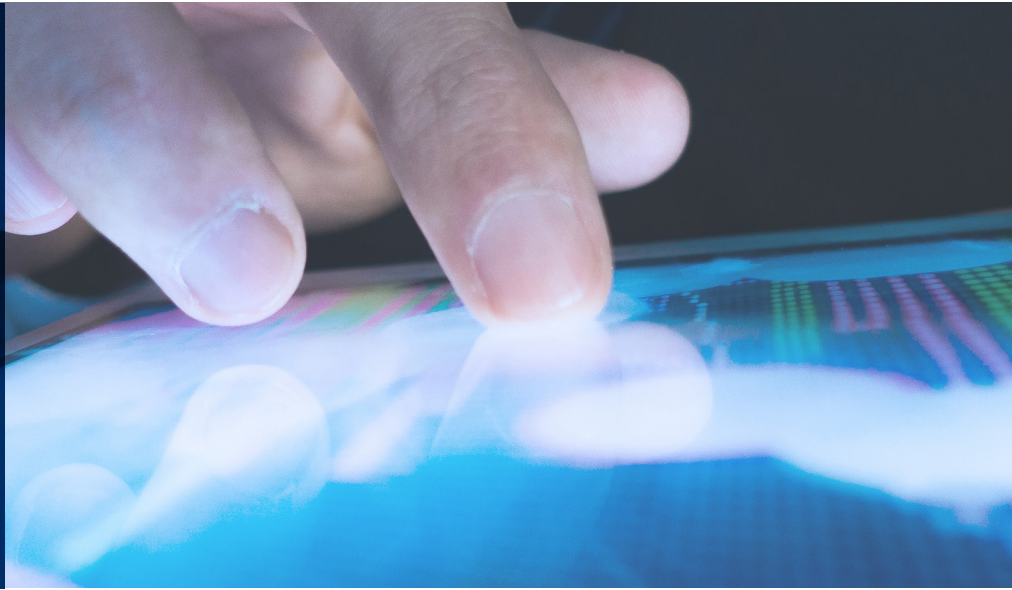


## Blockchain: Game Changer or Game Over



The Fourth Industrial Revolution is here, and one of the new technologies most likely to change the game is blockchain. Handled correctly, this technology could have a huge number of potential applications across many different sectors. But big questions persist: how can it be harnessed, how should it be regulated, and will its links to cryptocurrencies be its downfall?

Womble Bond Dickinson hosted an event aiming to answer these questions on 10 May 2018 at London's Millbank Media Centre, attracting attendees from industries including financial services, telecoms, retail and manufacturing. The panel was moderated by Womble Bond Dickinson Legal Director Malcolm Dowden and the keynote speaker was Lord Holmes of Richmond MBE, author of the influential report 'Distributed Ledger Technologies For Public Good', to which Womble Bond Dickinson contributed.



**“Although [...] blockchain is not a “silver bullet”, it does have enormous potential.”**

Lord Holmes of Richmond MBE

Holmes joined panellists Nicole Sandler, vice president for fintech and regtech at Barclays Innovate; Simon Bailey, founder and CEO of Finarchy; and Geoffrey Goodell, senior research associate in computer science at UCL.

Womble Bond Dickinson's UK head of fintech, Alastair Mitton, explained why the firm chose blockchain as the event theme. "Blockchain is something we are talking about more and more with our clients who are asking us what it means for their businesses," he said. "Blockchain has been a growing trend for us, and we need to stay on top of it so we know what the opportunities are for our clients."

### Phenomenal role of technology

In his keynote speech, accompanied by his guide dog Lottie, peer and former paralympic swimmer Chris Holmes explained that his passion for new technologies came about when he suddenly lost his sight aged 14. "I came to appreciate what a phenomenal role technology could have in assisting me to continue with that I wanted to do at school, at university and in sport," he said. Although he concedes that blockchain (perhaps the best known example of distributed ledger technologies or DLT) is not a "silver bullet", it does have enormous potential. Some practical applications he highlighted include storing passengers' data to



replace physical passports, improving efficiency in the NHS by reducing the 25,000 doctor days wasted on verification, tracking the food supply chain, or tackling cybercrime: "50% of crime is cyber, but DLT could be our best detective."

Finarchy's Simon Bailey believes DLT is a game changer because of its focus on the veracity of data. "Digitalisation is prevalent, but the problem is that data can be replicated. The part of DLT that I think can make the greatest contribution is that it means data you can trust can be shared between organisations. There is the ability to build on that shared data and be certain that every participant in the system handles data in the same way." The 'proof of origin' or integrity of data is more important than ever in the era of GDPR and the 'right to be forgotten', he added.

Barclays' Nicole Sandler noted that cultivating trust is vital, as it is in implementing any new technology. Cost is another big issue. DLT has great potential to improve efficiency and make cost savings for businesses, one obstacle for businesses may be making the initial financial outlay due to competing priorities. But if this hurdle can be cleared, DLT could bring huge benefits in areas like regulatory reporting, mortgage applications, and identity verification.

### Taking back control

Geoffrey Goodell pointed to DLT's uses in supply chains and payment networks, and in regulation, especially in the financial services space. "As with many of these technologies, you have to ask what are they for and who benefits? How will DLT change the world? Much of the hype is focused on the idea that blockchain technologies might serve as a universal database in the cloud that provides everyone access to the same thing. But the real benefit of DLT is about decentralising control." He noted that consumers currently have no choice but to trust third parties to carry out transactions on their behalf, and sometimes their interests do not match up. This was highlighted recently by the Facebook / Cambridge Analytica scandal over the misuse of users' data. Goodell suggested the momentum we have seen in cryptocurrencies, for example, is being driven by people's demand for privacy and control over their data.

### Contagion from Bitcoin?

DLT is strongly associated with cryptocurrencies, the most famous of which is Bitcoin. Could blockchain technology be seen as guilty by association with these volatile digital currencies? Chris Holmes noted: "Bitcoin and blockchain are seen as interchangeable by the man on the street. When Bitcoin has another

major correction or crash, I don't think that will have any contagion across the financial sector, the biggest risk I see is that it could kill off the potential of blockchain and DLT."

Sandler agreed there are common misconceptions around blockchain and Bitcoin, but she does not believe blockchain DLT will be "tainted" by cryptoassets in the long run. Why? Because it has so many other potential use cases outside Bitcoin, Ethereum and the 2,000 other cryptocurrencies that exist.

## Regulation

If blockchain is to reshape the world, this begs the questions who should run the platforms on which it operates and how should it be regulated? Should this fall to governments, banks, or even cryptobillionaires? Sandler suggested harnessing the power of blockchain will require collaboration, with many different groups working together. The best way to regulate it is still an ongoing conversation. Some countries are trying to put a legal framework around cryptoassets. Japan, for example, is looking at legalising initial coin offerings (ICOs, a method of cryptocurrency fundraising), while other nations are taking more of a 'wait and see approach'. More broadly, the problem with regulating new technologies is that old rules are being applied to brand new phenomena for which they were not designed, making the regulation inherently unsuitable, Sandler added.

Bailey suggested it is impossible to regulate DLT because essentially it is like trying to regulate maths. "It's futile, it's a waste of time," he said. "Sometimes you just have to let things run and see what happens. Regulate the actors and the activities as opposed to 'the thing' which is an amorphous bit of code." However, he

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Alastair Mitton,  
Womble Bond Dickinson (UK) LLP



would like to see some standardised ways of describing DLT and related technologies and said, for this, a more open dialogue will be required.

Meanwhile Goodell argued that the question being posed is the wrong way around. In fact, we should be asking, 'how should we use technology to regulate?'. He views DLT as a "powerful tool" which could be used to improve regulation, and to fix some of the problems which exist with big data. "This kind of technology could be part of the solution," he said.

Holmes agreed, adding businesses and regulators must get involved to make this happen because "technology is too important to leave to the technologists."

When asked for their opinion at the end of the event, 95% of the audience agreed that blockchain was a game changer for them. There may be many questions still to answer around blockchain and its place in our future but the debate clearly demonstrated that the potential for this kind of technology is huge – how we embrace it and harness the advantages it could bring remains to be seen.

## Key contacts:



**Alastair Mitton**  
Partner

T: +44 (0)117 989 6837  
E: [alastair.mitton@wbd-uk.com](mailto:alastair.mitton@wbd-uk.com)



**Malcolm Dowden**  
Legal Director

T: +44 (0)238 020 8428  
E: [malcolm.dowden@wbd-uk.com](mailto:malcolm.dowden@wbd-uk.com)