From: **Brandon Thomas** <blockchain.monitor@graylinegroup.com>
Date: Fri, Mar 30, 2018 at 1:00 PM
Subject: A Hammer Looking for a Nail? (GBM #1)
To: Jane <jane@doe.com>

Jane,

Welcome to the inaugural issue of the Blockchain Monitor!

> "Blockchain's uniqueness makes it exceptionally difficult to understand because try as we might, **we possess no pre-existing conceptual pigeonhole to fit it into**. By extension, **it is exceptionally easy and tempting to project upon it a panacea for every problem without any clear idea of how it will help**." - Ariel Deschapell

One of the core reasons blockchain is so difficult to understand is because it combines expertise from so many different disciplines - cryptography, computer science, economics, to name a few. As Deschapell states in the quote above, this presents a significant impediment to understanding, as there are few, if any, pre-existing frameworks with which to understand the systems that are emerging. In conversations with many, this leads to two extremes: abject skepticism or utopian nirvana.

We think that blockchain is extremely important for everyone to understand, and that the truth lies somewhere in between skepticism and nirvana. The former degrades over time with understanding for most. As more projects begin to exhibit productivity and more examples arise from overcoming shortfalls and weaknesses, honest abject skepticism fades. We believe this will continue, if and as the promise of blockchain technology continues to bear out.

The latter, however, is where many enterprises find themselves as they begin to understand and apply blockchain technology. Once you begin to see the potential of blockchain, every problem looks like a nail that blockchain can hammer. The hype surrounding blockchain does you no favor, as labeling a project "blockchain" in any form instantly establishes marketing credibility and "innovative" status given the current climate. Even some companies are addling "blockchain" to their name, leading to double and even triple digit increases to their market value (despite their company having little to nothing to do with blockchain). As with most hype waves, this too will subside, and only those projects that respect and effectively apply the fundamental assets of blockchain will end up delivering real value.

Blockchain is not a panacea for all ills. Using blockchain infrastructure to replace an existing infrastructure without first understanding (and potentially redesigning) the means by which system actors interact is a recipe for failure. Slapping blockchain technology into your infrastructure may create goodwill with your superiors or even foster accolades from your board, but unless you and your team fully understand the fundamental characteristics, concepts and structures that blockchain enables, you are more likely to do harm than good in the long run.

Be smart and deliberate. Be proactive but don't get caught up in the hype.

Below is what you need to know as we embark on Q2.

-Brandon

BLOCKCHAIN MONITOR

Improving Visibility Into Your Supply Chain
One of the more interesting use cases of blockchain to emerge so far is the use of distributed ledgers to provide better transparency, visibility, and consensus as goods move from source to consumption. From food safety to tracking drug ingredients to ensuring the diamond you are purchasing was legitimately sourced and not plundered, dozens of projects have arisen in recent months and years to apply blockchain to supply chain. The behemoths like IBM and Maersk are involved, as well as startups like [Provenance](#) and [ShipChain](#).

The opportunity is to apply the fundamental characteristics of blockchain in valuable ways; this becomes much easier in areas where the current system is either broken or woefully weak. It also helps if regulation is lesser as compared to the vanguard ideas of "better money" and "digital gold". Given the activity we are seeing with supply chain applications, we believe this industry is already beginning to generate value by applying blockchain technologies, with much more to come.

DIVE DEEPER: The Digitization of Trade's Paper Trail, [The Economist](#)

Strengthening Your Risk Management and Audit Functions
You don't always have to build from the ground up. In fact, Blockchain applications can often be used to improve existing processes. While the bulk of blockchain applications that snag headlines appear as "radical disruptors", blockchain can also be used to streamline the mundane of the everyday function at work.

A partnership between PricewaterhouseCoopers (PwC) and Northern Trust recently introduced blockchain-based tools to give auditors information on what actions are being taken by a fund manager almost immediately, potentially changing the game in the private equity world. Auditors of a private equity fund use their access to Northern Trust's permissioned blockchain to see read-only files when shares are bought and sold between insiders, when capital calls are made, and when capital gains are distributed. Auditors also have the option of transferring the required data into their own applications or develop tools to audit directly from the blockchain. Permission to audit various funds is controlled by smart contract technology designed by Northern Trust.

Many companies right now depend on business process management tools to automate the decision-making process. These processes are stored on databases which need to be constantly audited. Due to potential losses if any step of this process goes wrong or fines if activities vear from compliance, companies spend millions auditing databases to maintain credibility.

Blockchain's immutable, decentralized nature provides a solution for reducing the cost and effort of auditing and maintaining compliance. Some of these new services coming to market are being designed such that a) your data never leaves your servers, and b) proof of existence in an auditable blockchain can be generated from existing data flows, negating the need for a costly system redesign or change management plans.

Definition of Immutable: unchanging over time or unable to be changed; i.e. "an immutable fact"

Not the most exciting of topics, but when has streamlining existing processes ever been exciting? And yet, the effect of such efforts on the bottom line are indisputable (and easy to communicate).

DIVE DEEPER:
Northern Trust, PwC Launch 'Instant' Blockchain Audits, Coindesk
The Intersection of Business Process Management (BPM) and Blockchain Technology, Factom

Mythbusting: Child Pornography on Blockchain News is a Non-Story
You may have come across a story last week that child pornography was discovered on the Bitcoin blockchain and if you have access to that blockchain you also have access to child pornography. There is no need to panic.

There is a lack of specificity and poor framing around this story. A text string which is a URL link to a website is not the thing itself. If something is on the blockchain you must first prove that the content exists, is viewable, and is extractable. Like Google Docs, Amazon's AWS infrastructure, and many other products in market, Bitcoin's blockchain functions in similar form, whereby an author is culpable for such illicit content not the service in use. Cornell Professor Emin Gun Sirer walks through this more here. Aside from culpability, it is extremely hard to seek out child pornography on the Bitcoin blockchain. To do so would involve downloading the entire Bitcoin blockchain and sifting through all 251 million (and growing) transactions.

For those saying you "can't" do that amazing blockchain implementation for your enterprise because of this or similar pushback, have a plan to educate, cut through and mitigate such misunderstandings. As blockchain continues to grow in prominence, such fear, uncertainty and doubt (a.k.a. "FUD") is only going to grow.

DIVE DEEPER: No, There Isn't Child Porn on the Bitcoin Blockchain, Bitcoin.com

DOWN THE RABBIT HOLE

Regulatory and Legal Developments:

The FCC Should Use Blockchain to Manage Wireless Spectrum
A Democratic commissioner on the Federal Communications Commission (FCC) argues that the commission should explore blockchain technologies to manage access to the wireless spectrum between private and public entities.
Wired

The Patent Landscape of Cryptocurrency and Blockchain
The authors analyze the current state of blockchain patent filings and associated implications. The increase in patent applications encourages some companies to rush and file patents to

reserve a spot before the application has actually been developed. However, enforcing a blockchain or cryptocurrency patent may be difficult.
McDonnell Boehnen Hulbert & Berghoff LLP

Active Commercial Investment:

Comcast Makes First Big Bet on a Multi-Blockchain Future
The venture arm of Comcast is making a $3.3 million investment in Blockdaemon, a startup that creates enterprise software for interacting with a wide range of blockchains.
Coindesk

Fujitsu Opens Blockchain Innovation Center in Brussels to Accelerate Development of Next Generation Applications
Fujitsu's new research center in Brussels will research blockchain and distributed ledger technologies.
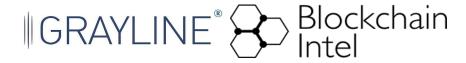Fujitsu

Coca-Cola, U.S. State Dept to use blockchain to combat forced labor
Coca-Cola is teaming up with the Blockchain Trust Accelerator to create a registry for workers and their contracts in their supply chain using blockchain validation and digital notary capabilities.
Reuters

ONE FUN THING

The Blockchain Monitor provides unique context, insights, and other useful information to better equip professionals for the current and future implications of blockchain. Filtering out the noise, we highlight relevant projects and specific actors of interest within the blockchain ecosystem. From organizations to individuals to strategy implications, our goal is to provide you with actionable information and a decision advantage.

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