AUG 28
Ross Benes

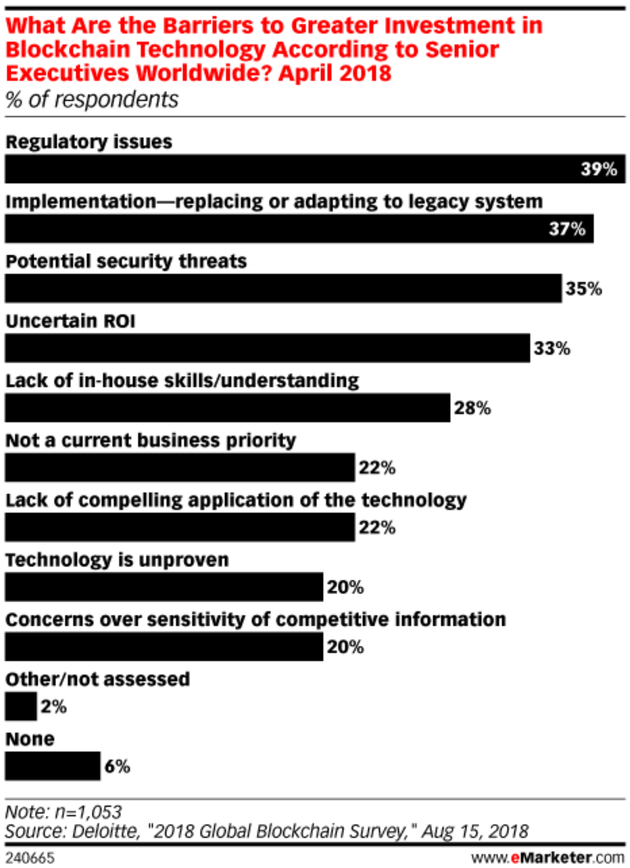
What Is Blockchain's Biggest Barrier?

Article

Despite its buzz, blockchain isn't widely adopted yet. According to two new studies, regulatory issues are the biggest factor holding the technology back.

In an April 2018 survey conducted by Deloitte of 1,053 senior executives worldwide from companies with at least $500 million in annual revenues, about four in 10 respondents said that regulatory issues are what is holding them back from making a greater investment in blockchain. A similar study by PriceWaterhouseCoopers of 600 company executives worldwide also found that regulatory uncertainty is the biggest barrier limiting blockchain adoption. Other common factors that limit investment in blockchain include difficulty in adapting it to fit legacy systems and potential security threats.

“A company can fully embrace a blockchain strategy, but it will not be successful until the regulator blesses it,” said Arnold Spencer, general counsel of bitcoin network Coinsource. “We see many companies that are excited about the possibilities of blockchain, but are very reluctant to rely on blockchain until they are confident regulators will be comfortable.”



The regulatory climate for cryptocurrencies, which rely on the blockchain ledger, are unpredictable and vary from country to country, according to Alanna Gombert, who serves as CRO of blockchain startup MetaX and co-founder of blockchain lobbying group Digital Asset Trade Association.

“Companies are afraid of violating securities laws here in the US," Gombert said. "Law firms are giving faulty advice. Many crypto and blockchain companies are domiciling overseas in countries that are more crypto friendly.”

Another concern is that data regulations, such as the EU's General Data Protection Regulation—which requires that companies obtain explicit permission from individuals to utilize their data—could affect blockchain's unalterable ledger, according to Manny Puentes, CEO of Rebel AI, an ad tech firm that uses blockchain to fight domain spoofing.

"If someone requests their data be removed from the system, the distributed nature of blockchain makes this challenging at best," Puentes said.

And while blockchain can make transactions immutable, its application is limited since blockchain is not designed for platforms with millions of transactions per second, nor is it intended to store large amounts of data, according to Eric Piscini, CEO of blockchain startup Citizens Reserve.

Another issue limiting blockchain from broader adoption is that there are a lack of clear standards around how to best apply the emerging technology, according to Saleem Khan, global leader of data innovation at data analytics firm Dun & Bradstreet. Some tech companies have their own blockchain standards, but there is no consensus on what the industry-wide best practices should be, Khan said.

While crytopcurrencies such as bitcoin dominate the coverage devoted to blockchain, the technology has several other uses and can be applied to supply chains. Among Deloitte's survey respondents, 53% said that their company is working on using blockchain within their supply chain.

From April-June 2017, Gartner surveyed 3,160 chief information officers worldwide and found that just 1% of respondents had adopted any type of blockchain technology, and only 8% planned to do so in the short term. In the Gartner hype cycle, blockchain sits just past "peak of inflated expectations" and is on the downward slope toward "trough of disillusionment."

However, 43% of the senior executives worldwide polled in Deloitte's study said that blockchain is in their company's "top 5 strategic priorities" and 45% of respondents indicated that they will likely participate in a blockchain consortium.

Not sure if your company subscribes? You can find out here.