

Blockchain in the capital markets

Capital markets have developed a complex global network of interconnected banks and intermediaries that enable the vast global flow of capital across borders

With each transaction passing through **multiple intermediaries** each maintaining their own **data silos** there is **duplication of data** entry, unnecessary **reconciliation errors**, inefficient use of **capital** and **delays to settlement**.

This costs money and creates greater risk.



Blockchain has the potential to radically address these issues, with the potential for the elimination of intermediaries and reduction in settlement times. It's no wonder that the capital markets sector is taking real notice of blockchain

But you don't have to take our word for it...

- “distributed ledger technology could reduce banks’ infrastructure costs [...] by between **\$15-20 billion per annum** by 2022.”¹
- “has the potential for [...] **modernizing, streamlining and simplifying** the siloed design of the financial industry infrastructure with a shared fabric of common information.”²
- “SETL is to work with Computershare on a joint initiative to establish securities ownership registers using distributed ledger technology for Australia”³
- **Over \$1 billion invested** in blockchain companies since the technology’s creation in 2009, with a **59% increase** in the last year.⁴

Potential use cases we have seen clients exploring range from securities settlements to syndicated loans, derivatives valuations to confirmations.

Let's explore some of these use cases in more detail



1. *Fintech 2.0* - Santander
2. *Embracing Disruption: Tapping the Potential of Distributed Ledgers to Improve the Post-Trade Landscape* – DTCC
3. Finextra, 28 April 2016
4. CNN Money, KPMG and CB Insights

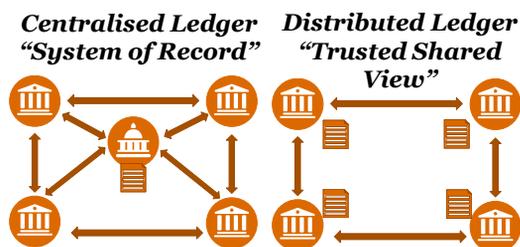
How blockchain could be applied in Capital Markets

Many of our clients are exploring blockchain's potential to disintermediate, increase speed and reduce cost whilst increasing resilience in their businesses. Here are some examples of blockchain's business applications...

Settlements

By removing intermediaries and providing a trusted and shared view of permissioned data, blockchain could:

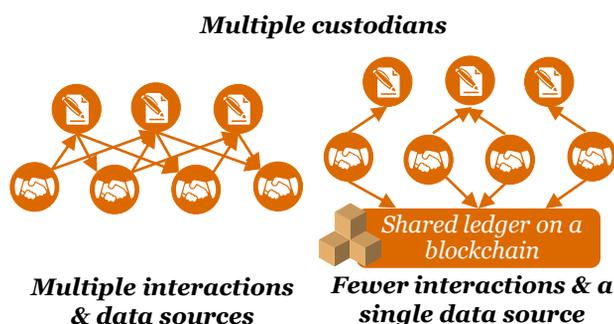
- **Reduce costs** (e.g. fewer reconciliation errors)
- **Speed up settlement** (e.g. faster validation)
- **Increase resilience** (e.g. no single point of failure)
- **Improve transparency** (e.g. easier to monitor)



Collateral Management

By enabling faster settlement and a shared, trusted view of asset information, blockchain could:

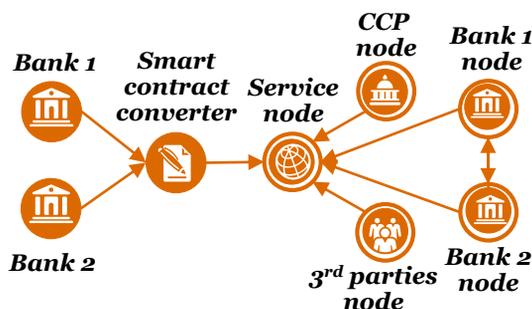
- **Solve new collateral requirements**
- Allow you to **tap into unused assets**
- **Cut operational complexity and costs**
- **Increase flexibility**



Confirmations

By creating a smart contract on a blockchain confirmed lifecycle contracts could be automated, enabling:

- **Increase trust and transparency** (e.g. with a golden common data source)
- **Reduce costs** (e.g. reduced data entry duplication and reconciliation errors)
- **Reduce operational risk**
- **Better measurement of contingent risk**



Identifying the priority use cases

Blockchain is an **exciting new technology with huge potential** to disrupt and improve numerous industries. But it's **not the answer to everything**.

Understanding which use cases you should pursue requires **business understanding and technology knowledge**, including:

- Your business strategy and process
- The parties that must interact to deliver benefit
- Technology provider landscape
- Regulatory restrictions and requirements

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