

Fintech, banks: Spunta, the sector blockchain passes test of annual data

A full year's data has been processed. Spunta Banca Project, the project promoted by ABI and coordinated by ABI Lab, has successfully completed the technical testing on 200 million data uploaded, simulating the production phase for all the banks operating in Italy: another step forward for the blockchain-based application for interbank reconciliations. Thus far, the test has made possible to verify the effective sustainability of the process and platform. The test was set up with 35 nodes to have a clear understanding of the actual robustness of the infrastructure throughout the country.

The test simulated the production phase using a full year's data from 200 banks. The uploading and reconciliation of the data were performed over a wide geographic area connected over a secure network. The process was therefore tested from North to South. Distributed nodes allowed realistic transactions to be uploaded. In other words, the applied architecture was robust without having to resort to specific technical solutions. The methodology used allowed to analyse the operation for banking groups, and large and small banks. The test also allowed for an initial analysis of the response time process. The test was completely successful.

Spunta Project pilot banks and next steps

A total of 18 banks, representing 78% of the banking sector in terms of the number of employees, are involved in the project. So far, they have been actively involved in the decisions, implementation and testing of the new distributed technology.

The recently approved update of the Agreement for keeping mutual accounts between banks will allow the adoption of the new method for the entire sector from 1 March next year. The Distributed Ledger Technology (DLT) is therefore on its way to becoming a blockchain for banks operating in Italy. The new principles envisage full visibility of the transactions and those of the counterpart; rapid management of the flows with daily, rather than monthly, reconciliations; shared rules for the symmetrical reconciliation of transactions between counterpart banks; and the integrated management of the communication and the processes in the event of an imbalance.

And the other partners

The project, coordinated by ABI Lab, the banking research and innovation centre promoted by the Italian Banking Association (ABI), seeks to implement blockchain in interbank processes. ABI Lab works with technical partners NTT Data and Sia, as well as R3 with the Corda platform.

Interbank reconciliation

The new application verifies the matching of correspondent accounts that involve two different banks. The interbank reconciliation procedure in Italy is linked to processes

traditionally carried out by the back office and are aimed at reconciling the transaction flows that generate accounting entries in the mutual accounts in Italy, and at managing pending transactions. Up to now, reconciliation was based on bilateral registers with a low level of standardisation and operating processes that were not very advanced. The implementation of a blockchain-based process using Distributed Ledger Technology for interbank reconciliations in Italy makes possible to automatically detect non-matching transactions using a shared algorithm, standardises both the process and the single communication channel, and gives the interested parties the possibility of being able to view transactions.

Blockchain – Distributed Ledger Technology (DLT)

Blockchain, meaning Distributed Ledger Technology (DLT), allows for a large database to be distributed over multiple nodes i.e. on multiple machines that are interconnected. As a result, it is possible to conceive and design different ways of interacting and exchanging information between participants.

With Spunta Project, the Italian Banking Association aims to truly bring blockchain into Italian banking. The Italian banking sector is an important player in blockchain and Distributed Ledger Technologies, and therefore in innovation as well.

Rome, 12 October 2019