

Blockchain: Gateway to the Future of Finance

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Blockchain technology creates a blank canvas of possibilities, driving us to reimagine how we conduct the world's most fundamental businesses processes, opening the door to invent new styles of digital interactions. Originally devised for the digital currency, bitcoin, the blockchain platform has the potential to remove the barriers and detours currently imposed on financial transactions with a novel approach. It's now easier than ever to create efficient business networks where virtually anything of value can be tracked and traded, without requiring a central point of control.

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"The implications are vast," according to [Elizabeth Polanco Aquino](#), CEO of NIVELLO, a blockchain-based security company in New York City. "Transaction clearinghouses in areas like securities trading or real estate title search firms could become obsolete, and industries like media, health care and agriculture could experience dramatically lower costs — and faster and more efficient processes."

How it works

Blockchain — the foundation of bitcoin and other similar payment systems — uses a sophisticated and decentralized digital record-keeping encryption ledger allowing direct peer-to-peer asset transfer and universal, synchronized information sharing without relying on a trusted third-party authority. The digital ledger is available on a network of computers. When a transaction happens, the parties propose a record to the ledger. Records are bundled into "blocks" (groups for processing), and each block receives a unique fingerprint derived from the records it contains. Each block includes the fingerprint of the prior block, creating a robust "chain." It's very easy to verify the integrity of the entire chain — and nearly impossible to falsify historic records.

What it means for business

For business leaders, the important element to understand about the blockchain platform is the ability for someone to add a transaction in a way that can't be duplicated and for others involved in the blockchain to verify that transactions are legitimate in near-real time. "It enables a network where different participants and entities come together in a single infrastructure to initiate some kind of function or transaction," explains Polanco Aquino. "We

ultimately arrive at a shared view of the world that minimizes reconciliation, reduces transactional friction, increases cybersecurity and creates opportunities for new products and services.”

Blockchain enables businesses to generate value in three key ways:

Trims costs to generate operational efficiencies. The blockchain platform reduces the need for third parties. The data that is submitted and kept on the ledger that has a level of veracity and trust that can be maintained in a fully decentralized way. Blockchain transactions eliminate these redundant intermediaries, which streamlines processes and lowers cost.

Reduces risk. Blockchain is a secure network. You can streamline and share secure information among participants in your business while eliminating operational technical failures or cyberattacks as you have a resilient, centralized system with no point of failure, reducing operational risks.

Regenerates new business and product opportunities. By eliminating redundant intermediaries, blockchain allows you to create streamline automated processes. You start to see how that flows into reduced settlement time, improves liquidity, and replaces the escrow function of banks. These cost and time savings can be used to package new business opportunities to grow and product new products.

For business leaders, these benefits could mean easier access to capital as administrative hurdles are removed, but like any new technology, there are challenges. Industries that are regulated and fragment globally such as banks, health care, energy and insurance need to ensure a set of standards and protocols, and provide the necessary regulatory framework. Then there is the speed of adoption of blockchain across industries.

“In order for the blockchain technology to create value for the business leader, it is essential to get as many participants who they do business with to join,” says Polanco Aquino. “The best platform can be designed with minimal risk and cost, but unless you can develop it into a network, you will hinder the value for you and your company.”

Is now the time?

Central banks around the world are beginning to come together to discuss and agree on how fiat currency (digital currency that is recognized and forced into circulation by a government as opposed to bitcoin which does not have to be accepted by the receiving party) is being represented. They also are experimenting into how they can change and dictate banking policies. Countries such as Singapore have experimented with a prototype

solutions, such as the [Project Ubin](#), that could digitize Singaporean dollars into the market. However, it's going to take time, according to Polanco Aquino. The rate and speed of adoption is crucial.

"Over the past year, these banks have publicly talked about how they see value in representing cash on ledger in terms of ability to access cash for the general population, or the ability to ensure there is enough liquidity in the market when a recession strikes," says Polanco Aquino.

Business leaders considering the move to blockchain should:

- Educate themselves with the basics of blockchain and what it can and cannot do.
- Identify pain points for the business and its clients that blockchain can relieve, such as reconciling manual transactions.
- Decide how much to invest in the solution

"You can equip your internal tech teams and bring the technology in house or you can partner with existing service providers," says Polanco Aquino. "Even better, collaborate with your peers in the industry to go in together into blockchain.

Over the next five years, Polanco Aquino believes we'll see the commercialization of applications that are working with an underlying blockchain component with an emphasis on securities and asset obligation. "I'm excited about what's coming next. Blockchain is a disruptive force that has huge implications for a lot of areas within enterprise business."

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