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Basic Blockchain Case

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What's a bank?

A bank takes money from depositors at a certain rate.

It then lends that money at higher rate.

And it tries to reduce its risks while accepting deposits and lending.

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Possible roles of Blockchain in Banking

1. Can blockchain increase deposit taking capacity of a bank?

2. Can blockchain improve the quality of lending of a bank?,

3. Can blockchain reduce various risks in a bank?

Answer to all three is Yes.

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Additional possibilities

Banks also perform additional services like:

1. Remittances
2. Merchant Banking
3. Short term trade financing
4. Consumer mortgage lending
5. Vehicle financing
6. Treasury Operations
7. Currency Operations

Blockchains can assist in each of these functions as well.

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Finally,

Blockchain is a trust machine.

It can expand banking outside its traditional domains where lack of trust previously prohibited transactions.

Like it will be easier to partner with previously untrusted banks using rules established and enforced by blockchain.

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CONCEPT NOTE

Accept deposits on Blockchain

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Expand the range of
your depositors by issuing
fixed deposit certificates
on the blockchain.

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Every bank will have unique identity on the blockchain.

It can issue deposit certificates under that identity for amount, term duration and currency of issuance for any deposit accepted.

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If the bank accepts a deposit on blockchain, it means the bank has performed KYC - *Know Your Customer* - for the depositor and other participants in blockchain will assume KYC data lies with deposit issuing bank.

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For future transactions on blockchain, the depositor can use his deposit identity on blockchain to convince other participants that KYC has been done by original deposit bank.

This will eliminate the need for doing a second KYC for that depositor identity if original bank can be trusted.

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The depositor can use the deposit certificate on blockchain as collateral to take loans from other participating bank who think they can trust the issuing bank.

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This will provide the participating banks with a low risk avenue of lending.

Because the donor bank knows the issuing bank will pay the donor bank in case of default as per deposit terms.

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Benefits for banks:

Higher income from more deposits.
Higher income from more secured sources of lending.

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