

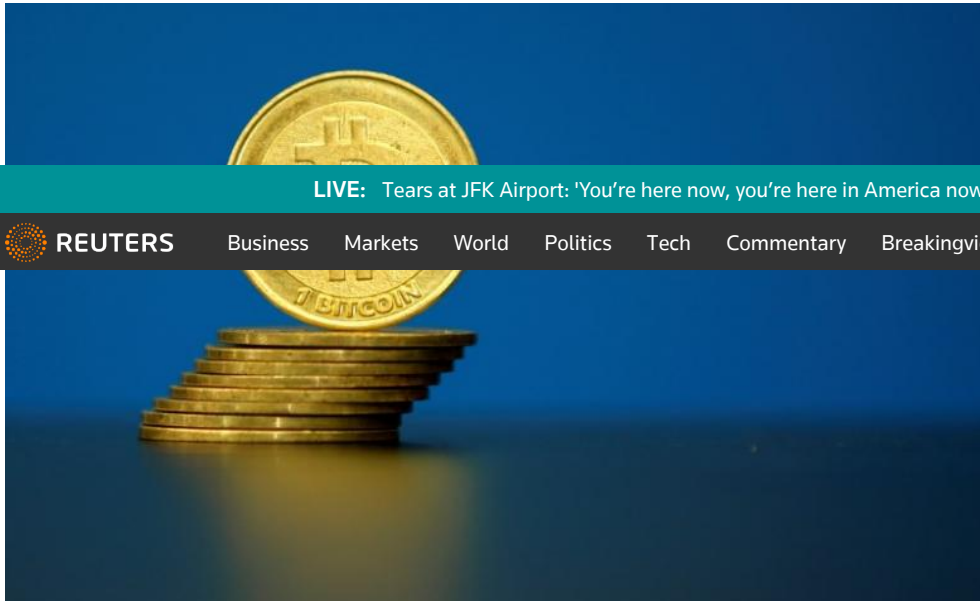
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TECHNOLOGY NEWS | Tue Jan 10, 2017 | 11:05am EST

Anti-establishment wave to help push blockchain into real world in 2017

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FILE PHOTO: Bitcoin (virtual currency) coins are seen in an illustration picture taken at La Maison du Bitcoin in Paris, France, May 27, 2015. REUTERS/Benoit Tessier/File Photo

By **Jemima Kelly** and **Anna Irrera** | LONDON/NEW YORK

A wave of anti-establishment sentiment sweeping the Western world is likely to help

A wave of anti-establishment sentiment sweeping the Western world is likely to help push blockchain - the technology that gave birth to the renegade digital currency bitcoin - out of cyberspace and into the real world in 2017.

Blockchain, which allows the web-based currency to function, has attracted some big backers who have risen to prominence partly because of their rejection of traditional power structures - like bitcoin itself.

Now they are looking at a wide range of new uses for the technology, with those outside the realm of finance expected to grow most.

For example, Italy's biggest opposition group, the 5-Star Movement, wants blockchain to be used in streamlining public services. In the United States, President-elect Donald Trump has a number of enthusiasts for the technology in his inner circle.

Experts caution that blockchain still needs several years of experimentation and development, much like the early days of the internet, and say some projects will never work.

Nevertheless, in an ironic departure from blockchain's libertarian origins, the very establishment that early supporters hoped it would displace is also jumping on the bandwagon.

Many of the world's biggest banks and corporations are trying to harness the technology to make the likes of transacting cross-border payments, issuing debt and recording health data more efficient. Even Britain's Conservative government is keen to get in on the act.

Blockchain allows for transactions and data transfers to be completed in seconds through a peer-to-peer computer network, with no need for a third party. It has therefore attracted those who distrust established authority, such as the central banks that issue traditional currencies.

This is particularly the case in its first implementation, bitcoin, which outperformed all conventional currencies in 2016. Iceland's Pirate Party, the country's joint second-biggest party, wants bitcoin accepted as legal tender.

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SPIRIT OF 2016

Notwithstanding the corporate interest, blockchain reflects the spirit of the past year when disgruntled Britons rejected the European Union, Italians brought down their prime minister and Americans elected Trump.

"A global and open blockchain ... lends itself very well to current anti-establishment sentiment," said Jon Matonis, an economist and founding



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director of the Bitcoin Foundation. "The general theme is removing the role of a third-party auditor or enforcement agency."

Still, it was the financial services industry that moved fastest on blockchain development in 2016, seeking ways to reduce costs and cut the time it takes to settle transactions.

Some of these applications are expected to move from the laboratory and into operation this year. But 2017 also looks likely to be the year when other sectors, both public and private, find new "use-cases" via which they can adopt the technology.

"You're still going to see more and more use-cases and resources being put into financial services, so that pie will still grow. But a larger percentage of use-cases ... will be non-financial," said Nick Williamson, CEO of Credits, a London-based blockchain infrastructure provider.

Williamson said countries were looking at using blockchain for improving transparency and accountability in public services. The British government, for example, is examining whether it could help to track and distribute welfare and pension payments.

ANTI-ESTABLISHMENT POLITICS

In Italy, the 5-Star Movement - which presents itself as a clean alternative to mainstream parties dogged by corruption probes - has called blockchain a "fundamental topic" that could bring about more trust in the public sector.

5-Star plans to propose a law in the Lazio region this month forcing the local government to use blockchain in streamlining and bringing greater transparency to some of its activities, according to a draft seen by Reuters.

If successful, this would be the first law in Italy to incorporate the use of blockchain in government. The group also wants to introduce the technology in a regional healthcare reform, 5-star councillor Davide Barillari told Reuters.

In the United States, the blockchain sector hopes projects will gain momentum thanks to support from the incoming Trump administration. They say the technology could help run public-sector processes more efficiently, through better tracking of government agencies' spending or reducing welfare fraud.

As a property billionaire, Trump's anti-establishment credentials are open to question but he has presented himself as a political outsider, and has appointed blockchain and bitcoin champion Congressman Mick Mulvaney as budget director.

Mulvaney, who co-founded the Blockchain Caucus in Congress in September to allow lawmakers to coordinate policies on using blockchain, calls the technology a "tremendous revolution".

Trump has also chosen Goldman Sachs president Gary Cohn, whose bank has invested in blockchain, as director of the National Economic Council. Billionaire tech investor and bitcoin enthusiast Peter Thiel is a member of the transition team.



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"MYSTICAL CAPABILITIES"

For all this support, some feel blockchain has been over-hyped. "It took on quite mystical capabilities this (past) year. I kept reading things on the internet about how it would solve poverty, eliminate hunger," said Dave Birch, a director of innovation at consultancy Consult Hyperion.

"A lot of people said they would get into blockchain because they thought it was sort of magic."

Many in the financial technology industry, Birch included, say it is important not to expect too much too soon.

"Many blockchain platforms announced the beginning of projects in 2016 that will never be completed. In some cases, the technology simply didn't work. In others, implementation is taking longer than expected," said Adam Krollenstein, co-founder of blockchain start-up Symbiont.

Still, experts hope the doubts will be dispelled as some of the smaller-scale projects - especially in the financial services sector, which has poured hundreds of millions of dollars into blockchain - are put into operation.

"2016 was a year of 'proofs of concept'; 2017 is much more likely to be a year of implementations," said IBM's global head of financial markets in London, Keith Bear.

"CRITICAL MASS OF UNDERSTANDING"

Blockchain is unlikely to change the world fundamentally this year, but awareness of it is expected to grow and this should speed up development.

Alex Tapscott, founder of investment firm Northwest Passage Ventures, believes blockchain is a "general purpose technology", whose most lasting impact will not be in the financial sector.

He sees blockchain enabling decentralized applications to run peer-to-peer services such as ride-sharing, without the need for centralized businesses such as Uber to run operations.

"2016 was a coming-out party of sorts," he said. "2017 will see the technology reach a certain level of critical mass of understanding."

(Reporting by Jemima Kelly in London and Anna Irrera in New York; editing by David Stamp)

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