## (ii) Financial institutions' initiatives

An array of well-established financial institutions is now investigating the potential of Blockchain (see Figure 12).

In January 2017, SWIFT launched a proof-of-concept application to test whether Blockchain could be used to improve bank reconciliation of their Nostro accounts in real time, lowering costs and operational risk and optimizing their global liquidity. Indeed, under the current system, banks need to monitor the funds in their overseas accounts via debit and credit updates and end-of-day statements. The management and reporting of inter-bank payments represent a significant portion of the cost of cross-border payments. According to SWIFT, on average 34 per cent of the cost of an international transaction is related to Nostro trapped liquidity caused by the absence of real-time data, and 9 per cent is imputable to investigations and exceptions mainly driven by a lack standardization in the end-to-end payment process and by the related Nostro account reconciliation. Banks have identified Nostro account reconciliation as a particular pain point (SWIFT, 2018a).

According to the SWIFT Nostro Proof of Concept final report published in March 2018, Blockchain delivered the expected business functionalities, including real-time handling, transaction status updates, full audit trails, visibility of expected and available balances, and real-time simplified account entries confirmation. However,

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Figure 12 Financial services firms invest early in Blockchain

Source: CB Insights (2017).