



Blockchain Technology and Its Impact on a Company's Financial System

When blockchain technology first came on the scene a few years ago, most CFOs probably didn't pay it any mind. At the time, the only use of the technology was to support bitcoin and other cryptocurrencies.

A decade or so later though, industries as disparate as advertising and manufacturing are seeing the benefits of this technology. Blockchain, a distributed, tamper-proof ledger that records and time-stamps transactions, can remove layers of bureaucracy and financial intermediaries. Like other technologies, it can reduce friction and costs.

Fraud reduction

The ad industry has been plagued by fraud, which has led to an increased interest in blockchain technology. Since it isn't controlled by any single entity, recording transactions allow for ultimate transparency. For instance, a new open protocol on the Ethereum blockchain called [adChain](#) lets advertisers buy from fraud-free sites — a claim that's possible because the supply chain is visible to everyone, eliminating the opportunity for fraud.

The same idea could potentially be applied to any industry. Some 45% of financial intermediaries like money transfer services and stock exchanges fall victim to economic crime every year, according to [a recent Forbes report](#).

Blockchain addresses one of the prime vulnerabilities of traditional financial systems — they're located centrally. Using a distributed platform (blockchain uses space on volunteers' computers across the globe), it avoids providing hackers and fraudsters with a juicy target.



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Auditing and accounting

The standard auditing tool for finance departments is a point in time forensic analysis, which relies on a snapshot from a particular moment. As a [recent PwC report](#) suggests, since blockchain is potentially 100% reliable, finance departments can eventually begin to use real-time auditing instead of sampling. This is a big shift, though, and will require a new approach.

A [Deloitte report](#) also notes that blockchain could do away with traditional double-entry bookkeeping. Instead, it will provide a single register that's cryptographically sealed and is the equivalent of having all records verified by a notary. This could cut the cost of the traditional account and free up accountants from the grunt work of verification so they can focus on more complex transactional issues.

Proponents of blockchain technology also note that it allows for a real exchange of value over the internet, not just information. As a [McKinsey report](#) on the topic points out, money, media and votes can all be

exchanged using blockchain. The switch from symbols of value to actual value being exchanged is a major one for corporations. In addition, contracts can be stored in digital code and all agreements will have a digital record.

Getting started with blockchain

There aren't many off-the-shelf solutions for businesses that want to integrate blockchain into their operations. Many tools are open-sourced, so the expense is in the engineering talent you would need to use to create these solutions. Expertise in this technology isn't very common though, so you'll need to consider partnering with a blockchain startup or work with an established partner.

Given its potential, it's worthwhile to at least learn as much about blockchain as possible. If the technology is able to live up to its current level of promise, there's potential for it to revolutionize the way companies do business.

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