

# Working together to put blockchain into banking

By  Danette Breitenbach

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Banks are grappling with blockchain, applying it to almost everything from digital identity to cross border payments. What these institutions need to understand is that blockchain was designed to create an open environment with a collaborative ethos in mind. So, the longer financial institutions hold on to the way that the world looks now, and their role as banks, the more it is going to hold them back.



Naomi Snyman, chair of the South African Financial Blockchain Consortium and blockchain lead for Standard Bank

“We need to work together in terms of what we are using blockchain for, how we run our business and how we actually change the way that we are making money today,” says Naomi Snyman, the chair of the South African Financial Blockchain Consortium and blockchain lead for Standard Bank.

## Consortium

South Africa has come pretty far when it comes to blockchain, she says. The consortium has 55 members from across the financial industry, including lawyers and insurers. The regulators are also involved as observers.

“It is important to have the regulators as observers in the consortium because it is key to what we want to drive. For the change that is required to facilitate the growth of blockchain, we need these key parties on board.”

Although blockchain creates this promise and a future vision of decentralisation, she says, for a couple of components such as payments, digital identity or digitisation of assets, you still need parties such as the central bank to give the go ahead. “That’s just the way that we are regulated.”

Collaboration is essential, as industry participants worldwide have found. By keeping what they are doing with blockchain to themselves, they are getting stuck at pilot project stage and therefore its taking longer to achieve a network effect.

“People have also realised that the more I keep to myself the more I am holding myself back. You need participants to join your network and for it to flourish and solve a significant industry problem,” she says.

Through the consortium, stakeholders can assimilate information and educate one another on the actual value of using blockchain, and demonstrate how the technology works and can be used. “This creates a great environment for us to succeed,” she says.

## The role of the regulator

Also, key to what drives tech adoption is the role that the central bank plays. Last year the South African Reserve Bank (Sarb) created a new fintech unit. “It is looking at private cryptocurrency regulations, new ways to achieve financial inclusion and how to embrace technology within financial inclusion, and lastly the role of the Sarb and other regulators have to play in terms of creating a fintech acceleration or innovation hub,” she explains.



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An important part of Naomi’s job as chair of the consortium is to educate people in understanding and distinguishing the difference between the market sentiment around cryptocurrencies - the absolute hype around Bitcoin especially - and what blockchain is and the benefits it can provide for organisations.

## Financial plumbing

If banks are to be successful in applying blockchain, it would be to provide the financial plumbing at the back end. In other words, the benefit to the consumer would be indirect, like being paid quicker.

“He would not know specifically that blockchain was being used as is the case with any great technology, as it is with AI, or robotics,” she adds. This is a very different conversation than the one on cryptocurrencies.”

Where South Africa sits in terms of the technology globally is a difficult one to answer, she says. “This is because as with any technology you have to ask is this going to be led and driven by bigger corporates or is it the fintechs in the space or how the regulators facilitate it?”

“While we have some great fintech in this space, we do not have as many as we would see in a Singapore, which rates number one as far as fintech experimentation is considered.” However, she says we are not last, but in the upper quintile.

## ABOUT DANETTE BREITENBACH

Danette Breitenbach is a marketing & media editor at Bizcommunity.com. Previously she freelanced in the marketing and media sector, including for Bizcommunity. She was editor and publisher of AdVantage, the publication that served the marketing, media and advertising industry in southern Africa. She has worked extensively in print media, mainly B2B. She has a Masters in Financial Journalism from Wits.

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