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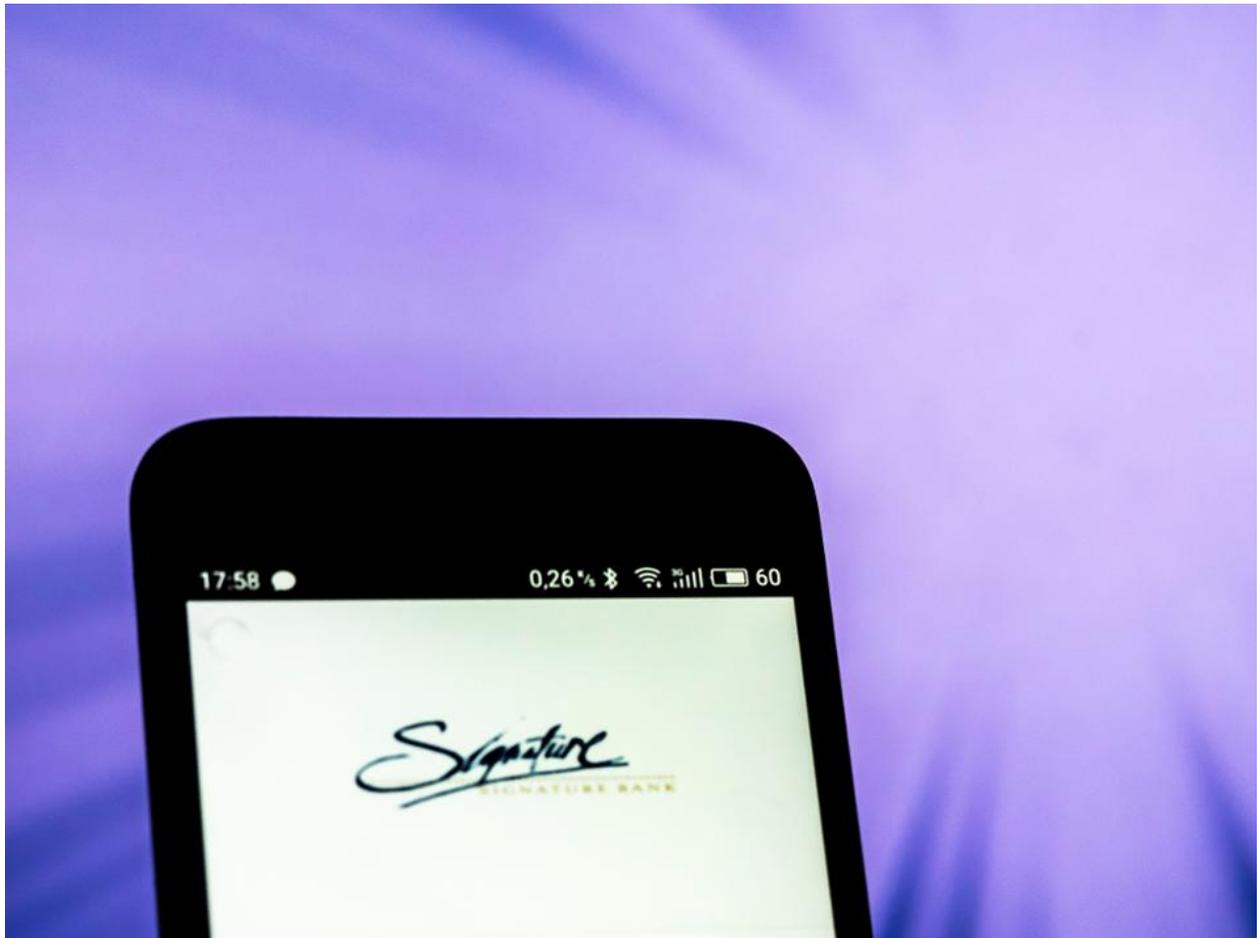
Signature Launches Institutional Payments Using Permissioned Ethereum Blockchain



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Crypto & Blockchain

I cover enterprise adoption of blockchain and cryptocurrency.



Signature Bank logo displayed on a smartphone. LIGHTROCKET VIA GETTY IMAGES

Commercial bank Signature Bank is launching a new payments platform for institutional clients powered by a permissioned version of the ethereum blockchain.

Developed in partnership with trueDigital Holdings in New York, the Signet Platform lets Signature Bank clients move money in 30 seconds, 24-hours a day, seven days a week by converting U.S. dollars into tokens compliant with ethereum's ERC-20 standard.

Traditional corporate payments using the Swift interbank platform or the Automated Clearing House (ACH) network can take as long as three days and are generally unavailable during the weekend, frequently resulting in lost business when opportunities require more swift reactions.

While this early implementation of blockchain is limited in that only Signature customers can use the always-on service, it is also part of a larger plan that could eventually see the bank directly connecting to others without the need of an intermediary.

Signature Bank cofounder and CEO sees the adoption of the private version of ethereum as a case of disrupt or be disrupted.

“We have to do this, otherwise we're not going to exist,” said DePaolo. “If you're not involved in blockchain, in five years, you won't be around as a bank.”

Originally popularized for powering the bitcoin cryptocurrency without the need of banks, blockchains and other distributed ledgers are now being pursued as a way to simplify a number of middle- and back-office workflows in banking and other industries.

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Unlike other ethereum tokens that comply with ethereum's ERC-20 standard, Signature Bank's digitized dollars, or signets, are designed to only work on the

bank's proprietary Signet Platform, and are not expected to interoperate with other exchanges and services built to accommodate the standard.

However, a statement provided to *Forbes* by trueDigital indicated this is just the first step to adding other currencies and pairs. "This will significantly reduce costs, counterparty risk and settlement times," said trueDigital founder and CEO Sunil Hirani in a statement.

The Signet Platform will open to commercial clients of Signature Bank on January 1, 2019 at 12:01 a.m. ET. At the time of launch the transactions will be free, but they also require a minimum balance of \$250,000.

Deposits held within the Signet Platform are eligible for FDIC insurance, up to the legal insurable amounts defined by the FDIC. Because the platform is restricted to Signature Bank clients, all users must pass the bank's anti-money-laundering and know-your-customer compliance.

Launched in May 2001, Signature Bank generated \$155.4 million net income for the 2018 third quarter and now manages \$45 billion in assets.

Also announced today, the Signet Platform has been approved by the New York State Department of Financial Services, making it the first bank to receive regulatory permission to use blockchain in this capacity.

"New York continues to support and help advance innovation through sound state regulation," said Department of Financial Services Superintendent Maria T. Vullo, in a statement. "And with products such as Signet, which provide lower-cost ways for businesses to efficiently make payments."

While the service is free at the time of launch, DePaolo said he wasn't sharing plans for how they might monetize the service in the future.

The launch of Signet isn't the first time the founder of little-known trueDigital Holdings made headlines. Prior to partnering with Signature Bank, trueDigital founder Sunil Hirani founded Digital Asset Holdings, which has raised \$107 million venture capital, and is best known for winning the contract to help the

Australian Securities Exchange (ASX) replatform its CHESSE electronic-book-entry register for securities.

“The launch of Signet will address an obvious need that diverse ecosystems have for exchanging funds repeatedly with the same counterparty,” said Hirani, who faces tough competition in the space. Earlier this year Hirani filed a lawsuit that alleges 11 banks conspired to boycott his trueEX interest rate swaps platform.

In fact, Swift itself has also been exploring blockchain, though it deemed the technology not ready for the high volumes their workload requires. Other [competition](#) is also coming from Ripple, a venture-backed startup using its own proprietary distributed ledger similar to a permissioned version of ethereum.

While Ripple is designed to leverage the XRP cryptocurrency as a way to increase liquidity, DePaolo isn't interested in directly leveraging crypto any time soon. As is, the Signet platform is capable of handling “thousands of transactions per second,” according to a company representative, but can be scaled to accommodate “tens of thousands of transactions per second.”

Going forward, DePaolo believes that other banks will likely offer similar intra-bank payments solutions that streamline back- and middle-office workflows, and eventually connect directly to each other.

“I believe that consolidation of financial institutions will be swift,” said DePaolo. “I think that consolidation will occur because there will be a number of banks that say, we can't do this, we don't want to invest in it.”

Free Webcast: Join Forbes' crypto expert, Jack Tatar, on December 18 at 2:00PM EST and find out what you can expect from bitcoin and other crypto assets in 2019 as well as what companies are benefiting from blockchain technology.

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