# Ethereum To Soar After JPMorgan, Intel, Microsoft And Others Form Blockchain Alliance

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Step aside bitcoin, there is a new blockchain kid in town.

In recent days, the world's second most popular digital currency, Ethereum, has been surging (despite its embarrassing hack last June when some $59 million worth of "ethers" were stolen forcing the blockchain to implement a hard fork to undo the damage), prompting many to wonder if some big announcement was imminent. It appears that yet again someone "leaked" because on Monday, an alliance of some of the world's most advanced financial and tech companies including JPMorgan Chase, Microsoft, Intel and more than two dozen other companies teamed up to develop standards and technology to make it easier for enterprises to use blockchain code Ethereum - not bitcoin - in the latest push by large firms to move toward the holy grail of a post-central bank world in which every transaction is duly tracked: a distributed ledger systems.

In total, some 30 companies are set to announce on Tuesday the formation of the Enterprise Ethereum Alliance, **which will create a standard version of the Ethereum software that businesses around the world can use to track data and financial contracts.** This will be a huge boost to the recently sagging credibility of the technology, which suffered substantial damage during last summer's previously noted hack, when nearly half the value of Ethereum was wiped out overnight.

According to Reuters, the Enterprise Ethereum Alliance (EEA) will work to "enhance the privacy, security and scalability of the Ethereum blockchain, making it better suited to business applications", according to the founding companies. Members of the 30-strong group also include Accenture Plc, Banco Santander, BP Plc, Credit Suisse Group AG, UBS Group AG, Banco Bilbao Vizcaya Argentaria, ING Groep NV, Bank of New York Mellon Corp , Thomson Reuters Corp (and startups ConsenSys and BlockApps.

The fascination with ethereum, or bitcoin for that matter, is familiar to fans of the digital currencies: the EEA joins a growing list of joint initiatives by large companies aiming to take advantage of blockchain, a shared digital record of transactions that is maintained by a network of computers rather than a centralized authority, eliminating the need for a central information clearinghouse. The technology is viewed as being harder to corrupt or hack because of its reliance on many people rather than just a single authority.

Companies in a wide range of industries are hoping that it can help them streamline some of their processes, such as the clearing and settling of financial securities.

> *About 70 financial firms are involved with a R3 CEV, a New York-based startup focused on developing blockchain technology for the finance industry, while technology firms such as IBM and Hitachi are part of the Hyperledger Project, a group led by the Linux Foundation. The EEA underscores the enthusiasm around the nascent technology, but also highlights some of the hurdles that companies must still overcome before they can deploy blockchain on a large scale. This includes ensuring that the technology can support the vast number of transactions processed by large corporations, while being secure enough to meet their stringent security standards.*

The new Ethereum alliance has been described by some of its backers as a way to insure that the IBM-led blockchain effort is not the only option for businesses looking to use the technology. Other like R3 and Chain have also been developing alternative blockchains.

Several banks have already adapted Ethereum to develop and test blockchain trading applications. Alex Batlin, global blockchain lead at BNY Mellon, one of the companies on the EEA board, said over the past few years banks and other enterprises have increased collaboration with the Ethereum development community, facilitating the creation of the EEA.

“We are pretty equally spending our time across the different chains,” said Alex Batlin, the global head of blockchain at Bank of New York Mellon, which is joining the Ethereum alliance.

Unlike some other collaborative efforts, members do not need to pay a fee to participate in the EEA, for now.

Ethereum was introduced in 2013 by a developer named Vitalik Buterin, then 19, who had previously worked on Bitcoin. Since its official release in 2015, the Ethereum network has been the target of hackers and theft.  Yet it has also won a large following among programmers who view it as a new and sophisticated way for groups of people and companies to initiate and track transactions and contracts of all sorts. **That has led some companies to bet that Ethereum will win the race to become the standard blockchain for future business operations**.

“In every industry that we come across, Ethereum is usually the first platform that people go to,” said Marley Gray, the principal blockchain architect at Microsoft.

Today's announcement may be just the vote of confidence Ethereum needed by major corporations to catapult it in popularity, and perhaps even overtake bitcoin which suddenly seems like "yesterday's" technology. Indeed, as the NYT adds, the creation of the Ethereum alliance shows a continuing commitment among big companies to making the technology work, in large part because it promises to create much more streamlined databases that require less back-office maintenance.

It is already reflected in the price, which has soared on the news, and is up 25% over the past week.


The move may be just the beginning if most corporations adopt Ethereum as the distributed ledger standard: accenture released a report last month arguing that blockchain technology could save the 10 largest banks **$8 billion to $12 billion a year in infrastructure costs** — or 30 percent of their total costs in that area. Accenture is one of 11 companies on the governing board of the Ethereum alliance.

And while the Ethereum network has an internal virtual currency known as Ether, charted above, the value of which has risen and fallen over the last two years (and is now soaring), Ethereum is much more than just a system for tracking currency. It also allows people to write what are known as smart contracts into the Ethereum blockchain. Two companies could, for instance, create a contract that would automatically send money to one of them if a particular news authority reported that the Chicago Cubs won the World Series or that “La La Land” won the Oscar for best picture. (As the last example shows, what would happen if the authority was wrong is a more difficult question.)

Because of its capacity for smart contracts — and other complicated computing capacities — Ethereum is viewed as more agile and adaptable than Bitcoin.

As with Bitcoin, however, anyone can join the Ethereum network and see all the activity on the Ethereum

 . The companies working on the Enterprise Ethereum Alliance **want to create a private**

**version of Ethereum that can be rolled out for specific purposes and open only to certified participants**. Banks could create one blockchain for themselves and shipping companies could create another for their own purposes. The purpose of the alliance is to create a standard, open-source version of Ethereum that can provide a foundation for any specific use case.

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For those who are new to Ethereum and are curious about the distinctions between that technology and bitcoin, below is a quick primer courtesy of CryptoCompare:

1. In Ethereum the block time is set to 14 to 15 seconds compared to Bitcoins 10 minutes. This allows for faster transaction times. Ethereum does this by using the Ghost protocol.

2. Ethereum has a slightly different economic model than Bitcoin – Bitcoin block rewards halve every 4 years whilst Ethereum releases the same amount of Ether each year ad infinitum.

3. Ethereum has a different method for costing transactions depending on their computational complexity, bandwidth use and storage needs. Bitcoin transactions compete equally with each other. This is called Gas in Ethereum and is limited per block whilst in Bitcoin, it is limited by the block size.

4. Ethereum has its own Turing complete internal code... a Turing-complete code means that given enough computing power and enough time... anything can be calculated. With Bitcoin, there is not this form of flexibility.

5. Ethereum was crowd funded whilst Bitcoin was released and early miners own most of the coins that will ever be mined. With Ethereum 50% of the coins will be owned by miners in year five.

6. Ethereum discourages centralised pool mining through its Ghost protocol rewarding stale blocks. There is no advantage to being in a pool in terms of block propagation.

7. Ethereum uses a memory hard hashing algorithm called Ethash that mitigates against the use of ASICS and encourages decentralised mining by individuals using their GPU's.