Fintech, banks: the launch of blockchain in Italy

The agreement to regulate relations between banks has been updated and approved, in reference to the Interbank reconciliation process. Starting from 1st March 2020, distributed ledger technology (DLT) will be used to run the reconciliation procedure, launching the use of the blockchain in the Italian banking sector.

This is an additional step towards the effective use of the blockchain. Spunta Project, the programme coordinated by ABI Lab, the banking research and innovation centre promoted by the Italian Banking Association (ABI), has the objective to implement DLT in the interbank processes. The aim is to provide greater data visibility, faster execution and the possibility to perform investigation through the application. Technical partners of the project are NTT Data, Sia and R3's Corda platform. The nodes, created for Spunta, could be used at later stage as operational frameworks for other functions.

Interbank reconciliation
The reconciliation process is a series of activities to reconcile the flows and transactions that generate entries in the mutual accounts in Italy. This also includes the management of pending transactions.

ABI Lab and the partner banks have been working on Spunta Project with the objective to simplify and standardize the bank reconciliation process at national level by using distributed ledger technology - specifically, Blockchain DLT. The in-depth analysis carried out led to the update of the section of the Agreement concerning this topic.

New principles
The basis of this new process are:
- full visibility of the transactions between banks;
- rapid management of flows in mutual accounts with daily reconciliations, rather than monthly;
- sharing the rules for symmetrical reconciliation between banks;
- integrated management of communication and processes in the event of an imbalance.

Based on the updated provisions of the Agreement, starting from 1st March 2020, a gradual transition from the traditional reconciliation to the one based on blockchain DLT technology will be implemented.
**ICT investments**

According to the latest ABI-CIPA survey on IT, in the Italian banking sector in 2018, investments in IT increased by 5.7%, continuing the positive trend that began in 2014. In terms of value, the TCO (Total Cost of Ownership) exceeded the 4.2 billion euro level in 2017 and remained mostly stable in 2018. The central role attributed to technology and the constant drive for innovation in the Italian banking sector were confirmed in the 14th ABI Lab Report: for 88.5% of the companies surveyed, the ICT budget for 2019 was either up or in line with that of 2018 and was primarily directed towards digital channels and mobile banking services, outward expansion, infrastructure upgrades, data governance initiatives and the management and mitigation of cyber risk.

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