

DLT – is already in heavy use in banks for FX transactions

[*HSBC uses DLT to settle \\$250bn of FX transactions – Finextra ,Jan 15, 2019*](#)

[*CLS And IBM Expand FX Matching Beyond CLS Settlement Participants – Forbes ,Nov 28,2018*](#)

[*Is the Forex Market Ready to Go Blockchain? Some Banks Don't Think So – Cointelegraph, Aug 03,2018*](#)

Everyone by now knows about blockchain and DLT (Distributed Ledger Technology). But many in the banking industry still think it's a way off from affecting them in their everyday work environment. If you think that, then think again.

Last year, HSBC surprised many by announcing use of the technology in a live trade finance deal from start to finish which reduced the time for the completion of the deal to be reduced from weeks to hours. This was written about in the very first issue of Intuition Asia Perspectives.

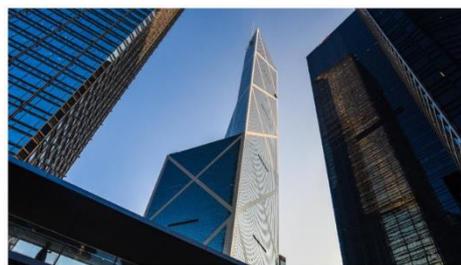
Now HSBC are at it again and has been talking about its use of distributed ledger technology over the last year to settle more than three million foreign exchange transactions on its “HSBC FX Everywhere” platform. It has been used to increase the efficiency, transparency and immutability in processing 150,000 payments. Because of the global nature of HSBC the settlements are cross border and involving multiple balance sheets in dozens of countries and worth about \$250 billion.



They have been using a shared permissioned ledger which is a form of DLT that banks are preferring because of its perceived greater security and efficiency compared to public blockchains for instance. It has resulted in the automation of several manual procedures and reducing reliance on external settlement networks. They are now apparently looking to see how this could assist their multinational clients in manager their FX flows, expanding the use of their technology outside of HSBC

internal use, now they are confident in its stability, flexibility and speed, having tested it heavily themselves. CLS, with IBM technology, last year announced they were using DLT for netting FX payments in 120 currencies and then followed it with expanding FX matching beyond CLS settlement participants. Goldman Sachs, Morgan Stanley already use the same tech and six other banks including Bank of China are committed to, in the near future

These announcements of the use of blockchain in FX are important in showing that DLT is already here and in use in banks in a major way. The tech is a blockchain application in production globally for a Systemically Important Financial Institution (SIFI), it has drawn the participation of major global banks, and it demonstrates a viable business use of blockchain. Its use in “FX netting will reduce settlement cost for major currency pairs, reduce back office costs and improve marketing liquidity. It is highly symbolic that two of the largest banks are from the U.S. and one of the largest is from China — that emphasizes the global nature of blockchain.”



Bank of China (Hong Kong) tower. Photocredit: Getty

CLS, which effectively eliminates foreign exchange risk by conducting real-time payment vs. payment with volumes of \$5 to \$6 trillion per day, has been highly successful in its 12 years, but it covers only 18 currencies, that is about to change because of blockchain.

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