Kiarra Ysabel P. Puzon

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Professor Bouheni

Professor Tewari

How Blockchain Is Changing Finance

A blockchain is a shared distributed database or ledger between computer network nodes. A blockchain serves as an electronic database for storing data in digital form. The most well-known use of blockchain technology is for preserving a secure and decentralized record of transactions in cryptocurrency systems like Bitcoin. The innovation of a blockchain is that it fosters confidence without the necessity for a reliable third party by ensuring the fidelity and security of a record of data.

The way the data is organized in a blockchain differs significantly from how it is typically organized. In a blockchain, data is gathered in groups called blocks that each include sets of data. Blocks contain specific storage capabilities, and when filled, they are sealed and connected to the block that came before them to create the data sequence known as the blockchain. Every additional piece of information that comes after that recently introduced block is combined into a brand-new block, which is then added to the chain once it is full.

As we look into the article, five basic principles underlie the technology of how blockchain functions. Distributed Database: On a blockchain, all data and its whole history are accessible to all parties. The information and data are controlled by multiple parties. Without a middleman, each party can independently verify the records of its transaction partners. Peer-to-Peer Transmission: Peer-to-peer communication takes place without the use of a central

node. Information is stored on each node and forwarded to every other node. Transparency with Pseudonymity: Everyone with access to the system can see every transaction and the value it is associated with. Each node, or user, on a blockchain, is uniquely identified by a 30-plus-character alphanumeric address. Users have the option of revealing their identities to others or remaining anonymous. In a blockchain, transactions happen between addresses. Irreversibility of Records: The records cannot be changed after a transaction is recorded in the database and the accounts are updated since they are connected to all previous transaction records (hence the term "chain"). To guarantee that the recording on the database is permanent, chronologically arranged, and accessible to everyone on the network, a variety of computational strategies and methods are used. Computational Logic: Blockchain transactions can be linked to computer logic and, in a sense, programmed because the ledger is digital. Users can then configure algorithms and rules that initiate transactions between nodes automatically.

Many businesses in the financial sector, from banks and insurers to audit and professional service firms, are investing in blockchain solutions because of the potential and risk of such a disruptive technology. Blockchain might make it possible for established players like JPMorgan Chase, Citigroup, and Credit Suisse all of whom are presently investing in the technology to accomplish more with fewer resources, streamline their operations, and lower risk overall. Opportunistic thinking is advantageous and frequently essential, but it is rarely enough.

In conclusion, the primary goal of blockchain technology was to facilitate and guarantee highly secure transactions. Consequently, it enables commerce using alternative currencies like Bitcoin and Ethereum. In addition, “If the world of venture capital can change radically in one year, what else can we transform? Blockchain could upend several complex intermediate functions in the industry: identity and reputation, moving value (payments and remittances),

storing value (savings), lending and borrowing (credit), trading value (marketplaces like stock exchanges), insurance and risk management, and audit and tax functions." Numerous banks are experimenting with blockchain technology because it makes money transfers incredibly simple. Blockchain has the potential to improve consumer affordability, reduce fraud risk, and increase transparency in the financial services sector. more openness. Considering that users are conducting transactions on a public ledger, blockchain technology can increase transparency in the financial sector. For those who embrace the new technological paradigm and disrupt from the inside, blockchain does not pose an existential threat. It is safe, transparent, and almost hard to change because of its structure and characteristics. This fundamental technology in the finance sector enables the transfer of money while maintaining confidence in the transaction's security and dependability.