

Multi-bank blockchains catch on with smaller US players, portending CX boost for payments

Article

The news: Smaller US banks are **striking deals to join multi-bank blockchains to speed up funds transfers**, per American Banker, which notes that the trend marks a renewed push after

a previous effort faltered five years ago.

Blockchain [is a decentralized digital ledger](#) that records information for transactions. It [can be used](#) for financial purposes such as payments or retaining crypto-exchange data.

More on this: Previous interest in inter-bank blockchains made a big splash: Multiple US players entered development talks with companies like **Ripple** and **R3**. But the drive sputtered.

- There was no stable digital asset that could take the role of a digital dollar to help facilitate payments.
- Letting banks have an equal say in a jointly owned blockchain was viewed as “too hard” by some players.
- Some banks were hesitant to let competitors see their data for transactions and customers.

In contrast, several factors had a role in reviving interest, American Banker added:

- Pressure on smaller US banking players to adopt new technologies to compete with bigger players.
- Greater acceptance of blockchain-like technologies.
- The rise of [stablecoins](#) to underpin payments, which let transaction parties bypass currency conversions.

Recent examples announced, per the publication, include:

- **Western Alliance Bank** and **Customers Bank** joining US blockchain-technology provider **Tassat's** payments network, **Tassat Pay**. The new network will be owned by banks and includes a ledger with **ERC 20 smart contracts that function as stablecoins**.
- **New York Community Bank** agreed to join **Figure Technologies' Provenance** blockchain.

In Tassat's case, banks run private blockchains that are available for their business customers, and connect with each other to provide real-time payments.

- **Tassat Chief Information Officer Kevin Lupowitz** told American Banker that banks can move funds to common accounts, with tokens issued and placed into blockchain wallets. The tokens are distributed to other members of the system, and senders get instant confirmation of funds being moved, Lupowitz said.

- **Western Alliance Chief Financial Officer Dale Gibbons** said the switch will let customers **make payments 24 hours a day**, without relying on banks or the SWIFT system being open.

The opportunity: The speed and nonstop accessibility of blockchain-based payments opens up a lot of possibilities for the retail side of banks that can help bolster their customer experience and improve user acquisition and engagement.

If multi-bank blockchain systems become widely adopted by business customers, the technology could be replicated on the consumer side. This could make available instant transactions that span:

- Bill payments.
- Moving funds between accounts.
- Sending money to friends and relatives.
- Receiving direct deposit from employers.

Blockchain Use at Multinational Corporations According to Executives Worldwide, by Number of Countries in Which They Operate, April 2021

% of respondents in each group

	Public network only	Private network only	Both public and private	Do not use blockchain
2	27.4%	0.0%	5.5%	67.1%
3-5	43.1%	2.0%	11.8%	43.1%
6-10	44.2%	0.0%	25.6%	30.2%
10+	31.3%	18.8%	34.4%	15.6%
Total	37.2%	3.2%	15.2%	44.4%

Source: PYMNTS.com, "Cryptocurrency, Blockchain and Cross-Border Payments: How Multinationals Leverage New Technology to Optimize Business Payments" in collaboration with Circle, Nov 11, 2021

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