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Opinions

Blockchain Technology Poised to Shake Up Main Street and Wall Street

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Posted by [Neal Leavitt](#) on September 28th, 2015 at 6:54 pm



Because it's still relatively new, most consumers - and marketers - probably don't have a clear understand of bitcoin. But it's really the blockchain – the technology underpinning the digital currency – that could have a huge impact on financial and consumer markets.

Gil Luria, a financial technology analyst with [Wedbush Securities](#), estimates that 20 percent of U.S. GDP – about \$3.6 trillion – is generated by industries that could be disrupted by blockchain technology. And Aite Group, a market research consultancy, predicts that capital markets will spend \$75 million this year alone on developing blockchain technology, reaching more than \$400 million in four years.

So what exactly is a blockchain? In brief, it acts as a globally-distributed ledger that logs transactions.

Here's one concise explanation from [Re/code](#):

“A blockchain is essentially a record of digital events – one that's “distributed” or shared between many different parties. It can only be updated by consensus of a majority of the participants in the system. And, once entered, information can never be erased. The bitcoin blockchain contains a certain and verifiable record of every single bitcoin transaction ever made.”

Regardless of what you think about bitcoin, the blockchain itself has so far worked flawlessly, enabling strangers, notes *Re/code*, “to hold and exchange digital money in a completely transparent way – without having to trust each other or any central authority.”

And here's one real-world example – when someone uses bitcoin to buy a cappuccino, the transaction is recorded on a ‘block,’ or a file of data. Once a block is full, the next block created includes computer code that refers to the preceding block. The result is the blockchain – a permanent string of records.

Bitcoin blockchain technology may also eventually be adopted by quite a few of the world's leading banks. A partnership recently assembled by financial tech firm R3 includes nine global financial institutions that will be discussing how to design and deliver distributed/shared ledger technologies to financial markets. The partnership will also try and establish standards and protocols. Participants include Barclays, Goldman Sachs, JP Morgan, State Street, UBS, Royal Bank of Scotland, Credit Suisse, BBA and Commonwealth Bank of Australia. The banks are keenly interested in the blockchain method because it is supposed to make fraud more difficult.

"These new technologies could transform how financial transactions are recorded, reconciled and reported – all with additional security, lower error rates and significant cost reductions," said Hu Liang, Senior Vice President and head of Emerging Technologies at State Street.

So how will this all play out? Writing in [Forbes](#), Laura Shin noted that this shared ledger approach could

streamline recordkeeping and property transfers – from land titles to patent and trademark holdings. Shin added that Deloitte, the world’s largest accounting firm, is studying blockchain systems for auditing, reconciliation and other functions, “which could sideline legions of CPAs.”

Shin added that while eliminating certain jobs and possibly entire professions, the blockchain – if readily adopted – could result in creating new marketplaces, e.g., for trading mobile telephone minutes and energy credits.

There may also be an “explosion of micro transactions on the Web,” she said. “The Internet of value, linked up with the Internet of Things, could transform the supply chain and global trade.”

And on the consumer side, blockchain technology may soon result in trades and specialization we can’t even fathom today.

Chris DeRose heads up the Counterparty Foundation, a consultancy that advises businesses and organizations on how to integrate Counterparty technology and software (a financial platform for generating peer-to-peer financial applications on the bitcoin blockchain).

Writing in [American Banker](#), DeRose said it’s not a stretch to imagine users reconciling account needs between their Facebook profiles, World of Warcraft guilds and Instagram followings.

“Financiers will be able to create futures markets for ad impressions, airline tickets and LinkedIn connections. And loans could be collateralized from the value earned by answering questions on StackExchange, alongside ownership of rare online goods and assets,” said DeRose.

The power of the blockchain, he added, lies in its ability “to become the lubricant by which markets cross borders, risk profiles and silos. These changes will affect society in much the same way that the Internet crossed markets, reduced risk and opened information silos in the first part of the 21st century. This is the future of the blockchain.”

Will the blockchain usher in money’s new operating system? Has the renaissance of money already begun and with it, open up a new way for consumers and marketers to do business?

Jury’s still out, but a lot of smart people in technology think so.

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