

BLOCKCHAIN WILL PAVE THE WAY TO THE FUTURE

The SBI Group is focused on blockchain, a potential game changer in financial services, and is promoting open innovation. Two executive officers overseeing blockchain spoke about the past and future of blockchain, which is approaching practical use

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“As I deepened my understanding, I came to realize the great future promise of blockchain.”

Mamoru Fujimoto



What do You Think About the Possibilities for Blockchain?

Fujimoto I see blockchain as a technology that will bring about innovations in the financial sector. Although I do not necessarily believe it to be an all-purpose technology, if we understand the technology and use it appropriately, I am convinced that it will offer benefits that have not been contemplated in the past.

Okita I believe that settlements is one such particular application. Japan at one time was a world leader in the field of mobile payments and settlements, but now greatly lags behind China and South Korea, as well as Europe and the U.S. I am convinced that blockchain is a “game changer,” which can instantly reverse that situation.

Fujimoto When we launched the Blockchain Promotion Dept. in February 2016, I was appointed as the head of the department. Initially, the mission was to thoroughly understand the details of the technology, and then to research fields in which the technology may be applied, and I did not recognize the potentiality of blockchain. However, upon discussions with various experts which deepened my understanding, I came to realize the great future promise of this technology.

Okita While conducting our research, owing to the versatile characteristic of the SBI Group, if we meet with promising startup companies, we take actions such as investing in and joint venturing with such companies.

Fujimoto For example, in March 2016, we joined a consortium led by R3 of the U.S., and two months later in May, we decided to invest in this company. Additionally, we established SBI Ripple Asia, as a joint venture with U.S. Ripple, and in October established the “The Japan Bank Consortium,” where SBI Ripple Asia serves as the secretariat. There is no doubt that the aggressive seeding at such an early stage has led to the SBI Group’s highly competitive positioning in the blockchain field today.

Please Discuss the SBI Group's Initiatives Thus Far.

Fujimoto During 2016, we primarily researched and invested in or formed joint ventures with promising businesses, but in order to promote the utilization of blockchain, it was of paramount importance for the SBI Group members to be knowledgeable about blockchain. So, we also became engaged in the process of educating and broadening the awareness of blockchain within the Group. In the second half of 2016, we conducted proof of concept (PoC) tests for know your customer (KYC) utilizing blockchain, within the SBI Group. In the following year, with the involvement of NEC Corporation and the Japan Exchange Group, we conducted a full-scale PoC testing utilizing U.S. R3's blockchain platform, "Corda".

Okita Also, in 2016, with the SBI Group as the secretariat, "The Japan Bank Consortium" was launched, with 42 financial institutions. For six months, we conducted PoC testing utilizing U.S. Ripple's fundamental blockchain technology, "xCurrent", and based on this testing, commercial applications were prepared

throughout the year in 2017.

Fujimoto And we announced "Money Tap," which is a money transfer app available as a service for the general population.

Okita "Money Tap" is a remittance app for smartphones, and it employs a mechanism in which users can transfer money not only by using their bank account number, but also by their mobile phone number or a scanned QR code. For the time being, we expect to initiate this service in the summer of 2018, with three banks, SBI Sumishin Net Bank, Resona Bank and SURUGA bank. However, we intend to extend participation to other consortium member financial institutions as well.

Fujimoto I am directly overseeing the "S Coin Platform." The basic technology of the S Coin Platform utilizes technology from Orb, in which the SBI Group has invested. A major benefit is the ability to issue and settle not only cryptocurrency, but also electronic money, loyalty points, etc., on the same platform.



"I believe that it is a great strength of the SBI Group to have various types of blockchain."

Takashi Okita

What is the Time Frame for the Practical Application of Blockchain?

Fujimoto During 2018, we plan to introduce a series of practical applications upon completion of the PoC tests. In the S Coin Platform, we have started PoC testing of "UC Daiba Coin" in collaboration with UC Card from April 2018, and have been accelerating our efforts toward practical applications. Using this as a foothold, we plan to invite local governments, financial institutions and startup companies from various regions to participate on this platform. An attractive feature of the S Coin Platform is the ability to mint a proprietary coin that meets individual needs, even without a large initial investment, along with an easy scaling ability through exchanges with other coins.

Okita "Money Tap," and other remittance services utilizing U.S. Ripple's blockchain technology will also reach the commercialization stage on a full-scale basis in 2018. A challenge ahead is to increase the number of banks that will make the service available. To involve more banks, we will utilize open APIs to lessen the burden on participating banks.

Fujimoto Regardless of the superiority of the technology, it is not possible to extend its adoption without knowledgeable engi-

neers, so we are in the process of offering training programs to teach the use of U.S. R3's "Corda". Owing to Corda's technical features, we believe that it will be particularly convenient for use in a number of fields, such as trade finance.

Okita At the stage of commercialization, it will be necessary to combine existing technologies with new technologies, such as blockchain. However, under current conditions, the respective specialists are separated in their views, so a bridging of the gap becomes an important issue. Also, while each blockchain technology has differing features, it is the strength of the SBI Group that we have various types of blockchains. Through PoC testings, we have determined the individual technical features of each technology, and are beginning to understand what is necessary for commercial applications.

Fujimoto The Blockchain Promotion Dept. is encouraged that each financial services company of the SBI Group is starting to become more conscious of utilizing blockchain, from their own perspective. Since 2016, it has become certain that the seeds that were sown are finally starting to blossom. The SBI Group is leading in the practical application of blockchain, and expects to clear the path for the near-term future of the financial industry.