

# **BLOCKCHAIN TECHNOLOGY IN PAYMENTS & SETTLEMENTS**

**08/11/2018**



# Summary

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- Presentation of Speakers

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- Settlements

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- CORDA

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# INTRODUCTION



# 1. Introduction

## ➤ **i-Fihn Presentation**

- **CEO : Franck SEBBAN**

## ➤ **Speakers Presentation**

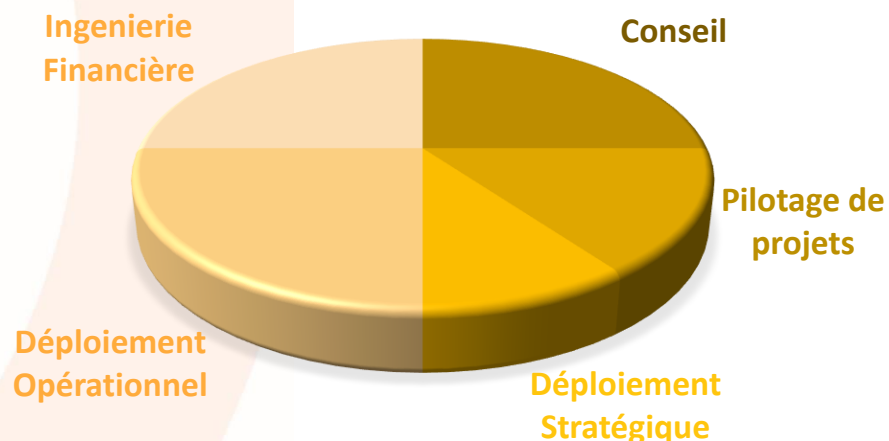
- **Head of Business Unit Blockchain : Pierre WEIRICH**
- **Head of Business Unit Clearing : Berceste GENCTURK**



# 1. Introduction

- i-Fihn Consulting est un cabinet de conseil spécialisé en Finance de Marché. Notre cabinet regroupe des **équipes pluridisciplinaires** composées de professionnels de la **gestion de projet**, de **l'organisation** et des **métiers de la finance**.
- Fondé en 2006, nous accompagnons nos clients, **Banque de Financement et de Grandes Clientèles**, **Gestionnaires d'Actifs et Asset Servicing**, dans l'évolution de leur organisation, de leur processus et de leurs outils au sein de **contextes réglementaires en constante évolution**.
- Nos **Pôles d'Intervention** : Conseil, Pilotage de Projets, Déploiement Stratégique et Déploiement Opérationnel, sont mobilisés autour de **deux objectifs majeurs** : la diminution du risque et l'amélioration de l'efficacité pour nos clients.
- Nous intervenons dans les principaux domaines de la finance :
  - Gestion du Risque & Évolutions Réglementaires,
  - Compliance & Risque Opérationnel,
  - Gestion & Contrôle du PnL,
  - Front Office Solution,
  - Modélisation & Ingénierie Financière.

## TYPE DE MISSION





# 1. Introduction

## ➤ Pôle Compensation :

- Renforcement de la réglementation sur les produits financiers accordant une place prépondérante aux différentes Chambres de Compensation
- Renforcement des Chambres de Compensation en zone € (Brexit)

## ➤ Pôle Blockchain & Nouvelles Technologies :

- Blockchain ne signifie pas que « Cryptomonnaies »
- *The Guardian* « *Blockchain, so much bigger than bitcoin* »

**Importance de la prise en compte  
des nouvelles technologiques  
pour couvrir les enjeux Métiers**

# Financial Institutions Interests in Blockchain Technology



## 2. Financial Institutions Interests in Blockchain Technology



### Customers are demanding

- \* Greater efficiency and transparency
- \* More stringent security and anti-money laundering measures
- \* Improve productivity



### Financial institutions need

- \* Information on the progress and fees of transactions
- \* Monitoring or investigating any issues
- \* To eliminate manual touch points
  - \* To be the forefront of innovation in financial markets
- \* Reduce of costs, have more liquidity



### Right Technology?



# Initiatives & On-Going Projects



## 3. Initiatives & On-going Projects

### Payments

- **Interbank Information Network (IIN) from JP Morgan**
  - IIN enhances the client experience, decreasing the amount of time – from weeks to hours – and costs associated with resolving payment delays
- **Global Payments Innovation Initiative (GPI) from SWIFT**
  - GPI trace payment's path in real-time : view fees and receive confirmation immediately
- **“Nostro accounts” Proof of Concept from 28 banks**
  - POC has generated greater efficiencies in reconciliation process , has reduced the amount of money that banks needed to hold in Nostro accounts



## 3. Initiatives & On-going projects

### Clearing

- **The solution allows a bank to :**
  - View the collateral in its ledgers in real time
  - Send cash or securities with one click to a clearing house
  - Receive an immediate acknowledgment

**Citi Bank and CME (Chicago Mercantile Exchange)  
offer a real-time distributed ledger platform solution**



## 3. Initiatives & On-going projects

### Settlement

- Trade settlement in one day rather than two : \$2trn Australian cash equity market
- Expected between September 2020 and March 2021
- Appeal to some custodians and other market participants as it will reduce risk and therefore free up capital
- World's first industrial-scale blockchain in financial services, with target of cash debt market and derivatives in the future

**Australian Securities Exchange (ASX) is replacing CHESSE  
with distributed ledger technology (DLT)**

# BlockChain Technology



## 4. Blockchain Technology

### What Blockchain is ?





## 4. Blockchain Technology

### What Blockchain is ?

The blockchain is an **incorruptible digital ledger of economic transactions**

that can be programmed to record not just financial transactions but virtually everything of value



A digital ledger that keeps a record of all transactions taking place on a peer-to-peer network



All information transferred via blockchain is encrypted and every occurrence recorded, meaning it cannot be altered



It is decentralised, so there's no need for any central, certifying authority



It can be used for much more than the transfer of currency; contracts, records and other kinds of data can be shared



Encrypted information can be shared across multiple providers without risk of a privacy breach

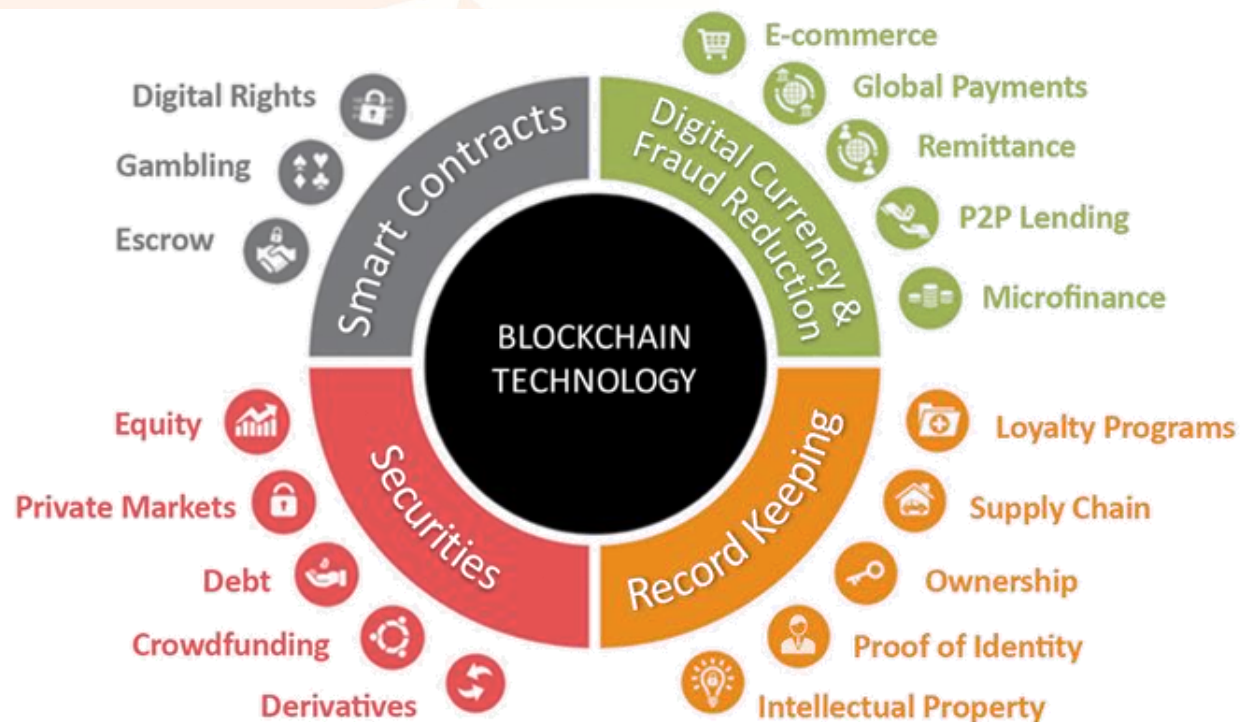
***A distributed database of transactions that is  
Immutable | Consensus-driven | Decentralized | Trustless | Secured***



## 4. Blockchain Applications

### Domain of Applications

- ✓ Supply chain & production management
- ✓ Healthcare
- ✓ Real Estate
- ✓ Media & entertainment
- ✓ Customer identity management
- ✓ Finance and insurance activities



***A distributed database of transactions that is  
Transaction-based | Scalable at many latitude | Precise and Transparent***

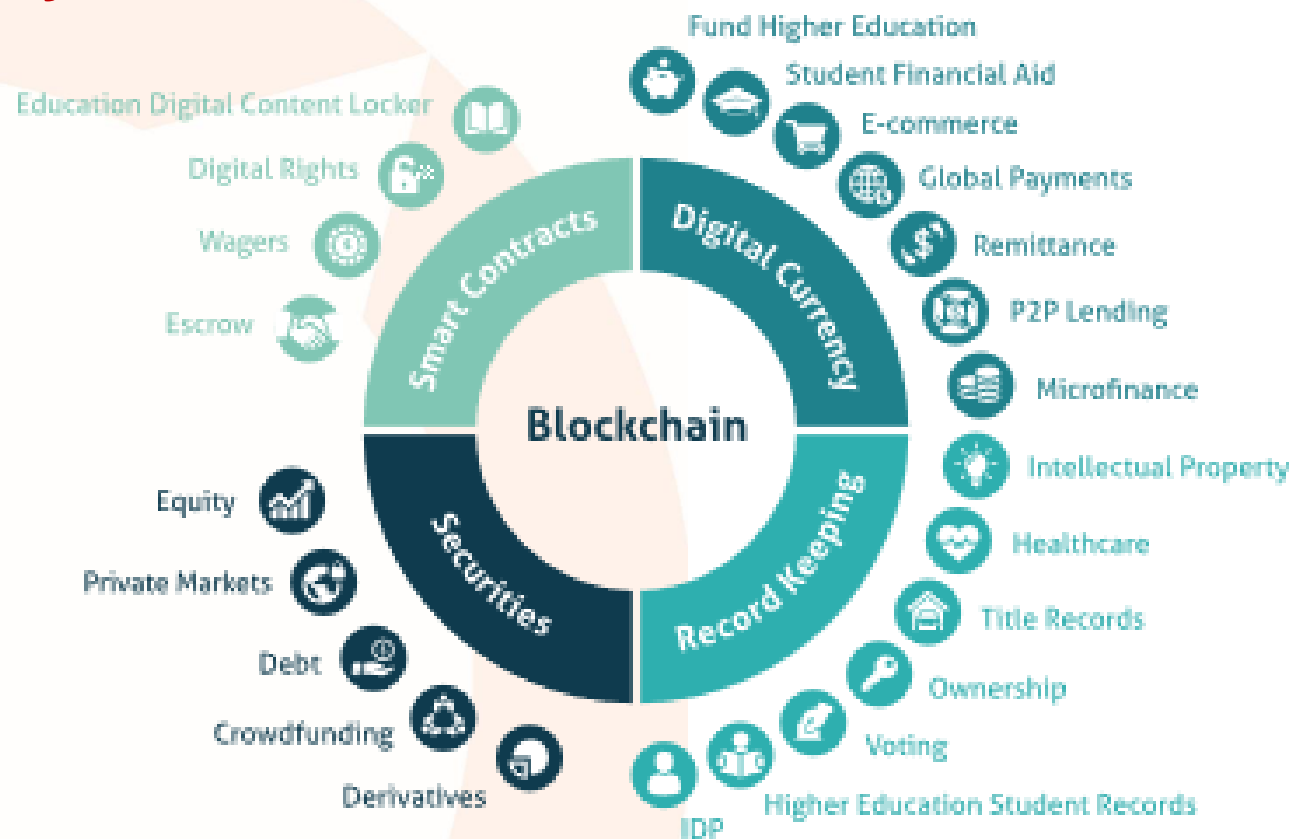




## 4. Blockchain Applications

### Applications in Financial industry

- ✓ Infrastructure for cross-border transactions
- ✓ Regulatory reporting and compliance
- ✓ Accounting, payments and auditing
- ✓ Clearing and Settlement
- ✓ Digital assets as a class



***Blockchain is a powerful technology for financial industry for Secured, transparent and instantaneous transaction for payments & investments***



## 4. Blockchain Applications

### Two words : « Smart Contract »

**Smart contracts and distributed ledger technology (DLT) are increasingly being seen as a way for the derivatives industry to realize operational efficiencies, benefits and cut costs**

- A Smart contract combines the elements of both legal and technological effectiveness
- Digitalization of ISDA Master Agreement is including Smart contract through Common Domain Model
- It's compliant with regulatory recommendations



## 4. Blockchain Applications

**It's real !**

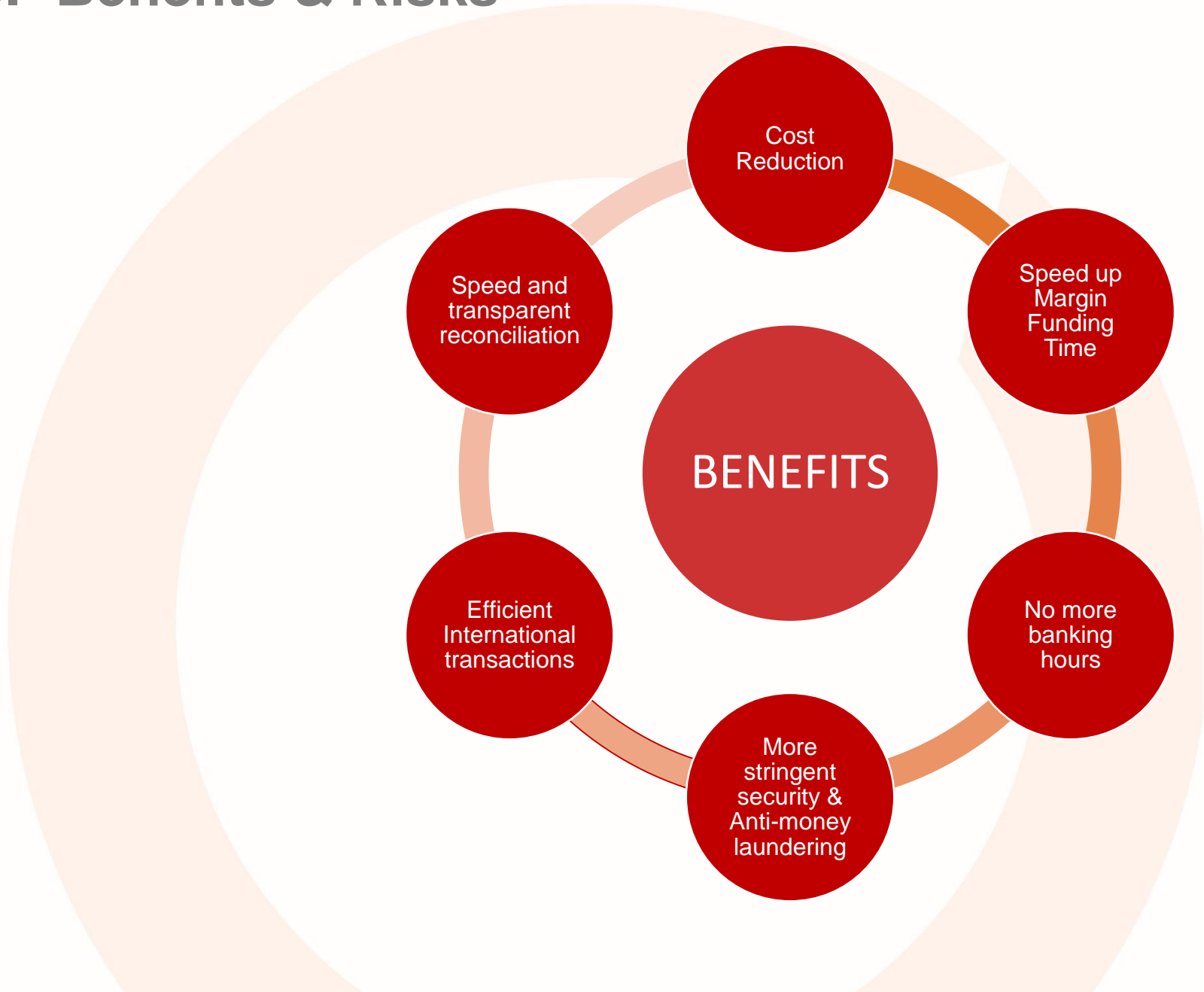
**Oesterreichische Kontrollbank (OeKB)  
used Ethereum public blockchain  
to issue €1.15 Bln in Government Bonds**

- This year, October 2<sup>nd</sup>, the bank has issued the bonds on behalf of the Austrian Treasury (OeBFA)
- First time a blockchain-based notarization service is used as part of a Federal Bond Auction in Austria

## Benefits & Limits

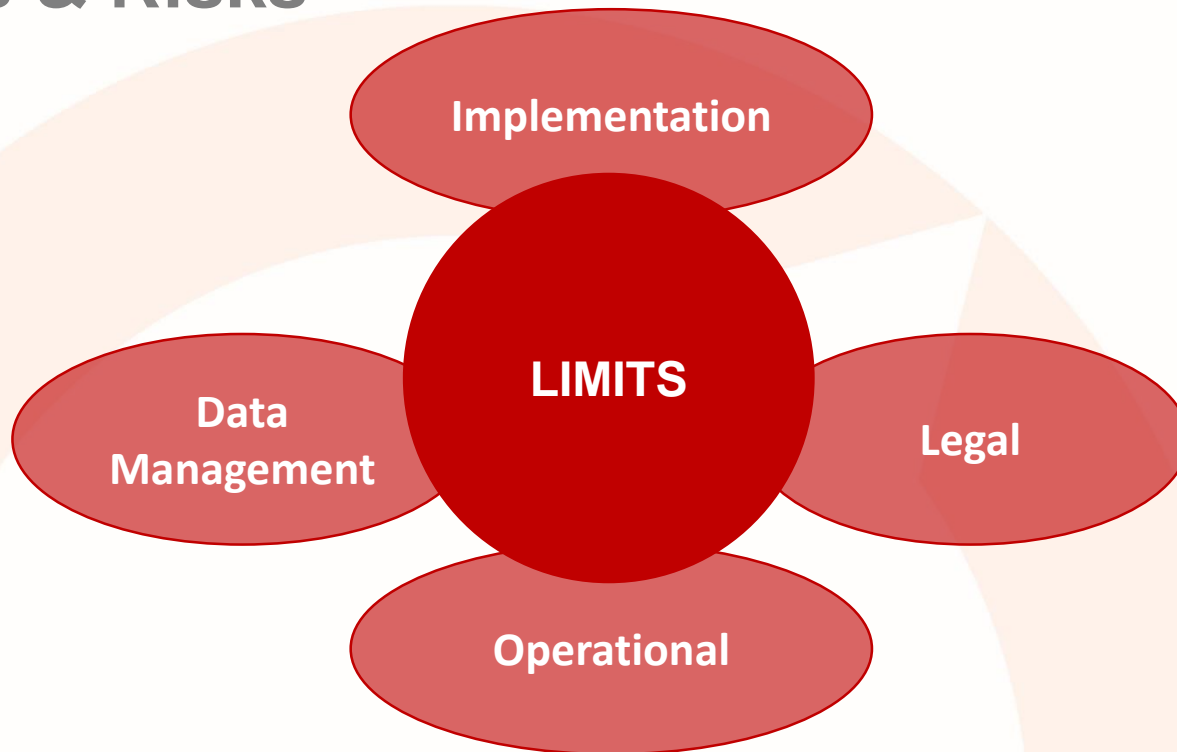


## 5. Benefits & Risks





## 5. Benefits & Risks



### Implementation

- Lack of interoperability with existing process and structures
- DLT implementations : connectivity, standards

### Operational

- How to handle peak of volumes, capture market stress and volatility

### Legal

- DLT public & DLT private
- Property, liabilities, international jurisdictions

### Data Management

- Traceability of the data record keeping
- Verify KYC rules and to be compliant
- How to handle huge volumes

## Conclusion



## 6. Conclusion

➤ **Already 10 years many things are done :**

- Several blockchain consensus already in place
- Regulatory framework is set up in several countries
- Benefits are proven

➤ **Still a lot do :**

- Be part of the blockchain train
- Participate to existing and new initiatives & projects
- Regulatory recommendations to be reflected

➤ **So be active and don't undergo**



## Questions & Remarks

