

BLOCKCHAIN: FINANCIAL TRANSACTIONS' NEW DNA?

Blockchain is a disruptive technology which creates a new secured exchange model for financial transactions. It eliminates third parties and it combines cryptography, a shared register and a distributed consensus, on the internet. Blockchain's disruptive impact is a real mid-term reality. Its peer-to-peer exchange, irreversibility and authentication features could shake up the trusted third-party banking model.



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The financial world is aware of the risk of disintermediation and is organising itself accordingly. Several international banks have grouped together in communities to offer their solution, for example, the R3 Consortium. The idea is to assert oneself amongst the 6000 public and private Blockchains to continue to manage financial transactions, but also to extend use to exchanging value. Even if Blockchain is open source, the race is on to gain control of this technology.

Beyond control of Blockchain, banks have realised that using this technology would enable them to make savings on infrastructure by automating processes. In a report published in 2015, Santander estimated that the group would be able to save 15 billion dollars a year. Numerous financial institutions have launched studies and initiatives to explore the opportunities that this technology offers. Investments estimated at 75 million dollars in 2015 and 400 million dollars in 2019 (source: Aite Group) are aligned with the expected ROI.

Sopra Banking Software has identified several use cases which demonstrate Blockchain's advantages in the payments domain:

CORRESPONDENT BANKING:

Blockchain eliminates banking intermediaries and therefore reduces costs, deadlines and risks during international transfers.

TRADE-FINANCE:

Blockchain and 'smart contracts' make it possible to bypass traditional players, to record change in ownership and to simultaneously trigger a faster payment with a low cost, while at the same time reducing the risk of fraud.

STRONG AUTHENTICATION:

Blockchain and the principles of its shared register applied to an authenticated customer repository meets KYC requirements – which are a regulatory obligation for banks; it will be the basis of a strong authentication system for payment methods.

DOMESTIC PAYMENT NETWORKS:

the use of a 'private' Blockchain can make it possible to manage domestic card payment transactions effectively and securely but also to bypass heavy and costly infrastructure. Blockchain can also be a credible alternative to

traditional networks like Visa and MasterCard.

THE INTERNET OF THINGS:

Blockchain can accelerate emergence of this market by simplifying integration and communication between the different systems and above all raise necessary security levels to gain users' trust to carry out a payment transaction.

2015 was the year when the market became aware of the breakaway. 2016 will be the year when Blockchain will be implemented into business use cases, and the year when technical limitations will be resolved, in particular processing and real time capacities. Sopra Banking Software is integrating Blockchain into its considerations and its software upgrades using Proofs of Concept, drawing on the market's most visible Blockchains, Ethereum and NXT.



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