

BLOCKCHAIN: BANKS MUST ADDRESS THE ISSUE, PUTTING ASIDE THEIR DOUBTS

ALESSANDRA FABROCINI

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In the light of the changes that concerned the money and financial markets, the banks have already transformed many peculiar aspects of their approach to banking.

Technological innovation is progressing very quickly and continuously. The regulatory changes have had an impact that can't be underestimated. Just think of the PSD2 which aims to harmonize the rights and obligations regarding electronic payments and to favor the creation of innovative electronic payment systems for online commerce. Moreover, the GDPR aims to respond to the challenges posed by technological developments and new models of economic growth, taking into account the needs of protection of personal data felt by citizens of European Union countries.

In the perspective of an ever-increasing development of open-banking and a full-service and multi-channel bank, the banks are providing to implement their services and their systems.

This is the context in which it became essential for banks to address the Blockchain and DLT (Distributed Ledger Technology) theme with the objectives of processing payments more accurately and quickly and reducing operating-costs without neglecting security management, identity and contracts.

With the unpermissioned ledger technology that underlies the Bitcoin cryptocurrency, the Blockchain appeared as a threat to the banking system. The fundamental problem was the absence of an intermediary that caused uncertainties in terms of security and responsibility. Instead, nowadays the banks' interest in Blockchain technology is clear, in particular focusing attention on the permissioned logic. A decentralized register configured as a permissioned can be subject to the control of certain subjects.

At international level, the central banks are showing a strong interest on the blockchain and they are proposing many research projects and pilot projects on blockchain. This is evidenced by the White paper published by the World Economic Forum (WEF) in March 2019 entitled "Central Banks and Distributed Ledger Technology: How are Central Banks Exploring Blockchain Today?". Moreover, at the European level, the Call for a workshop on "P2P financial system" is very recent; in particular, the European Central Bank and the University College London Center for Blockchain Technologies

are hosting a workshop on peer-to-peer (P2P) financial systems on the topic of decentralized finance (DeFi).

The various testimonies demonstrate the high level of attention towards the blockchain theme and the awareness that Distributed Ledger Technology can guarantee that the credit world is more accessible, less expensive and more efficient.

The urgency of an adequate regulatory framework on the blockchain is evident: there is a need to rules, but not too many; there is a need to standards, but only if widely shared. We need to accompany the innovation process we are talking about, without stopping it but learning to use its strengths and creating an effective connection between Blockchain and GDPR that allows us to create "security by design" solutions, guaranteeing pseudonymisation and data minimization.

Source: European Central Bank

Link:

https://www.ecb.europa.eu/pub/conferences/html/20190726_joint_ECB_UCL_P2P_workshop_CALL.en.html