

Accenture Executive: Blockchain's Immutability Its Own Worst Enemy

🕒 12/09/2016 👤 Elliot Maras (https://www.cryptocoinsnews.com/author/elliott-maras/)



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The blockchain’s immutability, one of its greatest strengths, could also prove to be one if its greatest limitations, given the need to reverse certain activities in financial services, argues Richard Lumb, an [Accenture](https://www.cryptocoinsnews.com/tag/accenture/) executive, writing in [The New York Times](http://www.nytimes.com/2016/09/10/business/dealbook/downtside-of-virtual-currencies-a-ledger-that-cant-be-corrected.html?_r=0).

Lumb noted the bitcoin blockchain’s immutable record clashes with evolving privacy laws, such as newly-proposed European Union laws.

He also noted that new laws in the U.S. require personal financial data to be easily redacted. He says immutability is becoming a serious blockchain technology issue, one also raised by the recent Distributed Autonomous Organization [DAO](https://www.cryptocoinsnews.com/tag/dao/) hack.

Immutability: Pro And Con

Bitcoin’s permanence has been key to building trust. But it can also limit its usefulness in areas of financial services since it makes it nearly impossible to efficiently correct human error and mischief. The financial services trade has to balance permanent accounting against real world needs. Certain things have to be removed from records.

The [European Union’s](https://www.cryptocoinsnews.com/tag/european-union/) general data protection rule will bring the challenge to light. The new rule will impact major financial institutions worldwide, not only in Europe.

Organizations handling Europeans’ personal data will have to abide by these privacy rules, and infractions could incur fines of 4% of revenue. Accenture clients are asking the company how they will defend the “right to be forgotten” when using blockchain technology.

What U.S. Law Requires

The immutability of blockchain technology could also violate existing U.S. rules, such as the [Gramm-Leach-Bliley Act](https://www.google.co.in/url?sa=t&rct=j&q=&esrc=s&source=web&cd=13&cad=rja&uact=8&ved=0ahUKEwjxIMbj_onPAhXBHJAKHY4LDSQQFghXMAw&url=https%3A%2F%2F)



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Richard Lumb

[advice%2Fbusiness-center%2Fprivacy-and-security%2Fgramm-leach-bliley-act&usg=AFQjCNHAj pzPEEErR4PLoCWAGKhOpSOQ6w&sig2=WZ_zY6SSiY7c22Dizevo5Q](#)), the Securities and Exchange Commission Regulation S-P requiring personal financial data to be redacted easily, and the Fair Credit Reporting Act.

Many in the blockchain community strongly object to questioning blockchain immutability. Many blockchain advocates, like the Internet pioneers who viewed the web as a cooperative forum and disdained e-commerce, are highly idealistic about blockchain’s evolution.

Blockchain immutability became an issue when a hacker executed a smart contract to steal more than \$60 million worth of Ether from the DAO. Many blockchain advocates agreed that the hacker was entitled to the assets since the hacker exploited a programming error.

After the DAO project’s leaders gained a consensus to split the code at a point prior to the transaction, many participants still use the version of the chain that included the theft.

Also read: [Bitcoin & block chain could reform European Union payment laws \(https://www.cryptocoinsnews.com/bitcoin-blockchain-reform-european-union-payment-laws/\)](https://www.cryptocoinsnews.com/bitcoin-blockchain-reform-european-union-payment-laws/)

Financial Industry’ Challenge

Lumb argued that if the financial services industry embraces technology, it cannot do so in a way that allows mistakes and mischief to go uncorrected. It cannot allow fraudsters to defend their actions on ideological grounds.

The smartest contracts are subject to human error, he noted. Even the cleverest IT architectures will suffer events that require reversing.

The industry has to address the challenge in a way that maintains the blockchain’s strengths.

Accenture is working with academics on a prototype to allow the amending or redacting of blockchains when needed. The company is seeking to develop responsible governance models, potentially in cooperation with regulators.

The blockchain community has to challenge conventional thinking about the role of immutability if it is to expand beyond cryptocurrency and laboratory experiments to real and profitable deployments, Lumb argued.

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Elliot Maras has reported on the payments industry and financial services for trade publications and websites for several years. He is based in Cleveland, Ohio.



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