

# BAFT Future Leaders Program

## Distributed Ledger Technology: Blockchain and Transaction Banking Applications



# Distributed Ledger Technology (DLT) & Blockchain

**A blockchain is a cryptographic, or encoded, ledger comprising a digital log of transactions shared across a public or private network**

- Single, distributed and consistent ledger enhances trust among participants
- Almost real-time settlement
- Transparency of information could allow direct monitoring and offer simple fee structure
- Bitcoin: DLT's native digital currency can be used as a value store

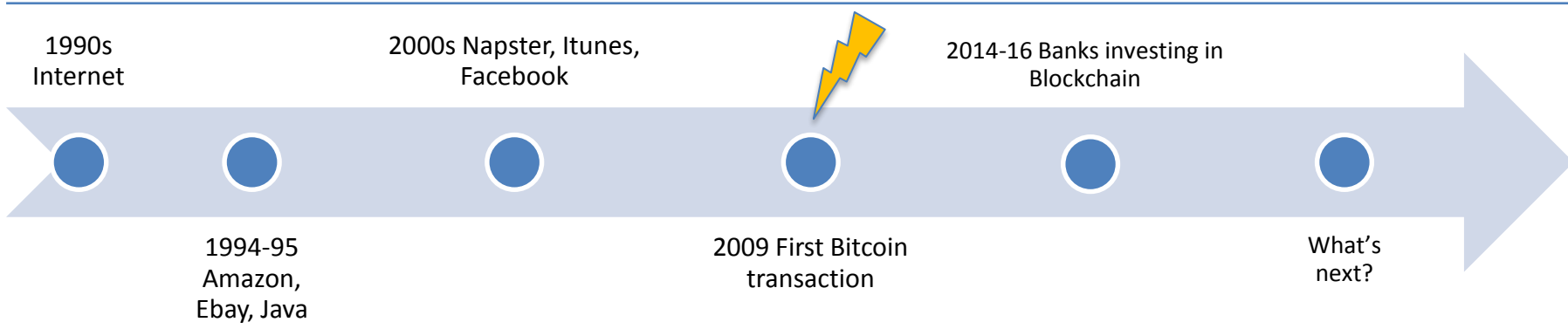
Core concepts	Potential Application
Enables bilateral transactions between network participants	Transactions confirmed without a central 3 <sup>rd</sup> party
Allows for digitization of assets	Potential for payments, trade finance, compliance, and other
Leverage cryptography in validation and management of assets	Improve data quality & governance



# DLT: History & Evolution

## Evolution of Blockchain / Distributed ledger technologies

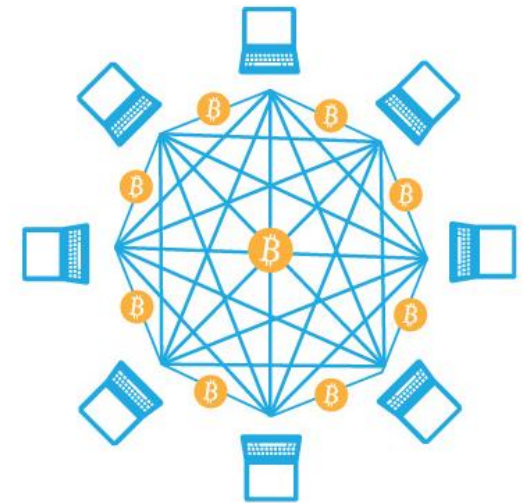
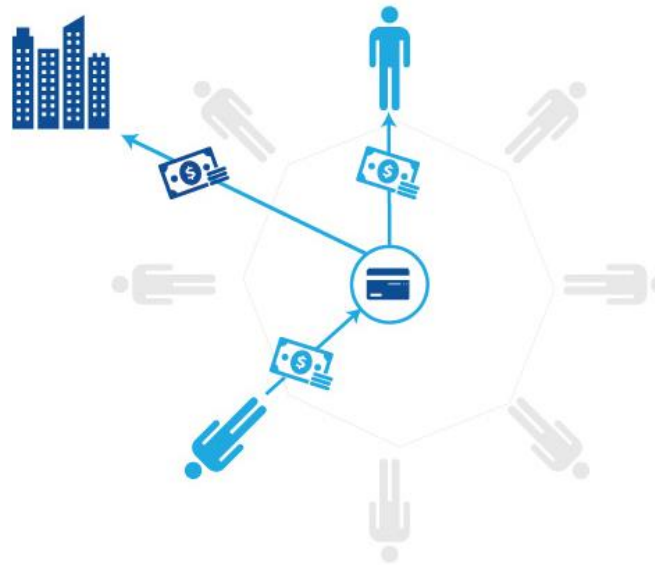
Evolution	Current Status
Phase 1: 2009/2010 Bitcoin began to gain attention	Industry focus has shifted from Digital Currency to Technology
Phase 2: Several variations of public and private DLT's are in the market today  Many financial institutions and fintech companies actively exploring DLT	Pilots in Payments, Securities, Smart Contracts are being conducted by banks or industry groups. DLT can solve business problems – cost, duplication and reconciliation, the use of paper, etc. Some concerns identified are privacy and scalability
Phase 3: Financial industry evaluating using protocols for payments	Banks and industry leaders are participating in W3C payments group



# DLT: Application for Cross Border Payments

## Distributed Ledger

- Near real-time settlement leading to optimized capital usage
- Simpler fee structure
- Fewer investigation cases related to problematic payments
- Transparency of information could allow direct monitoring by regulators



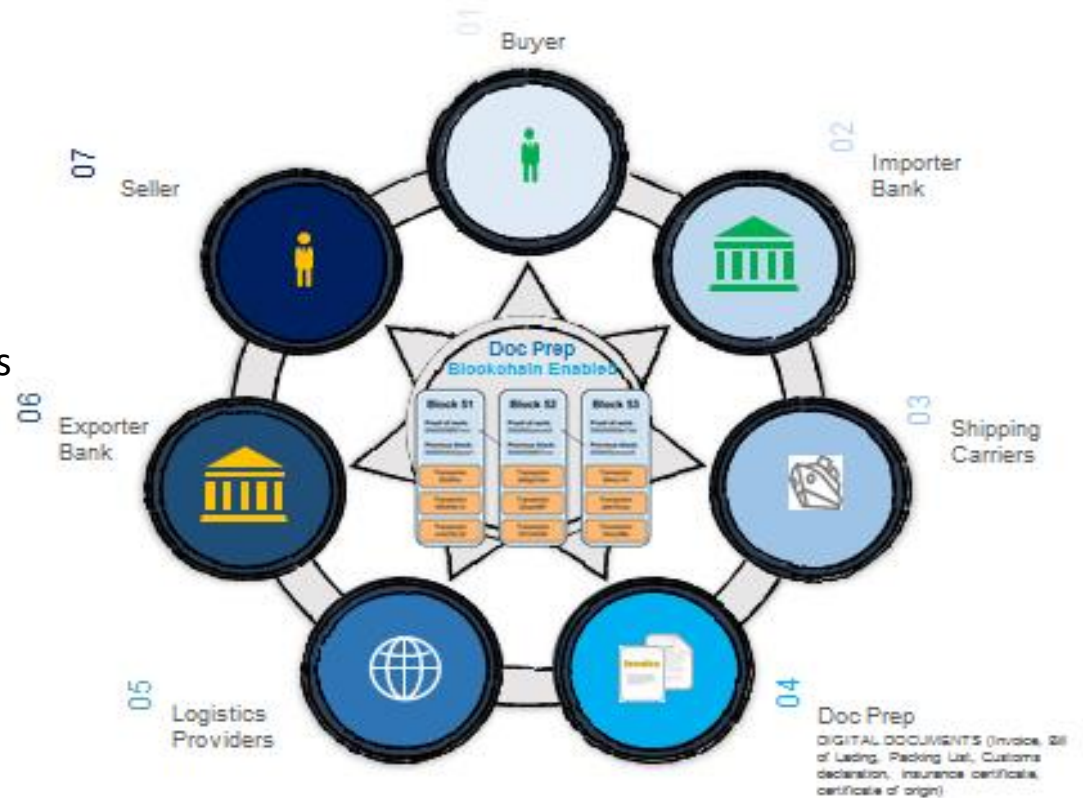
Graphic: Deloitte University Press | DUPress.com



# DLT: Application for Trade Finance

## Distributed Ledger

- Single and consistent ledger enhances trust among participants by allowing real-time tracking of all documentation pertaining to a transaction
- Possibility to replace numerous paper negotiable documents by digital equivalents, eliminating discrepancies, reducing fraud risks and cutting courier delays and costs
- Progression towards a structure that could eventually allow auto-execution of smart contracts triggered by the completion of specific events



# ARS Question

How will DLT/Blockchain affect Financial Institutions?

- A) Very positively, blockchain is the way of the future
- B) Blockchain will help solve challenges, but it will create just as many challenges as it solves
- C) “It’s the end of the world as we know it!” The end of traditional banking.
- D) I haven’t made up my mind yet



# DLT: Regulatory Environment

## Key Regulatory Issues:

- Definition & Scope
  - Existing Regulation
  - Decentralized
  - Data Protection
  - Consumer Protection
  - Security Enforcement
  - AML
- 
- **Leading Geographies:**
  - EU, UK, US, Singapore
  - Other?

**"At his best, man is the noblest of animals; separated from law and justice he is the worst."**

**-Aristotle**



## Geographic Trends:

- Different view points across regulatory bodies
- Focus remains on Bitcoin
- Consistent Objective to strengthen AML & KYC
- Multi-faceted regulation for DLT



# DLT: Regulatory Environment

## Recommendations

- Get Involved
- Start Now
- Be Vocal
- Shape the environment – no longer a linear conversation
- Coordination is Critical
- Understand both sides of the “bitcoin”





# Future Leaders – Blockchain Team

Name	Institution	Title/Role	City	Region
<b>Kimberly Burdette</b>	PNC Bank	BAFT Board Member – Project Mentor	Pittsburgh	Americas
<b>Nilesh Dusane</b>	Ripple	VP, Sales & Client Relations	San Francisco	Americas
<b>Inna Gogoua</b>	PNC Bank	VP, International Financial Institutions	Cleveland	Americas
<b>Adrienne Hughes</b>	Bank of America Merrill Lynch	Director, Global Financial Institutions Strategy	Chicago	Americas
<b>Demet Kologlu</b>	Citi	VP, SBLC Product Mgr	New York	Americas
<b>Daniel Lachance</b>	National Bank of Canada	Deputy Relationship Manager	Montreal	Americas
<b>Nassib Kazoun</b>	Scotiabank	Sr. Manager, FI Products	Toronto	Americas
<b>Annelot Potjer</b>	ING	Senior Product Mgr Trade Finance	Amsterdam	Europe
<b>KP Sunil Rao</b>	Barclays	Regional Head, FIG MENA	Dubai	MENA
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