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Guidebook for Blockchain Adoption in Banking and Financial Services: A Compilation of Insights from 130+ Projects

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Annual Report – March 2019: Executive Summary

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● Benchmarking | Pricing, delivery model, skill portfolio

● Peer analysis | Scope, sourcing models, locations

● Locations | Cost, skills, sustainability, portfolio – plus a tracking tool

● Tracking services | Service providers, locations, risk

● Other | Market intelligence, service provider capabilities, technologies, contract assessment

Membership information

● This report is included in the following research program(s)
  – ITS | Banking & Financial Services

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Table of contents

Background and scope of the research

Everest Group's Banking and Financial Services (BFS) IT services research team tracking the enterprise blockchain adoption journey brings a guidebook for enterprise executives leading blockchain initiatives in BFS firms to:
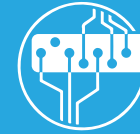
1. Build a fact-based business case for blockchain investments by presenting an analysis of 130+ blockchain case studies

2. Guide investments to extract the maximum value by studying the value delivered and building pragmatic hypothesis on potential value

3. Demystify the blockchain technology landscape and identify the right set of partners for your business use case

4. Identify challenges that enterprises face on their blockchain journey to guide the blockchain adoption strategy

5. Identify data and network participants to support scaling of blockchain ecosystems to gain from the network effect

In this report, we studied 130+ blockchain case studies to identify the blockchain adoption journey for lead steers in the industry and build a guidebook for adoption

BINGO framework for blockchain adoption

The 4Ts of blockchain benefits

Build competitive advantage via blockchain initiatives

Scope of this report

Industry
Banking and financial services

Companies
Market activity and investments by 200+ global enterprises

Geography
Global

Use cases
30+ distinct blockchain use cases

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A summary of findings from the blockchain adoption story so far in the BFS industry

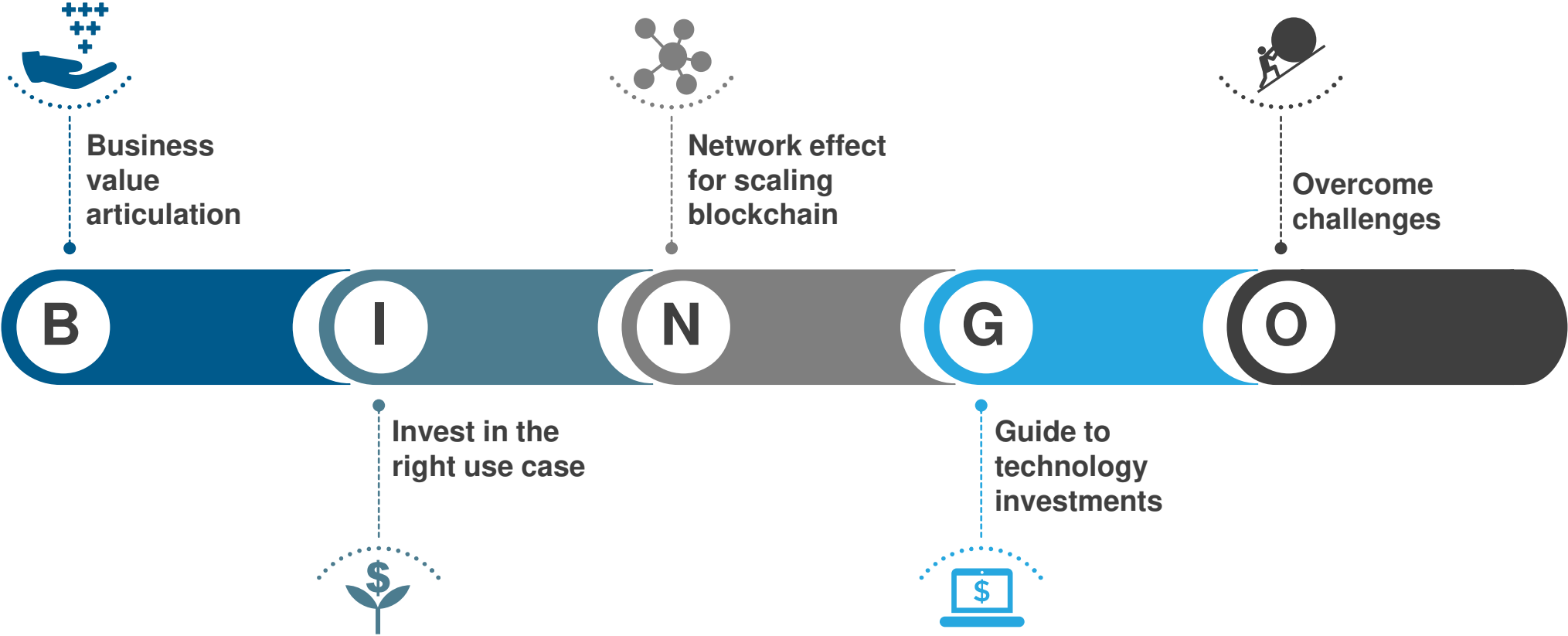The blockchain hype is dying and the real business use cases are gaining steam

Study of 135 blockchain projects in BFS shows that 24% are in the production stage

Adopting a strategic view powered by ecosystem thinking helps scale beyond POCs

Identifying data and network participants to reimagine processes leads to higher ROI

Hyperledger Fabric, Ethereum, and Quorum are the key blockchain technology platforms

Everest Group has identified a five-step structured framework to guide enterprise blockchain adoption journey

Business value articulation

Network effect for scaling blockchain

Overcome challenges

B   **I**   **N**   **G**   **O**

Invest in the right use case

Guide to technology investments

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Blockchain's 4T features are used to drive efficiency in existing business processes and enable new business models

Feature leveraged (low) ☐☐☐■■ Feature leveraged (high)

Trust and security
Blockchain drives trust and security in transactions between multiple parties through its iron clad data validation technique

Example of use cases:
- Cross-border payments and remittances
- Trade finance

Transparency and auditability
Blockchain offers transparency and auditability through its distributed ledger structure, offering users complete control over the information being shared

Example of use cases:
- Fund administration
- KYC
- Auditing

Traceability and insights
Blockchain strengthens traceability by replacing slow and complex data sets for processes

Example of use cases:
- Check fraud detection
- Clearing and settlement

Transaction and automation
Blockchain is streamlining processes by removing intermediaries, resulting in smooth transactions

Example of use cases:
- Inter-bank payments
- Loyalty and reward points management

Current blockchain initiatives look to optimize costs; focus on growth and experience will accelerate ROI realization

Benefit from use case (low) ☐☐■■■ Benefit from use case (high)

Process optimization / cost reduction

Increase revenue

Experience for stakeholders

Examples of enterprises witnessing business benefits		
• End-to-end transactional process for private company securities • Direct access to global payments from exchange's platform using the bank's DLT platform	• Ability to discover a customer across entities without revealing existing business relationships • Enter new markets – enable SME receivables financing programs efficiently	• Customer-centric self-service process working across multiple banks • Share real-time status updates (or audit) with all stakeholders • Single source of information for customer
Examples of use cases		
• KYC / Digital identity • Trade finance	Clearing and settlement of securities	• Loyalty and reward points management • International remittances

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Alpha in the room use cases are natural early adopters, other types of use cases will pick up as the network effect kicks in

Alpha in the room

■■■■☐

Use cases driven by market leaders/authorities, who have disproportionate advantage over their partner firms, with an objective to drive efficiency and experience

Example of use cases:
- Trade finance
- Cross-border payments
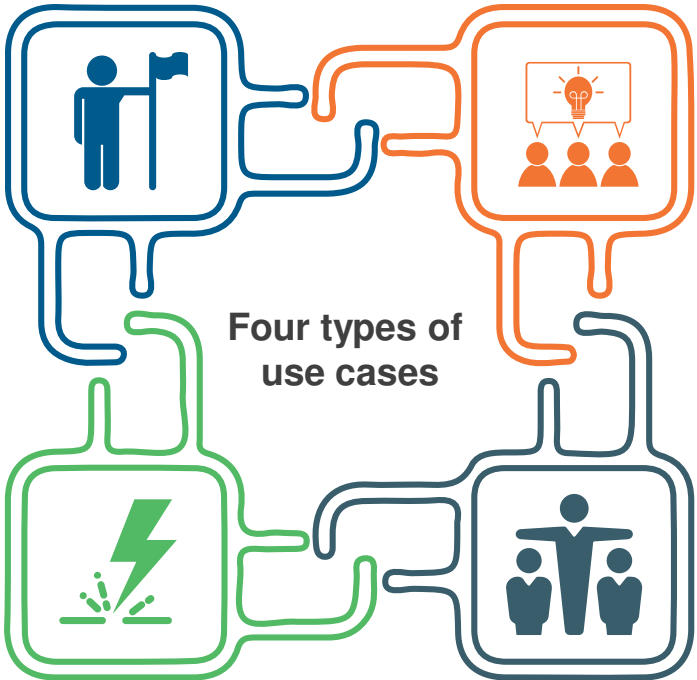- Loyalty and reward points management

Disruptors

■☐☐☐☐

Use cases are leveraging blockchain to disrupt existing processes and drive new business models

Example of use cases:
Equity crowd funding

Four types of use cases

Bottom line collaborators

■■☐☐☐

Use cases are driven by peer firms with the prime objective to defend margins and drive innovation in the business model

Example of use cases:
- Inter-bank payments
- KYC
- Settlement and reconciliation

Disintermediation avoiders

■☐☐☐☐

Use cases are driven by enterprises which act as intermediaries to protect their playing field and leverage blockchain to deliver value-added services

Example of use cases:
Integration of digital platforms between two trading nations

BFS firms need to invest in developing blockchain talent, as demand-supply gap is going to get wider

	Demand-supply gap in 2018 as percentage of supply in 2018	Estimated demand-supply gap in 2021 as percentage of supply in 2021
North America	70-80%	90-110%
United Kingdom	80-90%	50-60%
Europe	90-100%	80-90%
Australia & New Zealand	30-40%	20-30%
Others[1]	30-40%	50-60%
Overall	**60-70%**	**80-90%**

- Demand for resources skilled on blockchain technologies is expected to grow at a CAGR of 40-45% during 2018-2021
- Dubai, Singapore, China, Switzerland, and Japan have emerged as the major hubs for large scale adoption of blockchain use cases and are expected to witness higher than 50% demand growth in the near term
- Financial services segment accounts for nearly two-thirds of the total demand for blockchain technology; however, the manufacturing segment is expected to witness the highest demand growth in the near term
- Hyperledger Fabric implementation and smart contract development are currently the most sought-after skills. Demand is expected to grow for cross-functional experts to drive use cases related to integration of AI and IoT
- Compared to onshore countries, supply for blockchain resources is expected to grow at a higher pace in offshore geographies (e.g., India and Israel) in the near term

1 Includes Asia Pacific (excluding the ANZ region), Middle East and Africa, and Latin America
Source: Everest Group

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In this report we also list down 36 use cases across BFS industry to bring out proof points of blockchain adoption

Guide to read case study section

■ High activity ■ Moderate activity □ Limited activity

Defines the meaning of color coding of icons mentioned below. For example, traceability & insights has high activity, while increasing revenue has limited activity in the use case

Insurance record management

A blockchain-based solution to provide a single access point for all the participants such as admin node, reinsurer, broker, bank, and client

Defines the name of blockchain use case along with a short description

Driver: Alpha in the room *Defines the dominant driver for the use case (refer to page 9 for definition)*	**Ecosystem:** Inter-enterprise (across industry) *Defines the dominant type of ecosystem for the use case*	**Production readiness:** 63% *Provides a comparative score measuring the extent of projects moving toward production readiness or already live*

Blockchain properties leveraged				**Business benefits**		
Trust & security	Transparency & auditability	Traceability & insights	Transactions & automation	Process optimization / cost reduction	Increase revenue	Experience for stakeholders
Color of the icon defines the level of activity of the feature in this use case				*Color of the icon defines level of the business benefit in this use case*		

Top platforms	Hyperledger Fabric *Defines the top three platforms leveraged for this use case*

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Additional research references

The following documents are recommended for additional insight on the topic covered in this report. The recommended documents either provide additional details or complementary content that may be of interest

1. **Blockchain Services PEAK Matrix™ Assessment 2019: Race to Make Enterprise Blockchain Real** (EGR-2018-31-R-2836); 2019. In this research, we assess the vision & capability and market impact generated by 27 service providers for blockchain services capabilities. These providers were mapped on the Everest Group PEAK Matrix™, which is a composite index of a range of distinct metrics related to each provider's vision & capability and market impact to identify Leaders, Major Contenders, and Aspirants

2. **Blockchain: Is It the Silver Bullet?** (EGR-2018-27-V-2567); 2018. Analyzes high-potential use cases for blockchain – the major ones in banking and financial services include trade finance, KYC, syndicated loans, and corporate action

3. **Unblocking Blockchain Adoption – A Prioritization Framework for Business Processes** (EGR-2017-3-V-2418); 2017. In this research, we lay out a prioritization framework that is intended to assist enterprises as they navigate the tricky terrain of blockchain in business processes

For more information on this and other research published by Everest Group, please contact us:

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About Everest Group

Everest Group is a consulting and research firm focused on strategic IT, business services, and sourcing. We are trusted advisors to senior executives of leading enterprises, providers, and investors. Our firm helps clients improve operational and financial performance through a hands-on process that supports them in making well-informed decisions that deliver high-impact results and achieve sustained value. Our insight and guidance empower clients to improve organizational efficiency, effectiveness, agility, and responsiveness. What sets Everest Group apart is the integration of deep sourcing knowledge, problem-solving skills and original research. Details and in-depth content are available at www.everestgrp.com.

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