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Blockchain could save investment banks up to \$12 billion a year: Accenture



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Visitors look at devices at Accenture stand at the Mobile World Congress in Barcelona, February 26, 2013.
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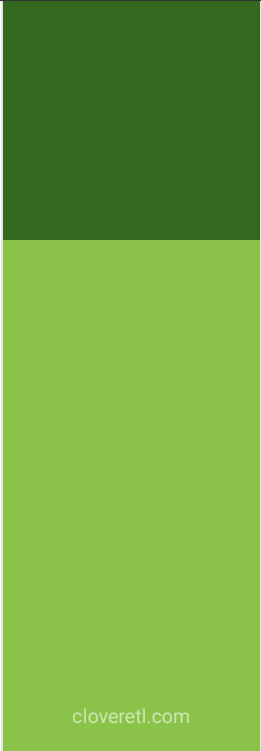


By **Anna Irrera** and **Jemima Kelly** | NEW YORK/LONDON

Blockchain technology could help the world’s largest investment banks cut their infrastructure costs by between \$8 to \$12 billion a year by 2025, according to a report by Accenture.

The report, published on Tuesday jointly with benchmarking firm McLagan - part of consultancy Aon Hewitt - is based on an analysis of cost data from eight of the world’s

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ten largest investment banks, and provides a rare concrete estimate of blockchain's potential savings.

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Originally used to underpin digital currency bitcoin, blockchain is a distributed record of transactions, or other data, maintained by a network of computers on the internet without the need for approval from a central authority.

As it creates a shared "golden record" of data that is virtually tamper-proof, it obviates the need for reconciliation and could prove a helpful resource for auditing.

Banks and other large financial institutions have been ramping up their efforts to develop blockchain-based technology to run some of their most burdensome back-office processes, such as the clearing and settlement of securities.

But many have expressed scepticism over the impact the technology will have, arguing that banks have jumped on the "blockchain bandwagon" for the sake of publicity.

David Treat, a managing director for Accenture's financial services industry blockchain practice, said the significant investments in the technology were no surprise "given the tremendous cost of data reconciliation, which is part of every aspect of the capital markets industry".

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The report estimates that by deploying bitcoin's underlying technology to run some processes, like finance reporting, the eight banks analyzed could reduce infrastructure costs by an average of 30 percent, helped by better data quality and transparency.

Costs associated with compliance, business operations such as trade support and centralized operations such as know-your-customer checks, could fall by up to 50 percent.

Their estimates did not include potential costs and investments required to deploy the technology.

While sounding an optimistic note on the emerging technology's potential, the report warned that if regulatory hurdles prevented blockchain's widespread adoption, banks would not reap any of its benefits.

"After the credit crisis of 2008, regulators will likely be reluctant to materially reduce the role of newly created and strengthened clearing and settlement infrastructure...

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without being absolutely confident that blockchain networks are a safe, secure and resilient alternative," the report said.

(Reporting by Anna Irrera in New York and Jemima Kelly in London)

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