



# Blockchain technology: transforming payments

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Activity in the fintech arena is heating up, with a flurry of bank-fintech partnerships driving the exploration of the blockchain's potential to streamline the payments process. Dhiru Tanna, Sales Officer, Treasury Services EMEA, BNY Mellon, discusses how the blockchain could transform the transaction space, and how 2016 could be the year that regulators get on board, bringing the blockchain concept – and all the enhancements it could bring – a step closer to reality.

The finance sector is abuzz with activity in the fintech space, with banks increasingly engaging with fintech companies through a variety of means (such as direct partnerships, acquisitions and the establishment of innovation centres) in order to help them tap into new ideas and concepts and be better positioned to adopt and roll out cutting-edge, technology fuelled solutions.

At the epicentre of this fintech drive is the blockchain, with investment into distributed ledger technology soaring in 2015. Indeed, billions of dollars are being dedicated to seeking ways in which to leverage the blockchain's properties, and exploring its potential to completely transform the way in which transactions are conducted. If the blockchain concept can be applied to the finance world, it would streamline the entire payments process; significantly enhancing transparency, efficiency, speed of settlement, trust and security, as well as reducing costs. Cross-border payments, for example, which can take three to five days to settle, could be processed in minutes. Similarly for letters of credit (LCs), confirmation would become easier and faster.

Certainly, the blockchain has the potential to dramatically enhance the payments experience, and in doing so it could rewrite the very structure of the financial landscape as we know it. The blockchain's transparency could effectively allow the number of participants that need to be involved in the transaction process to be drastically reduced, cutting down the number of stages involved in a payment and thereby significantly enhancing efficiency. A number of banks are exploring ways in which blockchain technology could be used to streamline the current correspondent banking process (which requires payments to go through a number of banks), with the belief that, eventually, the blockchain may supersede this traditional transaction model. Indeed, non-bank institution Earthport, for instance, already has a solution for low value cross-border payments using a distributed ledger network.



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