

## JPMorgan Chase the first major bank to create its own digital currency



Colin M. Battersby | Wednesday, February 27, 2019

Last week, [JPMorgan Chase announced](#) the creation of its own digital currency - the JPM Coin - making it the first major bank to do so. The financial services industry, highly regulated and traditionally conservative, has largely stayed out of the digital currency space, but the introduction and successful use of the JPM Coin may pave the way for the industry to cautiously embrace digital currencies.

### **JPM Coin**

The JPM Coin will first operate on JPMorgan Chase's blockchain, called Quorum. Blockchain, a distributed ledger technology, will allow JPMorgan Chase to instantaneously close transactions with some of its institutional clients that hold JPM Coin reserve accounts. The use of JPM Coin will also give JPMorgan Chase the ability to offer and properly execute smart contracts with those same clients. Smart contracts, or self-executing contracts written into code, automate contractual obligations. The appeal of smart contracts is that they do not require a third party to execute the agreement or transfer funds. As opposed to the traditional transfer of funds, which requires time to complete using a third party financial institution, the immediate transfer of funds allows smart contracts requiring payment to be executed without delay. For example, two parties can create a smart contract that closes a transaction at a specific time if certain obligations, perhaps a certain amount of JPM Coin exists in the purchasing entity's reserve account, are met. At that time, if all of the obligations have been met, the smart contract will execute and will automatically send the required number of JPM Coins from one account to another, closing the

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transaction.

Unlike many other digital currencies, including cryptocurrencies such as Bitcoin, the JPM Coin will be tied to the value of the U.S. dollar, with one JPM Coin equaling one U.S. dollar. This creates a so-called “stablecoin.” By tying the value of a JPM Coin to fiat currency, it will not have the same potential for instability that is seen with some cryptocurrencies and that has made the more traditional financial services industry wary.

It’s important to note that the JPM Coin comes at a time when privacy in technology is at the forefront of most consumers’ minds. JPMorgan Chase seems to have been mindful of this fact in its announcement of the JPM Coin. For example, generally speaking, a blockchain can be either public and available for download or private, meaning that it is open to only certain approved individuals. JPMorgan Chase has announced that the JPM Coin will not only operate on a private blockchain, but that it will only allow institutions passing the JPMorgan “Know Your Customer” identification verification process. As the number of participants in the JPM Coin grows, additional privacy protections will likely be implemented by JPMorgan Chase.

The creation and use of the JPM Coin is a step towards the relevance of digital currency for mainstream Americans. With states increasingly addressing blockchain technology in legislation, it is likely that such technology will continue to permeate traditional fields like financial services. Of course, regulation will naturally follow.

We will continue to follow and advise on developments as they occur. [Click here to learn more about our services related to \*\*blockchain technology\*\*.](#)



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