

# JPMorgan Chase unveils cryptocurrency prototype

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JPMorgan Chase unveiled a prototype for a system that permits cryptocurrency transactions among clients.

JPMorgan Chase on Thursday unveiled a prototype for a digital coin system using blockchain, a first among major banks as disruption accelerates change in financial services.

The system, called JPM Coin, which for now is only at the prototype stage and for business-to-business deals, would permit institutional clients to make instantaneous payments to other bank clients.

The announcement gives a jolt to a leading financial technology that has been praised for boosting efficiency in payments and other bank processes but which is still seen as at least a few years away from widespread application, in part because of the need for regulations.

Lou Kerner, a venture capitalist who invests in crypto ventures, predicted the blockchain technology would affect all industries, much like the Internet.

"Clearly banking and the monetary system is one of the first areas to feel the disruption," Kerner said.

"Every major bank in the world is assessing the situation and developing a crypto/blockchain strategy. Either the banks disrupt themselves or they let others disrupt them."

"The crypto genie is out of the bottle," he added.

Large banks face increased competition from smaller financial tech companies, as well as credit card companies and even retailers like Amazon and Apple who are jostling in with new payment systems.

Banking giants such as JPMorgan Chase, Bank of America and Citigroup are steering a fifth or more of their overall spending to technology, according to a report from S&P Global Ratings.

"We believe it will be crucial for banks to maintain their market position in payments, because payments are often central to the client relationship, generating substantial revenues from credit and debit card fees, deposit account fees, cross-border transaction fees and net internet income," S&P said.

Business-to-business volumes are well over \$100 trillion, the report added.



JPMorgan Chase Chief Executive Jamie Dimon has called bitcoin a "fraud," but the bank has touted the underlying blockchain technology.

Under the system announced Thursday, customers would receive JPM Coins that could be transferred to other customers, who would then be free to redeem the sum. The system is based on US dollars but could be expanded to other currencies, the bank said.

The framework employs the digital ledger technology known as blockchain and is being tested with a small number of institutional clients, with plans to expand it into a pilot program later this year, the company said on its website.

"JPM Coin is currently a prototype," the bank said.

"As we move towards production we will actively engage our regulators to explain its design and solicit their feedback and any necessary approvals."

### Scalability?

Just last month, equity analysts at JPMorgan said blockchain could reduce transaction settlement time to minutes, lower transaction costs and provide parties with more clarity on payment cycles.

But many of the key advances "are still at the work-in-progress stage as they require legal and regulatory progress, operational adaptation and coordination between different stakeholders," the report said.

"Hence, we see wide-spread blockchain adoption with scalable solutions at least three to five years away."

In announcing the system, JPMorgan becomes the first major bank with concrete plans to permit clients to transact in crypto currencies.

JPMorgan Chief Executive Jamie Dimon has famously dismissed the cryptocurrency bitcoin as a "fraud," and prices of the digital currency have plunged over the last year.

At the same time, the bank has continued to work on blockchain technology, which is the founding mechanism for bitcoin.

"We have always believed in the potential of blockchain technology and we are supportive of cryptocurrencies as long as they are properly controlled and regulated," the bank said.

"Ultimately, we believe that JPM Coin can yield significant benefits for blockchain applications by reducing clients' counterparty and settlement risk, decreasing capital requirements and enabling instant value transfer."

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