

# Blockchain

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STRIKER ADVISORY



"Never have so many people sought so much from a technology understood by so few."

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-WORLD ECONOMIC FORUM



# Notable Definitions

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- Bitcoin – digital currency used in online peer-to-peer transactions
- Blockchain – a type of distributed ledger comprised of data stored in a chain
- Distributed Ledger – a shared ledger with no central source maintained via synchronizing changes



# What is a Blockchain?

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- A continuously growing list of records (“blocks”) linked/secured together using cryptography
- New blocks store cryptographic info from previous block
  - Has unique digital fingerprint
- Inherently resistant to data modification
  - Data changed in a given block affects all subsequent blocks
  - Changes *easily* detectable and denied
- Essentially an automatically notarized ledger



# What is a Blockchain? (cont.)

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- Solves the “trust gap”
- Creates a ledger that is:
  - trusted
  - open/public
  - distributed
- Allows transactions to be accurately performed without an arbiter between the two parties
- Foundational technology for different cryptocurrency uses
  - Most popular - Bitcoin

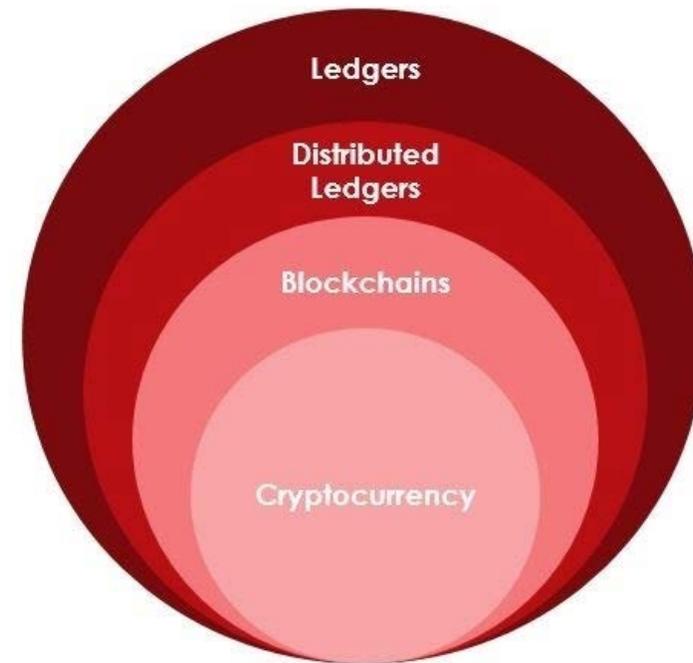


# Distributed Ledger

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- A ledger shared by numerous parties that each maintain an identical copy
- Updates to one copy of a ledger are synchronized across all copies to maintain order
  - Every party knows every transaction
- Also called a “shared” ledger
- Several different methodologies
  - Dependent upon use case
  - Core principles are the same regardless

Alternative Euler diagram



# Benefits

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- Reduced Bank Infrastructure Costs
  - Potentially 30%\*
  - \$8-12 billion industry-wide\*
- Highly Efficient/Powerful
  - 69% of banks are experimenting with blockchain technology\*\*
  - 66% of banks expect to use blockchains in 4 years\*\*
  - 15% of big banks are already implementing it\*\*
  - 15 million people have blockchain wallets\*\*



\*Accenture “Banking on Blockchain” Report

\*\*InfoSys Finacle and LTP “Blockchain Technology: From Hype to Reality” Report

# Benefits (cont.)

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- Ensures complete trust in a transaction
  - Post-transaction data manipulation detectable by design
- Improves transparency
  - Records are readable without being changeable
- Decentralized
  - No singular blockchain to break
  - Lots of spread out copies constantly update themselves
- Open Source Technology
  - Not controlled by a proprietor



# Challenges with Blockchains

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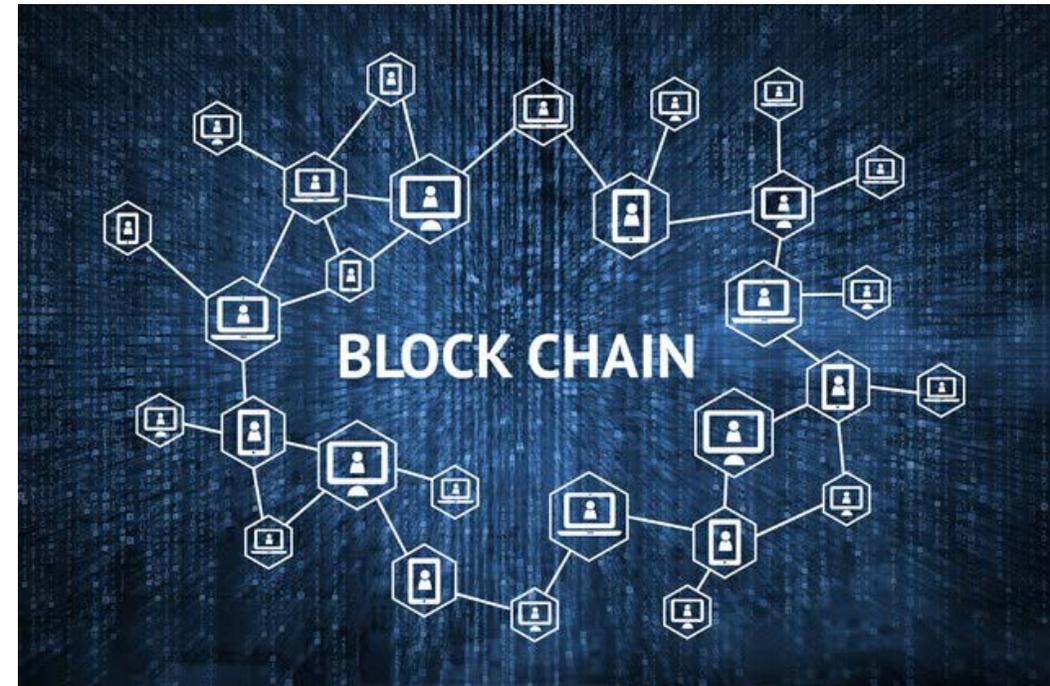
- Fragmentation
  - Different use cases have different methodologies/implementations/standards
- Regulation
  - Lack of framework regarding issues like territoriality and liability
- Cultural Adoption
  - Bitcoin reputation, lack of public trust/understanding/, difficulty of use
- Will they pass compliance tests?
  - Eventually, but will take time





# Popular Use Cases

- Fraud reduction
  - Transactions publicly accounted for and legitimate
- Digital identity management
  - Conveniences of a centralized ID authority without customers surrendering control
- Payments
  - Saves banks from “middle man” work
- Clearing contracts
  - Smart contracts – digital contracts executed automatically when terms are met



# Popular Use Cases (Cont.)

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- Regulatory reporting
  - Blockchain provides a public system for information access
- Asset registries
  - Asset exchanges can be treated as a transaction
- Letter of credit process
  - Streamlines documentation process
- Syndication of loans
  - Reduces time/paperwork



# Recent Examples

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- Yes Bank in India
  - Reduced remittance delays from 2 days to less than an hour
  - Reduced invoice/delivery order delays from 90 days to seconds
  
- Bank Hapoalim (largest Israeli bank)
  - Reduced guarantees processing delay from 7 days to hours (sometimes minutes)
  - Massive reduction in manual effort



# Thanks!

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