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Deutsche Bank

Part (a)

The Deutsche Bank managers laid the foundations for commercializing blockchain by taking a multidisciplinary approach to understanding the technical feasibility and value of the technology. With a general grasp of how blockchain technology worked and its potential to revolutionize the financial services industry, the Deutsche Bank team was able to conduct experiments used to test the viability of permissioned networks in the commercial space.

After creating an initial interest in blockchain technology within the company, the first key decision that the managers made was to involve different departments in the blockchain initiative. The main reasons for this expanded involvement was to reduce future resistance and to gain a more holistic view of the technology. For example, Nick Doddy, Managing Director of the GTO Strategy and Innovation team, recognized the fact that "Legal needed to be involved as their views and concerns on the subject needed to be considered. The same applied to the data analytics team" (Applegate, Beck, Muller-Bloch, 2017).

The next key decision that the managers made was to collaborate with the Deutsche Bank Labs and to organize internal workshops with the purpose of discovering how Blockchain could become embedded into their business model. These workshops resulted in a focus on Blockchain and securities settlement and clearing. The Deutsche Bank team then conducted an experiment in which they issued a "smart bond" to test the security of blockchain transactions and the feasibility of smart contracts. The motive behind the experiment was to determine whether Deutsche Bank should continue to invest time and resources into blockchain applications. Additionally, Deutsche Bank examined the corporate bond lifecycle in order to determine where blockchain could have the greatest impact.

The Blockchain team, consisting of investment bankers, lawyers, and coders, had the goal of developing blockchain solutions. Through their experiments, Deutsche Bank was able to conclude that the use of blockchain smart contracts in the securities market is technically feasible which laid the foundation for blockchain commercialization.

Part (b)

The Deutsche Bank should start to create value from blockchain technology by raising awareness of blockchain in all its branches. Paul Maley suggested that creating awareness in the blockchain will assist in the bank figuring out which people are interested in the new blockchain technology. The first move would be the creation of bank labs. Edward Budd stated that the use of the bank labs would provide the interested team with updates regarding the themes from the innovation ecosystem.

Furthermore, performing an experiment using the smart contract will help the Deutsche Bank to start creating value. By understanding their user's needs, the adaptation of blockchain technology and smart contracts will help Deutsche Bank serve its customer's needs. Deutsche Bank should invest in widely spreading information to create value for its customers.

It can also create value by using blockchain internally to manage the Deutsche Bank's physical and primarily digital assets. If Deutsche Bank adopts this system, it will help them save time which they could therefore spend in handling much more important issues. The blockchain adoption will improve the engagement among the employees.

The bank can also implement blockchain by introducing cryptocurrency as an alternative payment method. Adopting this rising trend of cryptocurrencies will greatly assist Deutsche Bank in creating more value for their customers.

There are many issues that Deutsche Bank should strongly consider before completely adopting blockchain technology. The first would be that if they begin to utilize smart contracts, the role of the bank as an intermediary will change, thus, the organizational structure of the bank will also change. Another problem that the Deutsche Bank needs to consider is how to make this technology safe and convenient, for both the bank itself and their customers. Finally, the Deutsche Bank should also consider the possibility of blockchain phasing out their existing sources of revenue, such as transaction fees.

Part (c)

From our perspective, Deutsche Bank should grasp the opportunity and join the new consortium. The main goal of the new consortium is to increase the frequency and effectiveness of trading by speeding up central bank settlement processes and diminish the expensive collateral backed up by banks to meet short-term liquidity needs in currencies. By implementing Utilities Settlement Coins

(USC), banks could fulfill their duty and carry on trading without waiting to receive real world currency from the central bank real-time gross settlement.

The new model for digital central bank cash is feasible by addressing the following issues. First, as the USC functions as a version of cash assets of major currencies such as USD, GBP, EUP, etc. and is convertible with a bank deposit, it addresses the concern of the ownership of the new International settlement currency, and thus people are more willing to accept the new world currency. The second advantage is speed. The settlement is instantaneous by integrating the central bank RTGS systems, which utilizes double-entry accounting. As a result, the RTGS systems save the cost of clearing delays.

Although the Utilities Settlement Coins would be backstored by central banks, there is concern that if the majority of banks agree to accept the USC, the banks could buy more securities with their pseudo-dollars.

Finally, as to the concern of disclosure of intellectual property in the new consortium, signing consortium agreements among banks could be a potential solution to the disparity of common goals and asymmetric information.