

PRESS RELEASE

## **Fintech, banks: Spunta Project, the sector's blockchain moves on to pre-production**

Spunta Project, a blockchain-based application for interbank reconciliations, has passed several tests and moves onto the pre-production phase. As of today, 18 banks, representing 78% of the Italian banking sector in terms of number of employees, are actively involved in the testing, selection and implementation of the new distributed technology.

The project, coordinated by ABI Lab, the banking research and innovation center promoted by the Italian Banking Association (ABI), together with technical partners NTT Data, Sia, and R3's Corda platform, aims to implement the blockchain in interbank processes. The objective is to provide data transparency and visibility, faster transaction execution and the possibility of performing checks and exchanges directly within the application.

Initial tests on the Distributed Ledger Technology (DLT) platform and on the transaction management have been carried out with the involvement of the banks. Some developmental updates are in the pipeline and will include the management of infra-group reconciliations, the creation of reliable reports for auditors, and the further refinement of the matching algorithm. The next steps will include technical testing of the platform's stability to verify its overall performance simulating the production phase for the entire Italian banking sector. To do this, a data simulator will generate transaction volumes over a period of 365 days. The simulation will be carried out in a geographically distributed environment and connected through a private network. In the meantime, additional function updates are being implemented thanks to the ongoing dialogue with the reconciliation experts of the pilot banks.

### **Interbank reconciliation**

The scope of this project is interbank reconciliation, which verifies the correspondence of the activities of two different banks, e.g. transactions between two clients of two banks.

### **Why Spunta**

Several reasons contributed to choose the Italian interbank reconciliation process as field of action. First, the reconciliation is an interbank process based on bilateral registers, has a low impact on the overall business, a low level of standardisation, and lacks advanced operating processes. Finally, the Italian Banking Association is the body that defines the operating procedures to be applied in the reconciliation process. The mutual accounts regulation is based on an interbank agreement created in 1978, revised in 1987 and further amended in the 90's.

### **The benefits**

The main benefits recognised by reconciliation experts include: the automatic check of mismatched transactions based on a shared algorithm; the standardisation of the process and of a single communications protocol; the visibility of transactions between the

parties. The process involves the reconciliation of flows and transactions and the management of pending transactions. The activities relate to interbank dialogue.

### **Blockchain – Distributed Ledger Technology**

With the blockchain, data is not stored on a single computer but is distributed over several nodes, i.e., on several machines that are interconnected. In this way, a vast database can be distributed, and transaction management is shared between several nodes on a network. Without having to rely on a single centralised entity, this new concept of distributed databases, Distributed Ledger Technology (DLT), changes the way we think and design the relationships and the exchange of value between the participants. The application of DLT technology can improve certain specific aspects of the current operations that can lead to discrepancies difficult to manage for the banks. Smart Contracts are another innovation in this area: a software programme that incorporates the rules of execution of an agreement to control the transfer of data and information. It uses a permissioned-type blockchain which is only open to banks participating in the experiment. It does this on a dedicated network like Sia and not on the open web.

Banks are paying close attention to this experiment. There is also interest from banks in other countries.

### **Spunta Project, energy efficient - data privacy**

The use of a permissioned DLT helps to avoid the drawbacks sometimes associated with the blockchain. In the permissioned world there is no mining, the typical activity of crypto-currencies, intended to validate transactions at nodes. Therefore, high energy consumption is not expected. Data privacy is also assured. The exchange of information in the Spunta project occurs through private bilateral channels.

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