

Now Blockchain is moving beyond 'hype' into real world applications

The potential value of blockchain technology and the reasons why it has been slow to move beyond proofs of concept into real world applications were addressed by some of the key leaders in the field in a special session sponsored by Deloitte and chaired by David Dalton.

Stephen Moran, Head of R&D at Bank of Ireland Open Enterprise and Innovation, said that in terms of Gartner's Hype Cycle "we have probably seen the peak of blockchain expectations and now in some ways we're in the valley of despondency and slope of enlightenment."

Blockchain could mean so many different things to so many different people, he said, and a recent focus on the cryptocurrency aspect had distracted from what was really interesting.

"What we're now finding is that blockchain is offering the ability to re-architect things with respect to what was originally envisaged for the original internet," he said. Sometimes, working as if from a blank sheet of paper in respect of transferring value and settlement, the best way to deliver an optimum solution required a decentralised distributed application - "something that looks like or actually is a blockchain."

Moran said BOI had learned quickly there were four or five key competencies it needed to learn, including how to handle digital native currency, trade finance and identity. The challenge was one not so much of technology as of bringing in people within the organisation with deep domain expertise and beginning to understand what the problems were - not to reverse it back into technology but to identify opportunities.

"One of the key ones we identified early on was regulatory reporting and our first foray was into MiFID II reporting, a big, boxy, sticky problem, and the second doing accreditation and identity on the blockchain. We've realised that the big problems that need to be resolved are not necessarily about junking all of your existing equipment and systems, it's about can you find a way to build an extraction layer to make things simpler? In our case, we wanted to create more transparency, not just for us, for our back office and for our clients, but for regulatory and Central Bank views - real time compliance," Moran said.

Gulru Atak, Global Head of Innovation and Head of Citi Ireland Innovation Lab for Treasury and Trade Solutions, which is Citi's longest established lab network



[L-R] Gulru Atak, Citi, and David Dalton, Deloitte, during the special session on Blockchain.

responsible for the rollout of Citi's first blockchain solution, agreed with Moran on the question of hype.

"There is still hype, but there is also great potential," she said. The great hype was that people were looking for problems to solve with blockchain, rather than starting with the problems first. But, she added, that hype had also helped to bring out the technology's true capacity and true potential.

For Citi the initial interest had been around crypto and digital currencies. Then a client had come to Citi with a requirement for increased efficiency in NASDAQ's private security settlements and needing a bank partner to provide the payments end. "So that's why we have pivoted the original experiments into something interesting, how can we integrate to a client's blockchain and make sure that we still leverage our legacy platforms? So it really started with the client's problem."

Cedric Edmonds, a Portfolio Management Partner at Solidum Partners, described how his firm had developed an approach which had led to the use of blockchain for settlement on a note issuance last August as an alternative to Euroclear and Crest.

"We do relatively small issues of €15 - 20 million, and sometimes even smaller, and access to clearing system through the

banks had been becoming difficult and expensive, with banks struggling with our documentation and wanting to do less and be paid more and more. In the end blockchain became the ideal solution," he said.

Edmonds said the biggest challenge "is to get some of the bank's to play ball, including custodian banks." But take away the word blockchain, replace it with the word ledger, he suggested, explain it is not that different from a registered note and nothing to do with a crypto currency, and that picture could change. "That works on some (banks) and hasn't yet worked on others, but I think it will get there slowly and obviously the banks are concerned because it is eating into their business," he said.

The Chair of the session, David Dalton, Deloitte Partner and Global FS Blockchain Co-Lead, described blockchain as "a solution searching for a problem." He noted that while the firm had recently gone live with its first blockchain application, it was not in the financial services area. It was notable, he said, that while the financial services sector had been at the forefront of looking into blockchain, with banks in particular being the biggest investors and highly active in filing patents, this intense activity was not reflected in the volume of applications going live.