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ConsenSys Tokenizing $3.8T Municipal Bond Market.

Improving finance one bond at a time.

ConsenSys announced the acquisition of Heritage Financial Systems, an American broker-dealer, in a bid to tokenize the $3.8 trillion municipal bond market and improve one of the most tradition-bound assets in finance.

Is There a Blockchain for That?

Emma Channing, a coordinator of the deal, told Bloomberg that implementing blockchain technology for the municipal bonds sector "is a great use case." The thesis follows that blockchain technology, along with a host of other incoming technologies, will help digitize critical infrastructure. From finance, real estate, gaming, and so on, every industry looks ripe for renovation. This is especially true in the traditional debt market.

Municipal bonds move slowly and tend to be outfitted with inefficient tools which are prone to human error. Defined as debt securities, state institutions sell municipal bonds to investors. The capital raised is used to build roads, support schools, and other public projects.

ConsenSys' Attempt at "Mini-Bonds"

Channing may be correct, blockchain technology could shine in this environment. Clearly, ConsenSys sees real promise in combining the two businesses too. The specific implementation would tokenize the municipal bonds on ConsenSys' Codefi platform. This would allegedly make it easier to sell so-called "mini bonds."

Such mini bonds would be no different than what can be seen in the wider securities space. By tokenizing bonds, stocks, and equity, crypto entrepreneurs claim that inefficient markets could be made much quicker. Fintech outfit Securitize is doing exactly this, for example. And, as the name suggests, these digital assets could be parceled into even smaller pieces.

There is also an opportunity for further innovation once such assets are placed on a blockchain. In the bond sector, ConsenSys said that portions of how bonds are bought, sold, tracked, and distributed could be executed automatically.

The global fintech lead of ConsenSys, Patrick Beraducci, also pointed out that mini bonds may improve engagement between community members and their local government. Still, traction in this space has been unimpressive.

Neighborly, a non-crypto startup that worked to crowdsource bond underwriting, told its employees last year that it had run out of money. The bad news came two years after they had underwrote a massive debt sale for the city of Cambridge, Massachusetts.

Only time will tell if Neighborly failed in substance or in execution. With the latest ConsenSys acquisition, however, onlookers may have their answer soon enough.

Crypto Briefing

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