

Blockchain has come to Bay Street, but will Bay Street get on board?

Corporate Canada's adoption of the technology that is expected to have a huge impact on the financial world has been mixed



IBM, the 107-year-old U.S. technology company, has thrown itself into blockchain, becoming one of the leaders in the industry. *Canadian Press*



GEOFF ZOCHODNE

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Blockchain has come to Bay Street, and corporate Canada is giving it considerable thought.

Last week, chief investment officers and investors at some of Canada's top pension funds and financial firms met with one of the leading authorities on the technology: Bridget van Kralingen, International Business Machines Corp.'s senior vice president of global industries, platforms and blockchain.



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Though she did not name names, van Kralingen said in an interview that the Canadians had expressed interest in the distributed ledger technology, including how it works and the processes for which it seems best suited.

"I think there's two agendas: one is using for their own companies, and maybe the networks they're trying to build, or the platform businesses they're trying to build," van Kralingen said. "And then secondly, looking at it as an investor."

IBM's pitch to Bay Street may have fallen on attentive ears, as some of Canada's biggest companies have expressed interest in the technology, which is best known for its association to the cryptocurrency bitcoin.

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The day before the Post sat down with van Kralingen, Bank of Nova Scotia president and chief executive officer Brian Porter told reporters at an annual meeting of shareholders that Canada's third-largest lender is "a big believer that blockchain is going to have a huge impact on the future of banking."

And IBM, the 107-year-old U.S. technology company, has thrown itself into blockchain, becoming one of the leaders in the industry. Big Blue has also formed partnerships based on it, including one with Danish shipping giant A.P. Moller-Maersk A/S, which aims to streamline global trade using blockchain.



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“And the minute you accelerate the process, you make money, the economy moves faster.”

But van Kralingen said the adoption of blockchain in corporate Canada has been “mixed” so far.

She told the Post that some statistics she’d seen showed less than 50 per cent of Canadian CEOs were thinking about experimenting or doing a proof of concept with blockchain.

“So that felt low, which was surprising to me, because this is obviously a very technology-savvy country, and is trying to lead in new tech such as AI,” van Kralingen said.

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However, she added, there have been some good individual examples of Canadian companies embracing the blockchain, such as SecureKey Technologies Inc.

IBM and the Toronto-based company are using blockchain for a “digital identity and attribute sharing network” that aims to make it easier for consumers to verify their identities for certain services.

SecureKey has attracted a number of big players: Bank of Montreal, Bank of Nova Scotia, Canadian Imperial Bank of Commerce, Desjardins Group, Royal Bank of Canada and Toronto-Dominion Bank were part of a \$27-million investment in the company announced in 2016.

TD Bank president and chief executive Bharat Masrani has also recently sung the praises of blockchain.

“From TD’s perspective, we find the technology in various cases attractive,” Masrani told the audience at his company’s recent annual meeting. “We are experimenting as to where it could apply in our business.”

Asked by a reporter later about the sorts of experiments TD was conducting, Masrani noted they were part of the R3 consortium of

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system, et cetera.”

Masrani said there may be some efficiency gains at some point, but that there is also the potential for a better customer experience as well.

“Here, you’re sharing a ledger, a distributed ledger, and that is one version of the truth,” Masrani said of blockchain. “That is going to make the situation less inefficient, both from a customer experience perspective, speed perspective, transparency perspective, and a record of the transaction.”

While Masrani said TD had not yet deployed blockchain in any of its businesses, Bay Street may also have no choice but to get with the times, and fast. Campbell Harvey, a professor of finance at Duke University, told a conference at the University of Toronto’s Rotman School of Management in March that more than half of the class of 2018 would have training in blockchain.

“You need to take this disruption very seriously, even though there’s a lot of hype,” Harvey said.

IBM, van Kralingen said, was already building a blockchain for six banks in Europe that is geared towards cross-border lending to small and medium-sized businesses, helping those companies meet time-sensitive orders.

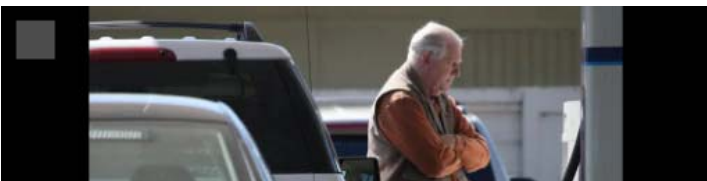
“There is a lot of examples about how banks are starting to look at speeding up and digitizing payments, small and medium business clearing and settlement, and those are turning into pretty mainstream business models, and I think they will here,” she said.

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John Kirk

Blockchain technology, to date, depends on a network of computers (for mining) in a state of extreme competition which uses vast amounts of energy and resources. This is what deters a single agent or individual from malevolently changing any information in the Blockchain ledger, which remains accessible to anyone on the network; it would cost them too much to be worth it. This system is completely unsustainable. The Chinese miners Hydro-Quebec is in talks with are leaving China because of a government crackdown on them for exactly this reason. Several other countries are following suit. Just g... See More

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