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BNY Mellon is Backing Up Bank Transactions With Blockchain Tech

Stan Higgins (@mpmcsweeney) | Published on September 7, 2016 at 14:56 BST

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BNY Mellon has developed a test system that leverages blockchain technology to create a backup record of its brokerage transactions.

The new system, which operates alongside BNY's existing transaction records system, aims to provide an operational buffer in the event that the first layer of transaction records becomes unavailable.

Dubbed 'BDS 360', the resiliency solution was developed as part of the bank's broader blockchain efforts, which have seen it initiate internal projects as well as collaborate with financial institutions as part of the R3 distributed ledger consortium and the recently announced "settlement coin" project.

Yet BNY's trial suggests institutions, perhaps uneasy about switching wholesale to a new kind of infrastructure, may want to test the waters by running blockchain solutions in the background, thus providing an avenue for gathering data and experience with the technology.

BNY CIO Suresh Kumar framed the effort as a way for the bank to test "the strengths and weaknesses" of the technology, echoing comments made earlier this year. At the time, Kumar described the technology as "a huge opportunity".

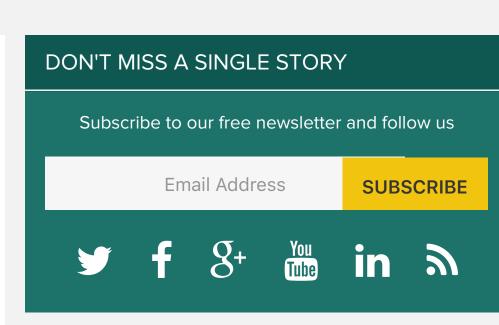
The CIO also suggested that the bank is seeking avenues for experimenting with blockchain in ways that don't require coordination between other financial institutions.

He told CoinDesk:

"Assume your primary system is down. Do you have the information that you need so that you are able to conduct business, have an account for transactions that you know of, so that you can settle transactions? So that's what we tried to do."

Cost-efficient resiliency

One major selling point for the system, according to Kumar, was the ability to stand it up in a short period of time at a relatively low cost.





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"The way we have made these systems resilient is very expensive, and it takes a long time to make it resilient. This [system] allows us to improve the resiliency in a relatively short period of time with a relatively [small] group of people," he explained.

That question of resiliency was invoked in a recent MIT paper on the technology, which posited that a bank integration of blockchain could improve overall resiliency by decentralizing risk points, thereby reducing the possibility of data loss when doing business.

It was this idea that Kumar repeatedly cited resin interview, discussing the shift from more complicated resiliency systems to more streamlined, simplified ones, which also provide a wholly new approach to the task.

"To me, the idea that you can have a distributed ledger that can give you what you need if your primary system is down and continue conducting business is a pretty awesome thing," he said.

Next steps

According to Kumar, the next phase of testing will revolve around the continued operation of the system, while at the same time slowly introducing some of the bank's customers to the concept.

While BNY executives have discussed their client-side blockchain work in the past, Kumar indicated that it was still very much a learning process, one that allowed the bank to gain more insights into how it can leverage blockchains for its own purposes. How clients would be integrated into the system is also up for debate, including the kinds of hardware and software that would be needed as part of this process.

Kumar went on to suggest that, if successful, the system could provide the basis for new ways of doing business (and making money).

It's an experiment that could set BNY Mellon up as a kind of "resiliency provider", utilizing blockchain tech as an efficient mechanism for backing up sensitive transactions.

"We used it internally for ourselves. Now we are thinking, can [we] do this in a generic way, for other systems?" he explained, adding:

"We are trying to think, how do we roll this out?"

Image via Wikimedia

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