

SNS COLLEGE OF ENGINEERING

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An Autonomous Institution

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DEPARTMENT OF COMPUTER SCIENCE AND TECHNOLOGY

COURSE NAME: 19CS622 - Blockchain Technology III YEAR /VI SEMESTER Unit 5 – Blockchain Applications in Banking







1. Payments and Money Transfers

Cross-border Payments: Blockchain allows for faster, more secure, and cheaper international money transfers by eliminating intermediaries such as correspondent banks. Traditional cross-border payments can take several days and involve multiple fees, while blockchain-based transfers can settle in real time or within hours at a fraction of the cost.

Instant Payments: Blockchain can enable real-time, 24/7 payments between banks, enhancing liquidity management and providing an instant settlement feature that traditional payment systems lack.





2. Clearing and Settlement

Real-Time Settlement: Blockchain can enable real-time settlement of transactions without relying on central clearing houses or third-party intermediaries. This can reduce counterparty risk and enhance the efficiency of clearing and settlement processes.

Tokenization of Assets: Financial instruments such as equities, bonds, and real estate can be tokenized on the blockchain, allowing for easier and more transparent trading and settlement.





3. Fraud Prevention and Security

Immutable Transaction Records: Blockchain's immutable nature makes it highly effective for preventing fraud. Transactions recorded on a blockchain are tamper-proof, ensuring the integrity of financial records and reducing the risk of fraudulent activities.

Know Your Customer (KYC) and Anti-Money Laundering (AML): Blockchain can help banks improve compliance with KYC and AML regulations. By using a decentralized ledger, customer information can be securely shared between banks while maintaining privacy, reducing the need for repetitive KYC processes.





4. Smart Contracts

Automating Agreements: Smart contracts are self-executing contracts with the terms of the agreement directly written into code. In banking, smart contracts can automate a variety of processes, such as loan disbursement, insurance claims, and the settlement of securities, reducing administrative overhead and the risk of human error.

Corporate Governance: Smart contracts can automate corporate actions such as dividend payments, proxy voting, and shareholder meetings, making governance processes more efficient and transparent.





5. Blockchain for Loans and Credit

Peer-to-Peer Lending: Blockchain technology enables peer-to-peer (P2P) lending platforms where individuals can lend to one another without the need for intermediaries like banks. This can lower costs and improve access to credit for underserved populations.

Decentralized Credit Scoring: Traditional credit scoring is often limited and biased. With blockchain, credit scoring could be more transparent and accurate by leveraging a decentralized system that takes into account a broader range of data points, such as transactional history and on-chain behavior.





6. Identity Management and Authentication

Blockchain can provide a more secure, decentralized method for managing identities. Instead of storing sensitive personal data in a central database, blockchain allows individuals to control and share their own identity data, reducing the risk of data breaches and identity theft.

Secure Authentication: Blockchain can also be used for secure authentication of customers accessing banking services, making identity verification faster and more reliable.

Thank you