

Are **Blockchain** and **Digital Assets** About to Transform Finance ?

As part of our TechCity Connect series, we look at how **Blockchain** and **Digital Assets** have come of age. How is this tech making the difference to financial institutions? And how can it transform the entire financial services sector?

The rise of Blockchain and Digital Assets

Over the last ten years, we've seen Blockchain gaining ground in financial services. Financial institutions are starting to see its power to provide robust and regulation-grade infrastructure, supporting the digital transformation of traditional financial assets and processes. The adoption of Digital Assets by financial institutions is also on the rise – as demonstrated by the fact that the European market for tokenised assets is set to reach \$1.5tn by 2024 ([Daily Hodl, 2019](#)).

The disruptive Blockchain, or Distributed Ledger Technology (DLT), has a great many use cases beyond digital currency that organisations are exploring. For example, large firms like IBM are using DLT to improve the reliability and agility of supply chains ([Forbes, 2020](#)). Even the United Nations (UN) is building projects around the technology for inter-agency cooperation ([Forbes, 2020](#)).

The key advantage of Blockchain in the financial world is built on the digitalisation of value.

Digital Assets are changing the way global firms approach transactions and transfer value – enabling them to reduce risk, lower costs, and create new market opportunities. All of this points to Blockchain being a technology that has come of age. But is it ready for mainstream adoption? Why should firms pay attention to it?

Why your business can no longer ignore Blockchain

A major criticism of Blockchain technology is that it's too volatile for mainstream financial institutions. This is a problem caused by lower adoption rates, which means less activity, a smaller community of users and less trust placed in the technology. The more firms use it for a wide variety of financial activities, the less volatile it'll become. Also, when the volatility of the stock market outweighs that of the digital markets ([News BTC, 2020](#)), it forces firms to challenge their assumptions of stability and how it's delivered.

A move towards the widespread use of Digital Assets and digital currency is building. The Bank of International Settlements (BIS) has called for the implementation of Central Bank Digital Currencies (CBDCs) amid the COVID-19 crisis ([Coin Telegraph, 2020](#)), while China is poised to launch its own CBDC ([Forbes, 2020](#)). This suggests that the rise of Blockchain adoption seems largely inevitable, despite the concerns of regulators. Even last year, a Deloitte report found that 53% of executives viewed Blockchain as a critical priority for their business ([Forbes, 2020](#)). We could even be moving towards a scenario where Digital Assets become a major regulated asset class.

To achieve this however, Blockchain will have to reach a new level of maturity – convincing regulators and firms alike that it can meet the same security, privacy, KYC and AML requirements as traditional financial markets.

How Blockchain is transforming Finance

Despite the concerns over its maturity, Blockchain is already demonstrating the ability it has to transform the Finance industry. For instance, applications built on Blockchain can change the nature and speed of transactions – creating ways to transfer secure cross-border payments 24/7 in real-time. Cutting out intermediaries, it drastically reduces the time and costs needed to make these trades.

The use of Blockchain and Digital Assets creates further opportunity for agile challenger banks and major tech firms to offer differentiation in Finance.

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An example of this in action is challenger bank Revolut launching digital currency payments ([Chipin, 2020](#)), a move that will increase access to digital currencies and put the pressure on other institutions to follow.

Beyond currency, Blockchain will completely change firms' approach to assets. Digitising traditional financial assets (such as equities, loans, bonds, funds, real estate, art and other securities), Blockchain will open up new business opportunities – bringing liquidity to previously illiquid assets.

There are also other ways in which Blockchain will shape the future of financial processes. Being built around the concept of ID, Blockchain can supply users with one identity. And this single source of truth is important for KYC and AML compliance in banking services.

Based on this, Blockchain is no longer a niche technology that firms can largely ignore. It looks set to transform the Finance industry and create exciting new markets. However, one big question remains: is it mature enough to become the future of finance?

Discover more

Explore this topic further and discover how Blockchain and Digital Assets have come of age.

Join us for Blockchain – The Future of Finance
6th May at 14:00 – 14:45 BST



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