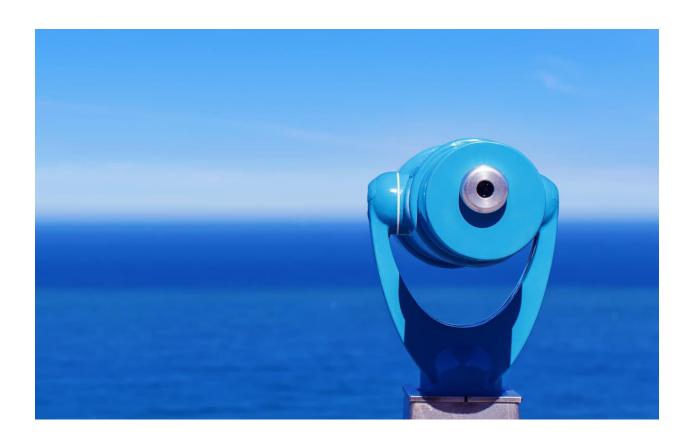


## CARTAN INDUSTRY INSIGHTS



## **BLOCKCHAIN: ARE WE THERE YET?**

25 February 2019 by Brian Tang

The future of blockchain was bright. This emerging technology was going to transform the way businesses and consumers interacted with each other and make incumbent businesses obsolete by a blockchain version of themselves. Investments in the billions of dollars was put into start-ups while mature companies hired industry experts and created in-house innovation centres. Substantial experimentation followed suit along with excessive press releases, marketing campaigns, and buzzword-filled messages. Being at the forefront of this game-changing technology was imperative. Now, many bubbles later and years into the supposed revolution, one might ask: Are we there yet?

Many valuable use cases have been identified, such as owning your own identity and personal information, cutting out intermediaries and trusted third parties, and enabling greater coordination among stakeholders. However, there remains little evidence of real-world utility at scale today and the hypothetical technological inversion has yet to occur. Questions naturally arise about the feasibility of the technology, whether it will live up to its grandiose potential, and if the benefits justify the widespread upfront investment required?

Despite dominating household conversations, the pace of adoption has not been as fast as many had envisioned. The fact remains that the industry is still being introduced to a large portion of the population and continues to be pioneered by a small, but growing, subset of teams. While exuberant expectations sent research and development levels to an all-time high, many obstacles still exist before organic growth can take place.

Ironically, trust remains a large issue in these trustless networks. People have long established habits of calling a customer service representative to fix account-related problems or reset passwords. Nascent technologies, especially groundbreaking ones, require a long period of education and trial-and-error. The endorsement and adoption by large, consumer-facing institutions will help educate the mass about the underlying technology and help speed up widespread acceptance. Individuals can then elect to proceed further at their own pace and eventually choose whether or not to take full control.

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Infrastructure to support this new economy is another major obstacle. Bleeding edge technology will naturally require many iterative developments before a solid foundation is formed. Security and scalability are valid concerns that will need to be resolved. Nonetheless, once this infrastructure becomes strong and robust, second- and third-layer user-facing applications can be built.

Direction and guidance from regulatory bodies is another uncertainty. New frameworks and amendments to existing regulations may need to be developed and the response from legislative branches take time. While this unfolds, companies should move forward using a conservative approach and maintain a transparent and open dialogue with regulators.

While short-term price pressures have certainly taken the spotlight, the problems blockchain technology was meant to solve – data, ownership and trust, to name a few – still remain. Headlines of ICO scams, ponzi schemes, and security hacks do not define a nurturing industry. Proven teams are quietly building the infrastructure and groundwork for the next wave of companies to thrive.

Traditional databases and information technology designs will not go away; they are tried and true solutions that work. Businesses that want to consider using blockchain technology should first understand the existing problem, the appropriate characteristics of the database design, and determine if the conditions best suited for a blockchain database are met. These conditions include the necessity for many writers to the database, the absence of trust amongst participants, and the interdependency of transactions between one another.

Cartan has a deep understanding of this technology. Our team helps our clients understand and assess the applicability of blockchain in their business, advise on the network design from the perspective of all stakeholders, and oversee the deployment plan to ensure a successful implementation. We have a unique understanding on how businesses in the emerging blockchain environment can exist, operate and comply within

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the existing regulatory infrastructure. For more information on how Cartan can help your business, please contact us at <u>info@cartan.ky</u>.

Brian Tang, CFA +1 (345) 938-4915 <u>btang@cartan.ky</u> https://www.cartan.group Brian has a unique background working at investment management firms, family offices, hedge funds, and private banks. He has advised senior management on strategic and investment decisions, led department-wide change initiatives, and is always looking to improve efficiency, teamwork, and collaboration.

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