Postal Savings Bank of China Teams with IBM to Build Blockchain-Based Asset Custody System

BEIJING and ARMONK, N.Y., Jan. 10, 2017 /PRNewswire/ -- Postal Savings Bank ofChina (PSBC) announced today that it launched its blockchain-based asset custody system. As part of its work, the bank has also successfully executed more than 100 real business transactions on the blockchain since the system went live in October 2016. PSBC worked with IBM (NYSE: IBM) and used the Hyperledger Fabric to create the first deployment inChina to apply blockchain technology to asset custody in the financial industry.

As one of China's leading retail banks, PSBC pays attention to the technology innovation to speed its research in advanced financial products, technologies, processes and business applications. As part of these efforts, the bank worked with IBM to develop an asset custody system built on the Hyperledger Fabric. Upon completion of a Design Thinking workshop and joint development work with IBM, the bank embarked on a two-month trial operation, during which it completed over one hundred asset custody transactions involving buying and selling bonds. During the trial, the system demonstrated blockchain's ability to help streamline the traditionally complex credit verification process and manage risk, helping financial institutions operate more securely and efficiently.

As one of PSBC's core businesses, asset custody now represents an approximatelyfour trillion RMB business. Asset custody process typically involves multiple parties, including financial institutions, clients, asset custodians, asset managers and investment advisors and auditors. Each transaction involves the settlement of large sums of money and multiple participants exchanging data, each with its own information system and often relying on verification systems such as telephone, fax and mail, potentially creating delays, discrepancies and risk with reporting between entities.

PSBC's blockchain solution enables the real-time sharing of information by multiple parties, eliminates repeated credit verifications, which reduces the operation process by about 60%-80%[1] and helps make information exchanges more efficient. The smart contract and consensus mechanism integrates investment compliance verification regulations into the blockchain, and ensures that transactions are completed after contracts are satisfied and a consensus is reached. The immutability and encryption built into the blockchain ensures that account information remains secure while allowing the quick sharing of necessary information by transaction participants. Furthermore, blockchain technology helps auditing and supervising parties quickly gain information, intervene and exercise control, thus improving the efficiency of risk management across the industry.

Lyu Jiajin, President, PSBC, said, "Blockchain technology has the potential to eliminate the trust frictions in financial business activities at a very low cost and creates trust and enables the efficient exchange of information for all the parties involved in a transaction. This technology has the potential to fundamentally transform the financial industry. Today, with a booming fintech and business innovation in the financial industry, we expect to joinhands with more financial institutions to build the ecosystem for a financial industry based on blockchain technology."

"The successful launch of PSBC's blockchain-based asset custody platform demonstrates the high impact the technology can have on the financial industry. As the technology evolves, we expect to work with PSBC to define and develop new solutions, drive adoption of blockchain in more lines of business and support more organizations in China and around the world as they build their blockchain ecosystems and create a more efficient and trusted business environment," said Chen LiMing, Chairman, IBM Greater China Group.

[1] Based on performance improvement data from PSBC in production environment

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