BLOCKCHAIN

Blockcha Tracker: Will 2017 Be The Y Of Regulatio

By PYMNTS

Posted on Decembe

With its original focus on cryptocurrency, blockchain technology made strides, expansions and evolutions this year.

"In 2016, we saw a diversification of the distributed ledger beyond cryptocurrency. I definitely

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see this trend continuing," said Paul Hensel, an electrical engineer and blockchain expert from Hamburg, Germany. "It's not like the focus is shifting away from crytocurrencies, but more like the whole space is getting more spotlight."

More spotlight indeed. More industries have discovered the advantages of blockchain tech.

From the banking industry, blockchain has now been incorporated into real estate, the wine and diamond industry, state governments, election politics and even the fishing industry.

"2016 was the year of the blockchain POC, where consortiums were embraced, pilot projects were initiated across the globe and banks and corporates alike demonstrated their fear of missing out on blockchain and raced to be first movers, viewed as innovators, and actively influencing the way

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blockchain will be perceived and understood by market participants and regulators alike," said Sandeep Kumar, managing director of Capital Markets Solutions at Synechron.

So, how will blockchain evolve in 2017? Some experts believe it will be the year that regulators narrow in on the technology. While the technology has been around for more than a decade, it seems as though only recently have regulators begun discussing **what to do and how to address blockchain**.

"In 2016, regulatory bodies have taken a wait-and-see approach, publicly stating they are researching blockchain and examining projects to understand it better," said Kumar. "While 2017 may be the year that regulators become involved, perhaps more importantly, 2017 will be the year that real blockchain applications and ecosystem take hold, giving regulators real, fully functional business applications of the technology in action to understand."

Some experts say that the reason that regulatory bodies will get more involved with the technology is the sheer fact that blockchain is starting to inch its way into the mainstream through certain use cases.

"The use case will likely be related to accounts receivable/accounts payable, in an industry where blockchain's simplicity and transparency can make a big difference — something like the buying and selling of collectibles or fine arts," Peter Horadan, CTO and EVP of engineering at **Avalara**. "Eliminating the need for banks, credit card processing and paper-based invoicing will accelerate reconciliation, increase transparency and confidence and simplify auditing, creating an environment that can help the industry grow and support new types of transaction."

But even if 2017 turns out to be a bang-up blockchain year, the best may yet be still to come. Analysts say blockchain technology applications are slated to reach nearly **$20 billion by the year 2025**.

“I see $20 billion by 2025 being a viable outcome if the parties all get aligned, recognizing that nine years is the equivalent of multiple lifetimes for some technologies,” said Andy Schmidt, principal executive advisor at CEB. “It’s important to keep in mind that 2016 was really the first year that the financial services industry began to take blockchain seriously, as evidenced by the growth in R3. In order to achieve this growth, the use cases for blockchain need to solidify and gain scale — something that should accelerate as the first few major use cases (e.g., smart contracts) get off the ground.”

Kumar at Synechron also sees that estimate as reasonable and not surprising. In fact, he said it could even go beyond that.

“As a technology that has the potential to be as transformative as cloud technology was 10 years ago, if you look at the problems related to fraud, reconciliation, compliance around regulations like KYC and the efficiency gains blockchain can address, $2 billion of investment per year over the next 10 years seems even a conservative estimate,” said Kumar.

And the other reason behind blockchain’s growing value is, according to experts, the people and the investment being thrown behind it.

“Everyone wishes they had invested early in Google. Public blockchain assets as a category remove any excuse for not trying,” said Charley Hine, chief product officer at Shift Payments. “An ever-increasing number of technologists and investors continue to realize this, and we’re starting to see digital currency-exclusive hedge funds backed by A-team investors."

So, as the technology charges ahead, it may indeed be interesting which businesses and industries end up not jumping on the blockchain bandwagon.

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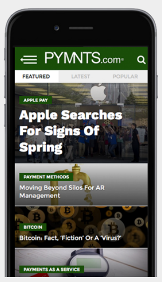

PAYMENTS INNOVATION

Payment 2016: The Year Of Open APIs

By PYMNTS

Posted on December 22, 2016

PYMNTS consulted 21

payments executives from across the industry to share their insights on the biggest takeaways from 2016 as part of the **"Payments 2016, The Year Of…" eBook**. We posed the same question to each executive:

If you had to answer the question, Payments was the year of …, how would you answer, and how does your answer change your world — and the world of payments, more broadly?

Here is the response from **Mark Ranta, CTP, head of digital banking channels for ACI Worldwide…**

Payments 2016: The Year Of Open APIs

Just about every other topic that is likely to come up had momentum going into the year, so the clear winner for me is open APIs. The payment world as a whole was not widely discussing PSD2 or open banking at the end of 2015, and now it's hard to be at a conference or event and not hear about those or the broader context of what open APIs mean to the payments industry (about every five seconds).

What makes the open API discussion different from many of the trends we talk about is that it is made up of two equal parts: organizational mentality and technology. The idea of working in an open ecosystem — sharing ideas/best practices and enabling innovation to occur outside of the financial institution's walls — is almost as important as the APIs themselves. In terms of the technology, APIs are not new; they have been used for quite some time to create distinct and defined integration points between applications. As such, APIs have been at the heart of mobile payments, geo location services and personal financial management tools, among other key areas, for years.

The exciting change in the technology is taking those points and exposing them for broader and potentially unknown use cases. This can happen on a few levels; the most conservative route is to expose those APIs internally for teams to go off and develop new offerings by stitching applications together differently, never exposing those APIs beyond the walls of the institution. The most potential, however, is through exposing those APIs to a developer community, allowing a large pool of thinkers and tinkerers to build on top of today's solutions to create new experiences.

We are seeing the beginnings of this today, both in the U.S. and abroad, with many organizations opening up developer portals or joining open banking working groups — either by choice or by regulation. As the industry comes together to create a new ecosystem driven by collaboration, I believe we are going to see a Big Bang-esque acceleration of innovation, and we'll be able to thank open APIs when we do.

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By PYMNTS

Posted on December
2016

Latin America's biggest engineering firm, Odebrecht SA, and petrochemical company Braskem SA will pay at least $3.5 billion to resolve international charges related to kickbacks to the country's state oil company and other organizations.

It's the largest penalty to date for a foreign bribery case and is part of a settlement between U.S., Brazilian and Swiss agencies.

In U.S. federal court this week, the two firms pleaded guilty to conspiring to violate an American foreign bribery law. The case stemmed from an investigation connected to paying off Brazil's

Petrobras. The case was anchored in the U.S. as millions of dollars used in the bribes ran through the U.S. banking system, with some deals even planned stateside.

The court's decision is the product of a three-year investigation – complete with dozens of arrests and political upset – known as "Operation Car Wash," focused on unearthing corruption at Petrobras. The corruption has arguably caused Brazil to head into recession, and the investigations by U.S. and Swiss authorities are continuing.

The court charged both Odebrecht and Braskem with conspiring to violate the U.S. Foreign Corrupt Practices Act, which is intended to prevent companies from bribing international officials. U.S. Deputy Assistant Attorney General Suh said that the two companies used a hidden business unit to pay out hundreds of millions of dollars to governments on three different continents.

Specifically, over the past 15 years, Odebrecht paid nearly $788 million in bribes related to 100 projects in 12 countries. Payments were disguised through shell companies and strategically left suitcases.

Most of the $3.5 billion is slated to go to the Brazilian authorities, with $2.6 billion coming from Odebrecht. Braskem will pay $957 million, with $632 million of that going to the U.S. Justice Department and the other $325 headed to the U.S. Securities and Exchange Commission.

The last time penalties for a multi-country corruption this high occurred was back in 2008, when $1.6 in billion bribery penalties were levied on Siemens AG.