Bank of Tokyo-Mitsubishi and Hitachi Begin Blockchain Technology Project in Singapore

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Hitachi Ltd. and the Bank of Tokyo-Mitsubishi UFJ (BTMU) are starting Proof of Concept (PoC) testing for a system, based on blockchain technology, aimed at digitalization of checks in the Republic of Singapore.

In a joint press release published in the Hitachi and BTMU websites, the two companies announced that together they have developed a system in which distributed ledgers are used for issuing,

transferring and collecting electronic checks. In PoC system testing, BTMU issues and settles checks and some of Hitachi Group's companies in Singapore receive the electronic checks and deposit the funds.

Singapore aims to be a smart financial center that leverages innovative fintech to transform financial services, create quality jobs in finance and build a "smart nation." In November, *Bitcoin Magazine*reported that Singapore's Prime Minister Hsien Loong had advised the country's banks and regulators to explore the advantages and unique applications of blockchain technology, and emphasized the significance of financial technologies like the Bitcoin network in building a strong regional and international presence for the country's banks and financial institutions. In particular, Loong mentioned the Bitcoin network's ability to handle real-time settlements and automated verification of transactions and payments.



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At the Singapore Forum in April, Ravi Menon, managing director of the Monetary Authority of Singapore (MAS), noted that blockchains and distributed ledgers systems are potentially the most transformative innovation in fintech, at least until artificial intelligence comes along in a big way.

In June, the MAS released a consultation paper, titled "FinTech Regulatory Sandbox Guidelines," on proposed guidelines for a regulatory sandbox framework to facilitate the advancement of fintech

services. The MAS believes that a key driver for Singapore becoming a smart financial center is the provision of a regulatory environment that is conducive to the innovative and safe use of fintech.

"MAS believes that a regulatory sandbox approach can be used to carve out a safe and conducive space to experiment with FinTech solutions and where the consequences of failure can be contained," states the consultation paper. "The Sandbox cannot remove all risks, as failure is an inherent characteristic of innovation. In this regard, the Sandbox aims to provide an environment where, if an experiment fails, its impact on consumers and on financial stability will be limited."

Within the sandbox framework, the Hitachi and BTMU PoC testing will identify issues for practical use, while issuing and settling checks by blockchain technology on the jointly developed distributed ledger. According to the companies, the digitalization of checks makes it possible to automate the workloads of intermediaries for checks in financial institutions, to avoid tampering and to speed up settling checks. Hitachi and BTMU expect that similar approaches can be applied to payment and supply-chain finance in non-financial sectors in the future, and stated that they will increase efforts toward putting blockchain technology into practical use.

It is worth noting that this project is carried forward by two major multinational Japanese companies, in collaboration with the government of Singapore, which has issued an unequivocal statement of support for innovative fintech solutions based on distributed ledgers and wants to become a key player in blockchain fintech. In particular, the project is integrated in the regulatory framework developed by the Singapore authorities. It seems likely that the project will produce results that will be re-used by BTMU's "MUFG Coin" project.

Hitachi is a Japanese multinational and highly diversified company that operates in many business segments including energy, finance and government services. The company is listed on the Tokyo Stock Exchange and has 335,000 employees worldwide. The BTMU, a member of Mitsubishi UFJ Financial Group Inc. (MUFG), is Japan's premier bank and has a worldwide presence.

In June, the Asahi Shimbun newspaper revealed that MFUG is conducting experiments on a digital currency powered by blockchain technology, dubbed "MUFG coin," which will work like prepaid electronic money. A bank spokesperson confirmed to *Reuters* that the MUFG is conducting demonstration experiments on the new electronic currency within the company, utilizing blockchain technology.

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