CFTC Commissioner: Credit Default Swap Test 'Proves Merit' of Blockchain

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Recently completed blockchain and distributed ledger tests at major financial institutions are "proving the merit" of the technology, J Christopher Giancarlo, commissioner of the US Commodity Futures Trading Commission (CFTC), said today.

In a keynote address at an event held today by the Cato Institute, Giancarlo cited a recent "successful test" of the use of blockchain in the credit default swaps markets. Announced earlier this month, the trial was organized by the DTCC and involved participation from Bank of America, Citigroup and Credit Suisse, as well as industry startup Axoni.

"I believe this exercise proves that there is merit to the potential of distributed ledger technology," Giancarlo said. "Other similarly promising projects are underway."

Involving 85 examples of the distributed ledger network's functionality and resiliency, Giancarlo used the test as an example of how the technology is outpacing regulators and as evidence of his personal view that regulators should pursue a "do no harm" approach to regulation.

Touching on a wide range of subjects from the collapse of Lehman Brothers to the advent of bitcoin and its underlying blockchain, Giancarlo's speech covered many of the same subjects first introduced in his speech at the DTCC's Blockchain Symposium in late March.

"For market participants, DLT [Distributed Ledger Technology] may help manage the capital complexity brought about by the disparate mandates promulgated by regulators here and abroad," he said.

On the regulatory side, Giancarlo indicated that he believes that global regulators need to harmonize how they share data, and that blockchain could provide a solution.

Still, Giancarlo expressed the worry that regulation could come from "a dozen different directions", a prospect that he used to support the idea that global regulators need to unite to provide oversight for the industry while preserving benefits.