

The Machineries of Opportunity

BREAKING THE TRANSACTIONAL SPEED BARRIER WITH BLOCKCHAIN TECHNOLOGY.

by George Koo

Anyone watching the financial news last year certainly heard the term “blockchain,” but many people do not really understand what it means. Often, even educated reporters and analysts use it interchangeably with other familiar words like “cryptocurrency” and even “initial coin offering (ICO).”

Unfortunately, although blockchain technology is certainly relevant to these terms, it is not synonymous with them. In fact, blockchain is, at its heart, simply a technology for authenticating transactions securely at high speeds. Every time a party, which may

be anonymous or known, validates a transaction, a “block” of that transaction is added to the chain of “decision” codes until an additional supported and authenticated decision is subsequently made.

Does that make you think of anything? Perhaps a real estate closing or the search for a clear title? Well, it should. In today’s economy, almost every document is digitally produced. With the aid of authenticating codes, such as blockchain, that digital document

could have a unique code that travels the web from one owner to another to signify that it is indeed an original document and not a replica of an existing document. This prevents fraud and does not require a central party to validate its authenticity.

In the future, blockchain technology could reduce the timing of closing real estate transactions in a substantial and disruptive way. Combined with emerging artificial intelligence (AI),

blockchain could function in the real estate industry in such a manner as to exponentially expand the potential for investment and returns in groundbreaking ways, such as by securitizing office leases or, at a minimum, eventually removing the need for title insurance and physical closings. Perhaps most significantly, a transaction that might take months today might be done in a matter of minutes. Consequently, these technologies will change how we complete financial and economic transactions.

Currently, we rely on the government municipalities, banks, and finance companies to validate and record the original documents of real estate transactions (currently created digitally) and continue to be held in paper form at repositories. Blockchain could change that by having all the real estate transactions simply validated and confirmed by the public ledger and the original documents will reside with the buyers and sellers without the need for the centralized repositories. All this could be done efficiently without the intervention of title companies, municipalities and other intermediaries. As a result, transactions can be done quickly and at substantially reduced costs for all parties.

While there is a lot of excitement for bitcoin and other cryptocurrencies, the real gem is blockchain and the possibilities that it holds for validating many different forms of financial transactions; all without the need for intermediaries and at very low transaction costs. And at the speed of the internet. •



BLOCKCHAIN:

A digital ledger in which transactions made in bitcoin or another cryptocurrency are recorded chronologically and publicly.



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