



Blockchain: Swift enough?

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Last month I had the honor of being invited by SWIFT to join its Distributed Ledger Technology (DLT) and Cyber Security sessions at SIBOS in Geneva – and to take part in the DLT session wrap-up. It was a fantastic experience, not least because of the excellent organization of my friend [Peter Vander Auwera](#) at [Innotribe](#).

The experience confirmed for me two of my current working hypotheses regarding blockchain uptake in financial services:

- Blockchain is indeed **predestined to transform banking**
- Blockchain **will not be going mainstream in financial services as fast** as many think

I subsequently explained my reasons for believing the second point in both [the Financial Times](#) and my [blog](#). So I won't go into that here.

In this post, I would like instead to summarize some of my other insights from those sessions, as I think they really shed light on the status of blockchain in the industry at the moment, and the role organizations like SWIFT might play.

Off to the races

First off, there is no doubt that blockchain is coming and that we've entered a race to get into production.

In a survey we did of session participants, 35% said they had serious proofs of concept in the works, 10% more than last year. They aren't just working on their own: the R3 consortium has more than 40 proofs of concept in the works.

But right now most of the action – and a lot of the press – is in areas like cross-border payments and trade finance. As I wrote in the FT, these are low-hanging fruit.

The real question for banks is where else can this go? How can banks use blockchain's promise of real time speed, reduced complexity, and reduced risk to improve current business or operating models. Or better yet, leverage those capabilities for completely new products and services – exploring the blue ocean of possibilities no one is yet focusing on.

I think the answer will depend on several fundamental factors. Among them:

- Will the financial industry be able to **recognize blockchain's transformational nature** as a broad-based, open source, decentralized platform, or will it continue to try and use it as a fancy new database to support the current setup?
- Can we solve blockchain's **performance and scalability** issues?
- Can we deal with the **complexity of multiple distributed ledgers** and asset classes to get true interoperability?

Coming together

Another theme was collaboration. We naturally talked about the current supportive regulatory environment (the subject of a [previous post](#) as well).

We also talked about collaboration on business standards – a prerequisite for broad-based platforms. Will we need new standards, or will we be able to port existing ones – ISO 20022 messaging as recommended by SWIFT comes to mind – into the new arena? This is an interesting question, as well as a reminder that blockchain is by no means just a tech play.

We will also need leadership to drive and coordinate collaboration. We will likely see this from the small teams working in consortia or other cross-industry groups, or perhaps an existing entity like SWIFT, which can act as a kind of United Nations of banks.

Not so SWIFT?

Which brings me to the last main thread of the sessions: the role of SWIFT in a blockchain world.

There is no doubt that SWIFT faces a challenge from the blockchain. The best example is what is happening with Ripple, which offers banks real-time payment settlement and radically reduced costs, and will enable new types of high-volume, low value global transactions. SWIFT's counter effort, its GPI initiative, is very interesting and progressing, but – despite garnering considerable support and momentum at Sibos – at the moment doesn't match Ripple's DLT capabilities.

Yet the SIBOS sessions underscored for me how organizations like SWIFT still may have a significant role to play.

Let's not forget that SWIFT's membership includes more than 11,000 financial institutions in over 200 countries. That's an asset. So is its experience as a standards setter, and with such things as access control, identity management, structuring of Service Level Agreements and managing a high volume, global network. SWIFT could be a natural home for a permissioned distributed ledger, with the advantage of an established brand and trust.


It will be very interesting to come back to SIBOS next year and see how all this has played out.

This was originally published at [FinTech Pulse](#), Oliver's blog featuring megatrends, digital transformation and innovation in the FinTech industry. Read more at www.oliverbussmann.com/blog and follow Oliver on [Twitter@obussmann](#).


Watch the full video of the [DLT and Cybersecurity: SIBOS week wrap-up](#).

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A remaining question in the minds of the incumbents is surely that of the cryptocurrencies associated with blockchains. Will banks agree to use 3rd party cryptocurrencies as mediums of exchange, regardless of the associated benefits? Further, do they understand the risks of these cryptocurrencies, which are also speculated upon and traded?

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