

Greg Lotko: Hey folks. Welcome back to the next episode of The Main Scoop. I'm Greg Lotko, and you're not Daniel.

Steven Dickens: There's too much hair.

Greg Lotko: Well, I won't go into that comment, but unfortunately Daniel couldn't join us today, but we have with us Steven Dickens from Futurum as well. Steven, why don't you tell us a bit about yourself?

Steven Dickens: Yeah, Greg, thanks. Great to be on the show. My name's Steven Dickens. I'm a Practice Leader here at The Futurum Group. I cover everything from hybrid cloud infrastructure and operations. So basically all the stuff that makes IT work.

Greg Lotko: And I always think that's interesting when folks say they're a practice leader, that means you lead practicing or when do you perfect it?

Steven Dickens: I'm still working on it, but basically that's all of our research, all of our advisory, all of our written and commissioned content for the whole of that technology stack. So the mainframe's part of that, but I also get to work with all the hyperscalers, all of the software and infrastructure people who make IT work.

Greg Lotko: Very cool. Very cool. So we're going to be talking about blockchain and emerging technologies or newer technologies today. What are you thinking?

Steven Dickens: Well, I think we're in an inflection point. Obviously banking's one of those big traditional industries, lots of investment in technology over the decades, but if you look at where they are from a cloud adoption point, still really early. So 5%, low single digits is what people are saying from an adoption point. So there's still a lot of transformation left to do. People are still looking at transactional systems. There's obviously a new tech stack emerging, and we'll get into that. But a lot of transformation still ahead. Huge budgets, big teams, lots of things to think about.

Greg Lotko: So huge budgets. I mean, that doesn't mean limitless.

Steven Dickens: It certainly doesn't mean limitless.

Greg Lotko: Folks have to make sure that they keep the bank running, that they're doing what they need to allow us to make our deposits, withdrawals, do our mortgages, all that kind of stuff. So it's really innovation while you're keeping it going, right? It's rebuilding the train while it's on the tracks.

Steven Dickens: Exactly. So these guys have faced, I think, with a really different challenge around you've got to transform the bank while making sure the bank stays running. Massively regulated industry.

Greg Lotko: Not allowed to lose money.

Steven Dickens: Not allowed to lose-

Greg Lotko: Well, at least not allowed to lose our money.

Steven Dickens: Well, that's the key thing. So security's top of mind for these guys, operational resilience, how do they keep the bank running whilst transforming at the same time? So it's almost doing a heart and lung transplant on the marathon runner whilst they're running the race is kind of the analogy that I use.

Greg Lotko: I think I like the train analogy better, the rest of it gets a little painful, but we have an expert joining us today. Why don't you introduce Clare to our audience?

Steven Dickens: So I've known Clare for years from our time at a previous company that shall not be named, Clare Aldegren from EY.

Clare Aldegren: Thank you.

Steven Dickens: Welcome to the show.

Clare Aldegren: Thank you very much.

Greg Lotko: Nice to have you.

Steven Dickens: So tell us a little bit about your role and what you do for EY.

Clare Aldegren: My role at EY, I am the global head of blockchain operations and sales enablement. At EY, we've been on the journey for a good eight years now, and we are building products on public Ethereum, we choose to focus on Ethereum, but we're building public blockchain solutions.

Steven Dickens: So we were just talking a little bit there in the intro about where the industry's going, how banking starting to adopt distributed ledger technology as a foundational layer. What are you seeing? What's the type of trends that are coming through?

Clare Aldegren: I think I view it as slightly differently. First of all, you have to take a step back, with any emerging technology, you've got to take a step back and say why the technology, what's distinct about it? Blockchain is very distinct in that it's got its very unique characteristic of being a distributed ledger with a very distinct flavor, and that provides you with trust, transparency, immutability, and it's for the use cases where that's uniquely required is what I would say.

Greg Lotko: I like the way you started that and the way you ended it, you book ended it, you said, first you got to ask why the technology and for its use cases. So it's not blockchain everywhere for everything. Where's the real value in banking?

Clare Aldegren: Well, I see there's two different ones. The very obvious one is the first use case that everybody knows when they think of blockchain, they think of cryptocurrency. And it's very mature. It's been around for a long time now. I don't think there's a dispute to that. I think it's a worthy use course. The use case would be translated today, the correct way to think about it is digital assets. What does that look like for any bank? So that for me is a expansion of existing portfolio offerings. It's an expansion of products, it's an expansion of services, and that's what it means for the banks.

Then there's a use case for blockchain technology, which would be very similar for the banks as it is for any other enterprise that's out there. And this is really at that intersection of where enterprises, how they transact and interact. And that's looking more at what's the opportunity of a programmable smart contract. And what you can do with that, be that in the digital assets world, that could be syndicated loans, but in an enterprise level it can be using contracts, managing large managed contracts between enterprises on an immutable ledger so that you have one version of it between parties.

Greg Lotko: Has it lived up to the hype? I mean, I feel like five years ago, maybe six years ago, probably even a little longer now, it was like, wow, blockchain is going to take over the financial industry. This is how everybody's going to do it. Obviously cryptocurrency was a big use case, but there's going to be a big push into the traditional brick and mortar banks as they go online and everything. But is it just that I'm not hearing about it as much and the technology is underneath or has it kind sputtered? And if so, why?

Clare Aldegren: I think go back to the use case a little bit, what I would say is that first of all, it's very early on and we all know the Gartner hype cycle, and you can look for the exact same story if you look at cloud, the early stages of cloud-

Greg Lotko: Oh, I agree.

Clare Aldegren: You can look for the exact same story-

Steven Dickens: Where we are right now.

Clare Aldegren: Today we are talking about AI-

Greg Lotko: We talked about this across a lot of technologies that a lot of technologies, it's a big hype, it's going to replace everything and this stuff takes time.

Clare Aldegren: But what I will say to you is, I mean a fairly recent survey that we've done with banks out there to give you a flavor of, so how big is it when we think about digital assets,

bearing in mind that one of the biggest obstacles for a bank isn't the technical obstacle, the biggest obstacle is, well, how do we integrate it into our portfolio? How do we integrate these offerings into our existing regulation compliance frameworks, into our risk management protocols? And there's been a huge amount of uncertainty out there that's been building over time that's made it really difficult, especially if you're a global bank, to make your choices. Here in the US we've only just seen the first Bitcoin ETF approval coming in January. So we are really early in this process.

Bearing that in mind, when we've surveyed, and we did a survey actually a little while ago now of banks, and we found out that the vast majority, over 60%, are looking to put more than 1% of their portfolio into digital assets. And if you look interestingly at the very large assets under management banks, so those with 500 billion assets under management, and 45% of them are putting 1% of their portfolio. That's a very sizable market cap. And so when you say to me, oh, are you not seeing it? I think perhaps you're looking in the wrong place. I would suggest that maybe you look at the market cap of what's happening in the digital asset space. And to give you a flavor of just what's available today. And it's evolving all the time. There's still a lot more products and services to come, and it's early days, but I think you're going to see and hear a lot more of it. And it's about consumer choice.

Steven Dickens: So we see, Greg and I suppose come from a world where we see these transactional systems and we see the evolution that they're on, how do you see the coexistence? We've obviously got the innovation happening on the blockchain side. We've got innovation happening on the transactional systems of record. How do you see those two coexisting or do you see them coexisting?

Clare Aldegren: Absolutely. Absolutely. It's an and, the same with any of the technologies that we lay out. We talked a little bit about blockchain and what's unique to blockchain. And if you go to the mainframe space, you've got a technology that's what just had a birthday, a big birthday with cake.

Steven Dickens: There was streamers and candles and everything.

Clare Aldegren: And if you go right back to the beginning, that's a technology that at its very, very core was all about the start of thinking about scale requiring standardization, and it did, it delivered on that. It was the first thought process around having to have compatibility, compatibility of software. And that leads to scale. And they've managed to focus all this time on speed, processing power. And it's evolved, started out for punch cards, wouldn't be much use today. That's not actually the workload that it's designed for. And if you fast-forward to Z-Sixteen, it's all about AI and being able to produce what's required to run those sorts of workloads. Why? Because the banks have changed.

And I don't see any difference. If you look at, again, blockchain and you think, well, what is blockchain for and how does it run? Then you have a different question, which is maybe what you're thinking about, which is, well, how do you integrate them? What is that integration? And I

actually think that it starts at the beginning first of all, as I said, there's a big chunk of work to be done when you add any technology into a banking landscape around how do we think about the regulatory requirements, the compliance requirements, the risk management requirements. Those are real.

And that's real work. It might not be technical, but it's very real and it's needed to be able to succeed. On a technical level, I mean, the next generation of blockchain products are going to be the way that we are building our products. This is API integrations, how do you integrate anything into the landscape?

Greg Lotko: So it's not a rip and replace, it's an and it's an integration. So you're using the best of the best for what their workload makes sense.

Steven Dickens: We were talking about this off camera when we were chatting, building up to this, it's workloads. You've got to look at what the best platform is for that workload. And whilst the mainframe is the best platform, those high transaction volume systems of record, blockchain, different workload, different characteristics, that doesn't mean one's better or worse than the other. It just means you've got to have the right platform for the right use case.

Clare Aldegren: Yeah, exactly. And really understand it. And I think we're still so early in the blockchain evolution that, I mean, I'm fascinated by the fact that there's still people today that haven't fully understood the technology for what it is.

Steven Dickens: We're still so early.

Clare Aldegren: And it's complex. It's complex to wrap your head around because the use cases are a little different than others that we've seen previously. And so I think that that's a part of it.

Steven Dickens: There's still the association, positive or negative, blockchain equals cryptocurrency. And it's-

Greg Lotko: I think it's the first thing that pops into everybody's mind.

Steven Dickens: Exactly. It's certainly the first thing that people... And whatever you think about cryptocurrency and you're allowed to have all the opinions and they're probably valid, there's still a lot in a blockchain DLT type technology that doesn't have to manifest itself that way. You talked about smart contracts, talked about digital assets, collateralizing loans, looking at real estate, there's a whole bunch of different things you can do with that underlying technology that a bank would be involved in. Are you starting to see those come through as well?

Clare Aldegren: Yeah, I mean, absolutely. I mean, that's our core focus. I mean, we believe very strongly from the beginning that because of its inherent decentralized characteristic, any use case that's going to be sustainable over time is going to be on the public blockchain. Now, if you accept that as a principle, you then have to understand that in the world of the enterprise,

there's going to be other technical problems that you have to solve for, scale, affordability, and in our case, really important privacy because that's what enterprises need, but it has to be done the right way.

So having spent a lot of time investing in that space and solving that problem, it then means that we're open to be able to provide the solutions that we feel that are required and they're additive because they're solutions that are not being solved today. I'm going to give away my age now, but years ago when I was starting out and we had the whole ERP wave, all of that transformation was happening on the inside of an enterprise. And a lot of work was done to standardize the data, there was all those conversations about one moment of truth, all that work was within the enterprise and still is today. And what we're talking about is, well, what happens in between. We've got a complex spaghetti of EDI going between companies today.

Greg Lotko: I was hoping you were going to go there and use EDI because that was the panacea of back then.

Clare Aldegren: I mean it was, right. That's the way that we solve for it. But the reality is that if you've got a blockchain and you're putting in place the right thinking around the technical solutions to be told, the place to put a well-earned contract that you've spent months and months negotiating, when you want to manage that contract, it should be on the blockchain where you can see that the terms that you need to have under privacy are under privacy, but you are managing to one version of it. And there is really truly one contract that you share as one party or more. And it's, I think, a very elegant solution. I think it's one that we don't have today, that's why it's coming soon. Just watch this space.

Greg Lotko: I want to hear about the future. So what's next? Where do you see all this going?

Clare Aldegren: Well, I think we are absolutely just at the beginning. So I absolutely see that we're going to be seeing SaaS solutions sold, API integrated into existing landscapes, ERP systems and everything else. I think that's an absolute given. I think we're going to continue to see great improvements. I mean, we haven't touched on today the underlying improvements around the network itself-

Steven Dickens: At the layer two level to increase speed.

Clare Aldegren: Layer two level is going to be, I mean, that's going to be somewhat... I think that's the path to scale. I mean, you've got to understand all emerging technologies are going to go through that path. But I think you're going to start to see a lot more use cases. I think you're going to see... Last year we launched the solution that we've got for Opschain ESG, and Opschain ESG is all about tokenization of carbon credits. We're just at the beginning of that journey.

Greg Lotko: I wonder if we haven't even imagined the rest of the use cases. I mean, carbon credits, diamonds, wine, art, cryptocurrency, real estate. I mean, I want to know how long that

Twinkie has been sitting on the shelf, but nobody's talking about those use cases.

Clare Aldegren: I mean, one of the ones that we've been delivering for a long time now is around notarizing media content. Wouldn't you like to know whether what you're reading, where it came from.

Greg Lotko: It's real, whether or not it's an AI.

Clare Aldegren: Has it been verified?

Steven Dickens: Ownership structure of it, where did it come from?

Clare Aldegren: Where did it originate? Where did it originate?

Greg Lotko: Who wrote that song?

Clare Aldegren: Has it been changed?

Greg Lotko: Was it an AI?

Clare Aldegren: Has it been changed? There you go. Media, pictures.

Steven Dickens: You've got the New York Times-

Clare Aldegren: This is all possible today and it's very consumable and it's very affordable.

Steven Dickens: We've got some lawsuits sort of kicking off right now that are intersecting with that exact space? Where did this content come from? How is it generated? What is the source that went into the large language model, blockchain, alongside that I can see very clearly as a use case.

Greg Lotko: So how about some final thoughts? Let's bring it home. Closing thoughts around blockchain?

Steven Dickens: The thing that Clare mentioned that really struck for me was whilst we were doing EDI and ERP as an internal facing thought, the DLT and distributed ledger technology is an external thought. How do you get trusted third parties to interact with each other, put in place a smart contract, put in place shared ownership of an asset. How do you sort of instrument that as an external thought? And that for me was the interesting piece. How do you think about parties that want to trust each other, being able to instrument that on a network?

Greg Lotko: Yeah, I mean, I want to make sure we're trusting each other and we're both looking at the same version of the truth that you've got versioning and immutability and all that.

Steven Dickens: Exactly. And thoughts for you?

Clare Aldegren: I mean, I would just say yes and just remember, it's never just about the technology. It's not blockchain for blockchain's sake. It's because the value that we're going to get out of doing that is going to save us time and it's going to save us energy, and it's going to reduce leakages and disputes and all of that.

Steven Dickens: All the downstream costs.

Clare Aldegren: There really has to be a business value to it and it doesn't matter. And I think that that applies, it doesn't matter which technology it is you're looking at whether you are looking at upgrades, whether you're looking at emerging tech, whether you're doing something innovative, you've got to get to the core of why are you doing it and what's the value I'm going to get out of it?

Greg Lotko: Couldn't agree more.

Clare Aldegren: And then it's going to scale.

Greg Lotko: Hear, hear. It is never technology for technology's sake. It is always about what value you're driving to your business or to your customers. Well, thanks Clare for joining us. It was a pleasure having you on as a guest. And Steven, thank you for covering for Daniel.

Steven Dickens: Stepping in.

Greg Lotko: You did a good job.

Steven Dickens: Thank you, sir.

Greg Lotko: Another Main Scoop in the can. Thank you all for joining us. Click on the link below to subscribe and we'll see you next time on The Main Scoop.