

TECHNOLOGY TREND 3

NETWORKS #REIMAGINED – BLOCKCHAIN FOR BANKING AND BEYOND

In December 2016, we predicted that enterprises would take Blockchain out of the lab and into production in 2017; twelve months later, we can safely say that that prediction has come true.

PwC's 2017 Global Digital IQ Survey says that 9 percent of financial services firms are substantially invested in blockchain. Research from Infosys Finacle and LTP concludes that the industry expects commercial blockchain adoption between 2018 and 2020, while Accenture predicts mainstreaming by 2025.

Analysts may differ on the details, but all agree that the technology is set for rapid growth in the next 5 to 10 years. Heading into 2018, these are the key trends in blockchain:

A big development will be the maturing of existing ecosystems and emergence of a number of new ones, buoyed by the results of pilot projects. For example, after Emirates NBD and ICICI Bank put their international remittance transactions on a blockchain network, turnaround time was down to less than 30 seconds. The ecosystems that will emerge in 2018 will be richly diverse; there will be global, regional, local and even intra-group ecosystems which will range from purely "bank and bank" partnerships to large networks comprising financial and non-financial entities, such as suppliers, regulators, trade associations, entities that are closely associated with banks, such as clearing and settlement houses and brokerages, and shipping and logistics companies. This will lead to even transactions in physical goods joining financial transactions on the blockchain network. More ecosystems will mature revolutionizing the existing processes across different banking segments and lines of business.

Once the ecosystems are set up, they can be extended very easily to new members and even new purposes. For instance, the Emirates NBD - ICICI Bank network can easily admit a new bank without the effort and expense of establishing a correspondent banking arrangement and dedicated host-to-host integration, by simply adding a new node on the blockchain, in a matter of minutes. And an ecosystem such as Finacle Trade Connect, originally set up to carry trade finance transactions, documentary credit etc., could well support syndicated lending or sector-specific commercial banking services in the future.

Cross-border payments, digital identity management, clearing and settlement, letter of credit process and syndication of loans will be the most preferred use cases for blockchain application according to our research with LTP. According to IDC, 20% of trade finance globally will incorporate blockchain/distributed ledger technology by 2020. Banks that have taken some of these use cases to production can expect to see benefits in terms of increased transparency, reduced complexity and process efficiencies

Our second big prediction for 2018 is a shift in regulatory attitude towards greater openness and a willingness to support blockchain ecosystems. We at Infosys are seeing a great deal of interest from quasi-regulatory entities such as IDRBT (Institute for Development & Research in Banking Technology) and Lanka Clear in the networks we helped establish. Globally, regulators from the Bank of England to the Monetary Authority of Singapore and the Hong Kong Monetary Authority, are evolving standards to help their banks join and benefit from these ecosystems.

Blockchain action in 2017 was driven mainly by large, progressive banks. In the coming year, it will enjoy wider participation – from the leaders and early adopters for sure,

but also from fast followers. And with regulators getting into the act, 2018 will see blockchain becoming serious business.

Blockchain is becoming serious business

2018

Industry expects commercial blockchain adoption between 2018 and 2020⁵



2020, 80%

of financial market to adopt Blockchain by 2020⁶



Blockchain in 2017 was driven mainly by large, progressive banks



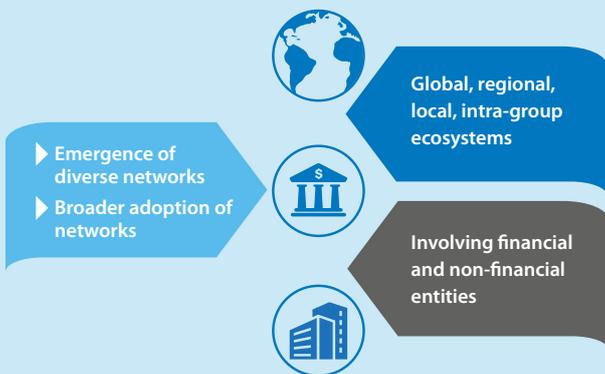
Regional: Emirates NBD and ICICI Bank put international remittance transactions on blockchain

Intra group: Commercial Bank, of Qatar with its subsidiaries piloted cross border transactions in India-GCC corridor

Local: 11 banks in India have partnered to be on a pilot trade finance network

Predictions for #Blockchain In 2018 and beyond

The ecosystems that will emerge and mature in 2018 will be richly diverse



Most preferred use cases:

Cross-border payments
 Letter of credit process
 Digital identity management
 Clearing and settlement
 Syndication of loans

Wider participation from fast followers, regulators

Shift in regulatory attitude towards greater openness and a willingness to support blockchain ecosystems