

THE FINANCIAL INDUSTRY AND THE USE OF BLOCKCHAIN TECHNOLOGY

BLOCKCHAIN TECHNOLOGY

Blockchain is the technology that creates a ledger of transactions on the internet that is secure, tamper-proof, and easily accessible. It is one of the newest innovations of the digital age. Initially, it was developed for Bitcoin (crypto- currency), but now it is used universally, whether you are working in supply chains, manufacturing processes, record management, healthcare, retail space, land registration verifying ownership, IoT devices, public ledger, equity swap or any other industries. Blockchain could help you in getting a competitive edge due to its ability to secure and decentralize data has led to its adoption in business processes, improving efficiency, transparency, and security.

Efficient Payments & Secure

Blockchain can improve the payment transparency, efficiency, and security as well as reduce the cost for financial services to the firms and its users. Earlier, when the payments from one entity to another used to take up to a week time. Now, with the help of block chain it is transferred instantly. The use of digital currencies and distributed ledger technologies make payment faster, cheaper, and more convenient. One of the main benefits of the block chain technology is its ability to secure transactions. Traditional methods of transferring assets, such as wire transfers, are prone to frauds and hacking. However, the block chain technology enables secured peer-to-peer transactions without the need for intermediary. The transactions are secured by complex cryptography i.e. Symmetric and Asymmetric cryptography methods.

Quicker settlement in stock markets / Financials

On February 15th 2023, the Securities and Exchange Commission adopted a rule amendment to shorten the standard settlement cycle for most routine securities trades from two business days after the trade date to one business day after the trade date (or from "t+2" to "t+1" in common parlance). Major stock exchanges are exploring the potential of blockchain to allow almost immediate stock settlements by reducing transaction time and operational cost. NASDAQ uses blockchain technology to issue and share private securities, while the London Stock Exchange is exploring blockchain opportunities with cross-industry groups of institutions to change the way securities are being traded in Europe.

EKYC - Digital Identity Verification

Blockchain technology can be used to create secured digital identities that can be verified without the need for intermediaries. This can help reduce Identity Theft and Fraud, as well as improve the efficiency of identity verification processes.

Supply Chain for Asset Management

Blockchain technology is also being used to improve Supply Chain Management. It also improves transparency in the supply chain, allowing customers to trace the origin of the products, they purchase. Today, the asset management and supply chain network largely focuses on a centralized digital system that gives real-time visibility of assets within our systems. The distributed ledger concept enables direct trading and settlements across boundaries, it helps in reducing cost, increasing data accuracy, and reducing delays in processes. It makes you vulnerable to errors, frauds and misinterpretation during an exchange of assets between parties.

Agreement / Contracts with Clients

Agreement / contracts are self-executing contracts with the terms and Conditions and in agreement between buyer and seller being directly written into lines of code. This means that the contract automatically executes when the conditions of the agreement are met. Contracts enable secure and transparent transactions, reducing the need for intermediaries and thus improving efficiency in business process of Client On boarding Journey.

Data Management with Regulators

Blockchain technology can help businesses manage data securely and transparently, ensuring data accuracy and compliance with privacy regulations. It offers a decentralized network that makes it difficult for hackers to hack, tamper with or steal data. Financials organizations are using blockchain to securely store and manage data as required by regulators for Clients.

Conclusion

The financial services industry is moving towards Block Chain Technology adoption, it is an innovation that has revolutionized the global financial system and making it more secure and efficient. There are many ways in which the blockchain technology is enhancing the global financial service industry. Its ability to secure transactions and Efficient Payments, improve supply chain management for Asset management, EKYC – Digital Identity Verification, which makes it a valuable tool for businesses of all sizes. As blockchain continues to evolve, we can expect to see more use cases emerge, further transforming the way we do business. It is driving the under cost and providing further values to the service seekers. Blockchain technology is revolutionizing business processes by improving efficiency, transparency, and security. The adoption of blockchain technology in the financial services industry is still in its infancy. Future innovations that we anticipate are interoperability and advancements in transaction processing.

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CA. Navratan Bohra is the Agile Leader with experience in managing complex digital transformation Journey & implementation of projects across the gamut of Retail Broking (Capital Markets). He is a self-motivated, ambitious, & energetic leader with strong interpersonal skills. He is resourceful, a lifelong learner, flexible, & have strong execution skills amidst challenging situations. With a strong background in Finance & technology and Subject Matter Expert understands how to solve problems using technology.

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