

Blockchain – the time is right, but we’ve only just started

In an exclusive interview, *Darryl Twiggs, SVP Strategic Initiatives at financial transaction lifecycle management solutions provider SmartStream*, discusses why now is the right time to embrace blockchain.

Good timing is everything. Too soon and potential failure looms. Too late, then it could be a game of constant catch-up.

For Twiggs, SmartStream has taken the right approach, and moment, when it comes to using blockchain.

“We’ve been monitoring blockchain for a couple of years now. Looking from a technical point of view initially. Secondly, at the potential impact it would have on financial services overall.”

Now it sees blockchain as a “fundamental revolution” for back office to middle office processing.

To SmartStream, the technology principle of a decentralised central ledger, immutability and a complete audit trail has “huge benefits” and the option to streamline fractured processes.

For those who may wonder if there will always be a requirement for reconciliation, he is very clear on the subject.

“I often smiled when some of our clients very cheekily said to us – ‘with blockchain we’ll lose the need for reconciliations’ – and I said to myself – ‘will that then suddenly improve the fat finger of the trader who puts an extra zero on the trade value?’”

He states that reconciliations will move from a post-settlement operation to real time.

HERE’S PROOF

SmartStream has been looking at how it can participate for a while.

Twiggs explains that SmartStream products have been architected for cloud operations for more than ten years. “A blockchain to us is another manifestation of cloud technology.”

Last year, it did a proof of concept with Ripple. It integrated its liquidity management solution to take the payment off the block – and updated its solution with a transactional balance and validate the position on the block itself.



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Darryl Twiggs, SmartStream

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But there is also a note of caution for banks.

“In my view they have evaluated the tech capability but they haven’t understood, yet, the pure impact potential.

“They’ve been looking at something very narrow. So they often looked at interbank payments. Well, Swift is an

interbank payments system, and they still have private network payments and RTGS. Just switching technology is not enough.

“If you look at more complex situations – which end up in a payment – then you really start to see the benefits.”

ON THE WAY

In terms of specific plans and what lies ahead, Twiggs says it has been validating its data, and its solutions will integrate – notably with Hyperledger Fabric.

The result of that evaluation is that it set up an innovation lab, with blockchain as one team and artificial intelligence as another.

It has always had an R&D team but now it is “externalising” to do “greater validations” without impacting its production environment.

SmartStream is looking to set up an innovation office in Cambridge (UK), following a first one in Vienna.

The firm can offer a lot. Twiggs says its solutions support the principle of endorsement and message exchange. In addition, it can provide services, such as network operations.

Twiggs comments: “We are over the hype that was generated by cryptocurrency. All the central banks have made a statement, in terms of regulatory jurisdictions, and have also produced reports in the last six months, in how they view blockchain as an operating network. They are in favour of it.”

SmartStream is looking to launch its offerings next year. For Twiggs this is most definitely the right time.

“To our business and customers, we saw that blockchain now is starting to get to the point where it is robust, fully encrypted, secure... and it can perform.” **bt**