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## SWIFT Attracts Jeers and Praise for Distributed Ledger Embrace

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Will the blockchain replace SWIFT?

No fringe concept, the question has long been openly asked by innovators in the blockchain industry as well as FinTech professionals due to the potential of the technology to replace financial intermediaries.

As the "global backbone of the financial industry", this is notably one of the core functions that SWIFT today serves.

Accordingly, the question of how SWIFT would respond to this potential threat gained new definition this week with the news that the financial messaging services provider is working to build its own distributed ledger platform. While it's no secret that SWIFT had been exploring the tech, such conversations had previously been highlighted mostly as part of its events, research and its affiliation with the open-source, Linux Foundation-led, Hyperledger project.

Details as to what this could look like were scarce, but SWIFT did suggest its proofs-of-concept currently are exploring how it would integrate distributed ledgers in its SWIFTnet PKI security layer and assess interoperability with its existing electronic data standards, among other use cases.

Still, SWIFT ultimately made clear that it does not believe distributed ledgers are "mature enough to fulfill the requirements of the financial community", statements that come even as a growing number of the 11,000 financial institutions it offers services explore this question.

Advances in using distributed ledgers for financial messaging are already gaining ground, with tech-friendly payments services providers, including CGI Group, Earthport and IntellectEU, all offering products based on Ripple's technology.

Amidst this backdrop, the news seems to have sparked a diversity of reactions.

There were positive signs from existing partners that saw the move as a step in the right direction, while more progressive minds like Barclays' Simon Taylor called it a "me too" moment two years late".

Still, Spencer Bogart, equity research associate at Needham and Company, perhaps best summed up the overall sentiment, citing it as evidence of blockchain's market momentum.

Bogart told CoinDesk:

*"SWIFT's announcement is superfluous evidence of what blockchain industry insiders have known for years – that blockchain poses a real and existential threat to financial intermediaries."*

### **Lukewarm praise**

While Simon was arguably drastic in his statements, most respondents indicated that they believe SWIFT's plans are perhaps best read as a sign it believes its role in the financial markets could be at risk.

Alex Tapscott, CEO of Northwest Passage Ventures, for example, argued that while it would be "overly simplistic" to say blockchain would replace SWIFT, the organization can't conduct tests on the "margins of the system" given its potential.

"[SWIFT] should reinvent themselves completely with blockchain at the center of that strategy," he advised.

Don Tapscott, author of the forthcoming book "Blockchain Revolution", however, chose to see the event as a net-positive given the difficulties, he said, the financial industry has historically had embracing new technologies.

He said:

*"SWIFT shows signs of avoiding the law of paradigm shifts: 'Leaders of old paradigms have the greatest difficulty embracing the new.'"*

### **Sharp critiques**

Still others were more critical of the report and what they asserted was the lack of specifics it provided to the market.

Respondents as diverse as Dave Birch, director of innovation at electronic transactions advisory firm Consult Hyperion, and Jim Harper, senior fellow at public policy research organization the Cato Institute, reported confusion about the language used and the ideas employed by the report.

"The report talks about some proofs-of-concept in SWIFT Innovation Labs but does not describe what they are in enough detail for me to say anything sensible about them," Birch told CoinDesk.

Specifically, he cited certain proposed positive attributes of distributed ledgers, including "traceability of transactions" and "efficiency in broadcast information", as areas where he believes the technology is weak today despite SWIFT's claims otherwise.

Overall, Harper said he wasn't optimistic in his assessment of the report, dismissing SWIFT as "entertaining" due to certain assertions about blockchain networks.

"I see distributed ledgers having little chance of moving forward under SWIFT's auspices," he told CoinDesk. "One of the principle offerings of blockchains, and especially the bitcoin blockchain is trustlessness, and SWIFT's value-add is the trust network it has built."

Elsewhere, Spencer said the big question facing SWIFT was how its distributed ledger platform would evolve and how centralized it would be with the organization at the helm.

### **Industry innovator**

That's not to say there wasn't praise for SWIFT and its report.

Of the respondents, those whose products and services currently work with the SWIFT network were the most positive about the announcement.

Hanna Zubko, VP of business development at IntellectEU, for example, stated that the middleware solutions firm has "always advocated" that SWIFT should embrace distributed ledgers.

Zubko lauded SWIFT as a reliable and innovative partner and a welcome addition to the distributed ledger ecosystem.

"Nothing will fundamentally change overnight, only careful first steps are taken, but in a very promising direction to say the least," she said.

Likewise, Michael O'Laughlin, who leads blockchain development at CGI Group, said he saw the announcement as a validation of his firm's work with distributed ledgers.

Still, Birch noted that those reading reactions should be careful in how they interpret the news, arguing that disruption is likely to happen differently than most believe.

As such, he asserted there would likely still be a need for the organization, even if distributed ledgers were broadly embraced.

Birch concluded:

*"I'm sure a shared ledger implementation could replace the SWIFT system — it's easy to imagine banks having SWIFT gateways but there's no SWIFT in the middle because every gateway contains the ledgers — but it won't replace the SWIFT organization."*