

BLOCKCHAIN (LBCHAIN) OF BANK OF LITHUANIA

Use of PCP to foster a regulatory sandbox

Bank of Lithuania used the Pre-Commercial Procurement (PCP) instrument to develop a blockchain-based sandbox (LBChain) in order to foster innovation in the financial market and accelerate its adaptation in the public sector.

LBChain is the world's first-of-its kind blockchain sandbox developed by a financial market regulator. It combines regulatory and technological infrastructures and allows market participants to test their business solutions in a controlled environment. The platform is aimed at serving the key needs of fintechs and start-ups and provides them with the possibility to gain new knowledge, carry out blockchain-oriented research, test and adapt blockchain-based services as well as offer advanced innovations to their clients.

LBChain has proved to have enormous potential. One of the most important features of this blockchain-based platform is its inclusiveness. Even in the development stages, the platform was used by 11 fintechs from 8 countries that tested more than 10 totally different financial products and services. Most of the testing was carried out remotely. Tested by financial market participants, the platform may also be applied in such fields as energy or healthcare.

The final stage of LBChain has finished and tested limited volume products with 5 fintechs:

- Ledgity – DLT based digital private bank
- Deriveum – Credit default swaps on DLT
- BearingPoint – DLT based regulatory reporting
- Probe Exchange – STO exchange platform
- Earthbanc – Platforms for issuance of green bonds



LBChain
Blockchain Sandbox:
Apply. Test. Develop.

Benefits and value

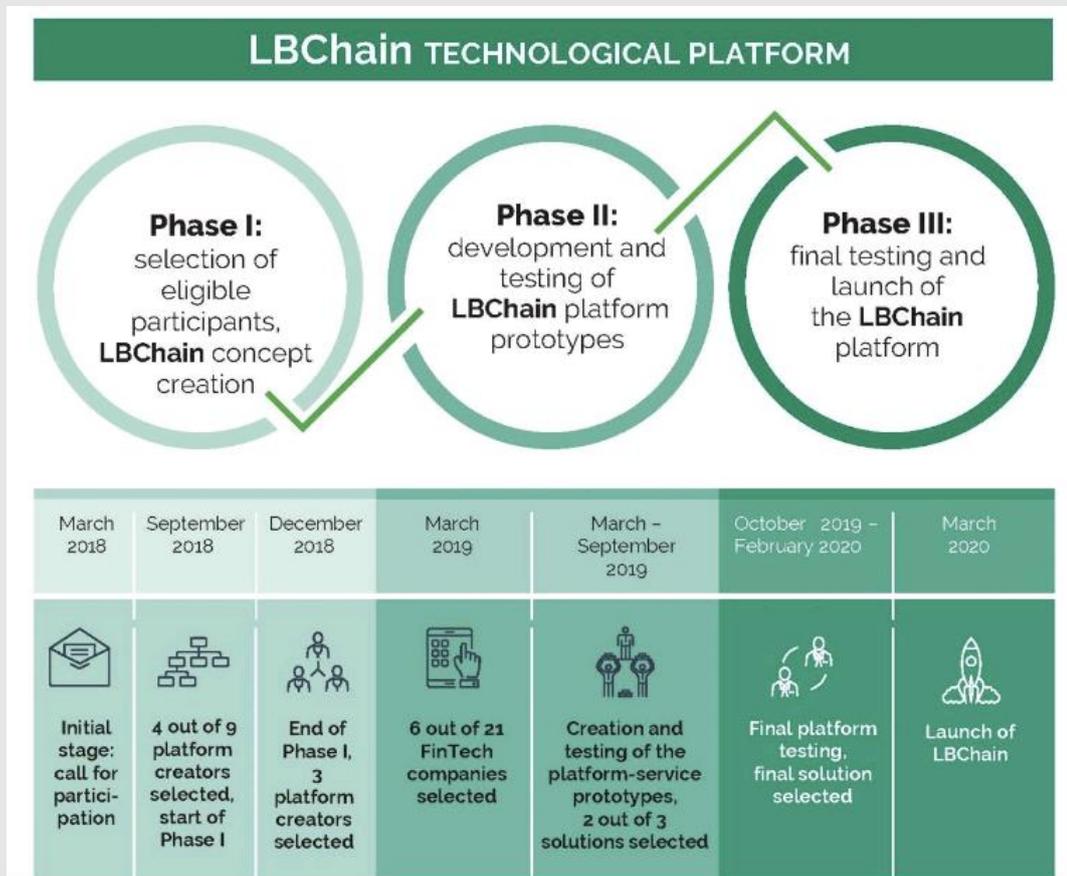
- State-of-the-art technological testing platform based on Hyperledger Fabric / Corda
- Regulatory support from the Bank of Lithuania
- Technological support from leading blockchain integrators
- Cost-efficient and low-risk path to innovation

Examples of tested solutions

- KYC solution for AML compliance
- Cross-border payments
- Smart contract for factoring
- Mobile POS and payment card solution
- Unlisted share trading platform
- Crowdfunding platform
- Payment token



LBChain has won the national round of “World Summit Awards” (WSA) in the category Government and citizen engagement.



The development of LBChain took two years and was divided into three stages. The first stage focused on developer selection and concept creation. During the second stage, the Bank of Lithuania set up and tested the platform prototype, while the third phase was dedicated to its final testing and development. At the end of May 2020, the Bank of Lithuania completed the research phase of the LBChain project and the next step will be to move to the production environment, i.e. to make the solution available to consumers.

The platform is based on both Hyperledger Fabric and Corda, and was developed by IBM Polska Sp. z o.o and TietoEVRY.

Source: Bank of Lithuania
<https://www.lb.lt/en/lbchain>
<https://www.lb.lt/en/pre-commercial-procurement>