

Goldman Sachs: Blockchain Billions

Jun 16, 2016 | Meghan Alison

Goldman Sachs sees big changes headed for everything from P2P lodging to the stock market.

Goldman Sachs recently published a report (https://www.scribd.com/doc/313839001/Profiles-in-Innovation-May-24-2016-1?referrer=clickid%3dwvu3mK2N9X1Ew4mxNdWhfzRQUkSXB6xyX10wT80&campaign=4417&partner=10079&ad__group=Online+Track) detailing their projections on the potential savings and increased revenue with the use of blockchain technology.

Bottom line: the fifth largest bank in the U.S. believes that blockchain tech will save banks and other businesses billions of dollars every year.

Goldman Sachs believes #blockchain tech will save banks and other businesses billions every year.

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The 88-page report focuses on three main benefits of using distributed ledger technology:

- Enabling secure and decentralized payments between multiple parties as the Internet of Things (IoT) becomes a reality
- Reducing fraud caused by human involvement or record alteration
- Making multi-party transactions more efficient and transparent

All of these benefits apply to several use cases for blockchain technology. The report goes beyond the typical evaluation of payments and digital identity that most studies of blockchain emphasize, to examine use cases that have been neglected by even the most fevered corners of blockchain hype. The more ambitious use cases include:

- **Utilities.** People who don't rely on central power companies because of their own solar panels or windmills could potentially become providers to their own small networks, using blockchain tech to facilitate secure transactions with unknown members of their own community. Goldman Sachs believes that this could be a \$7 billion innovation in a very old market.
- **The sharing economy.** Uber, Airbnb, and other companies that leverage underutilized resources act as intermediaries between the people who own those resources and the people who need to borrow them. Goldman Sachs argues that the companies providing these services act as middlemen and could be eliminated, generating up to \$9 billion in incremental revenue in P2P lodging alone.
- **Post-trade settlement.** Currently, the post-trade settlement process is slow, prone to human error, and can be quite costly. Using blockchain tech to settle trades could allow for immediate, accurate, and irrefutable settlement of any trade.

Each of these use cases is rooted in the fundamental problem of payments. Utilities are an innovative space, being consistently held back by rigid payment structures. The sharing economy is currently slowed by antiquated payment technology. Trade settlement, when all is said and done, just means moving funds from one account to another.

For banks in particular, Goldman Sachs projects that the clearing and settlement of cash securities — equities, repo, and leverages loans— using blockchain tech could save \$12 billion a year in charges and fees. Compared to today's processes, enterprise-grade blockchain technology could facilitate faster and potentially customized settlement.

Within the next two years, Goldman Sachs predicts that this technology will have taken hold. With additional use cases for identity, reputation management, title search, insurance, and security, it is clear that the biggest banks in the world no longer see blockchain as a limited technology tied to cryptocurrency or nontraditional economic actors.

With comprehensive predictions like these, banks like Goldman Sachs are seeing the same vision that we at Ripple Insights have seen for a few years now: they’re seeing the Internet of Value.


Read the full report here (https://www.scribd.com/doc/313839001/Profiles-in-Innovation-May-24-2016-1?referrer=clickid%3dwvu3mK2N9X1Ew4mxNdWhfzRQUkSXB6xyX10wT80&campaign=4417&partner=10079&ad_group=Online+Track)


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