterly coupons have also been tokenised, i.e., represented digitally on the blockchain. Thanks to this automation, the one-year maturity bond has reduced the number of intermediaries required in the process, making the transaction faster, more efficient and simpler. The goal for Santander CIB is to engage with our most innovative clients as we move from the project stage to product development.

José García Cantera, chief financial officer at Banco Santander, said: “Santander is at the forefront of the profound digital transformation of the financial sector and this transaction is one example. We want to take advantage of any technology that can accelerate that process, so that our customers thrive and be faster and more efficient, and blockchain is one of those technologies.”

José María Linares, global head of Santander Corporate & Investment Banking, said: “Our clients are increasingly demanding the best thinking and technology in how we serve them in their capital-raising efforts. This blockchain-issued bond puts Santander at the forefront of capital markets innovation and demonstrates to clients that we are the best partner to support them on their digital journey.”

For this project, Santander received support from London based startup Nivaura, a regulated fintech company which builds innovative solutions that digitize and automate key processes in capital markets, as well as legal advice from global law firm Allen & Overy. Santander InnoVentures, the $200 million venture capital fund, invested last February in Nivaura.
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