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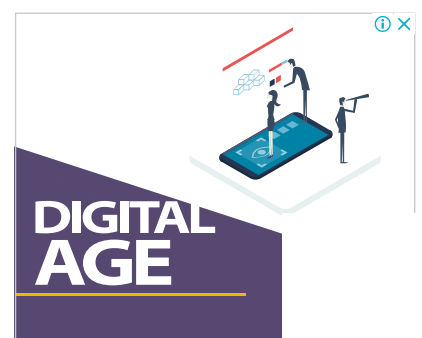
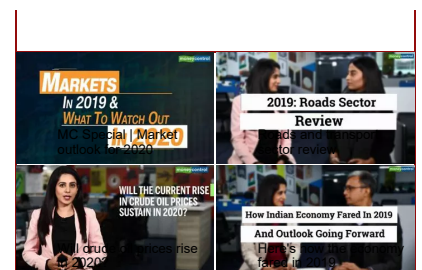
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Role of Blockchain in reducing cyber risk in the financial services industry

Considering the complexity and risk associated, there is a pressing need to protect the system and the data, as the financial industry explores the use of blockchain.

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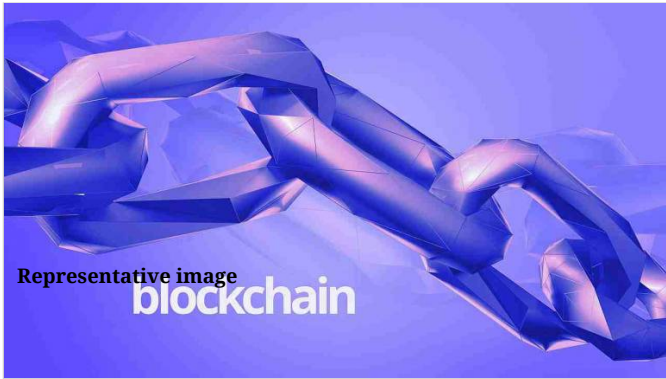
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As technology advances, the security risk associated with technology also catches-up. Based on the increasing frequency of cyberattacks in the financial services domain, the regulators identify cybersecurity as one of the most persistent threats to the financial industry.



Systems being interconnected, cyberattack at one bank may affect other banks and institutions. Considering the complexity and risk associated, there is a pressing need to protect the system and the data, as the financial industry explores the use of blockchain.

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We are in the era of blockchain and cryptocurrency. Now, the question is whether blockchain can reduce cyber risk in the financial industry. The answer is 'yes' to a large extent. The banking and financial services industry faces dynamic cyber threats/attacks intended to exploit vulnerabilities.

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These attacks continue to increase day-by-day as innumerable technology solutions are getting introduced to the world. Blockchain is emerging as a practical technology when it comes to protecting businesses from cyber-attacks.

When it comes to blockchain, one of the advantages is its inherent resiliency in mitigating cyber risks and cyberattacks. Blockchain's unique structure provides cybersecurity capabilities. The following are a few technology advantages in fighting cyber risk:

The distributed architecture of a blockchain help in increasing the resiliency of the overall network from being exposed to compromise from point of failure

Blockchain improves the overall integrity of the shared ledgers, as consensus among the participants is a prerequisite to validate new blocks of data

Blockchain also provides participants with enhanced transparency, contains multi-layer security at the network as well as individual levels

Hackers overly target the financial services industry. Therefore, the need for greater security in the financial services industry is explicit. Blockchain tech secures and privatizes data through encryption and cryptographically secured keys to safeguard.



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This method is suited for the banking and financial services industry, where both data security and privacy are important. Blockchain's decentralised security detects backdoor hacks effortlessly and alters the user.

Here are few promising use cases, progressing from the labs to reality:

Safer Domain Name System

Decentralized storage solution

Trade Finance - Cross-Border Transactions

Cryptocurrency Banking Services

Record Sharing and Storage

Regulatory Technology

KYC – leveraging blockchain technology

AML Process - blockchain-based transactions verification

Identity solution on the blockchain

There are important structural points that should be considered when constructing cybersecurity programs for blockchains. For instance, records added to a blockchain generally are indisputable.

This immutability prevents tampering and creates an auditable record but may require a special programming adjustment to restore a blockchain's integrity if fraudulent or malicious transactions are introduced into the ledger.

Additionally, blockchain participants' roles and responsibilities require a thoughtful policy and governance structure to achieve effective stability of access and security.

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When it comes to distributed ledger technology-based solutions, no matter how it is applied, as far as security is concerned, the key factor in using blockchain as a cybersecurity method in decentralization. This will be more adventurous for any Cyber attackers to play on.

Finally, from an implementation point of view, it is important to follow certain principles and practices:

The financial services industry participants should optimize the framework for blockchains for enterprise-level



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Ensure there is a dialogue between industry and regulator to define the right framework and the implementation methods

Persuade the policymakers to aware and acknowledge the benefits of blockchain technologies, including the Cyber Security benefits

Expedite for harmonization across Cyber Security Standards applied to blockchains

When it comes to investing in new technologies like blockchain, it is a short-term cost but a great benefit for the long run.

(Note: The author is senior director of IT and Head of Service Delivery for Banking & Payments at FIS)

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First Published on Sep 12, 2019 08:21 pm

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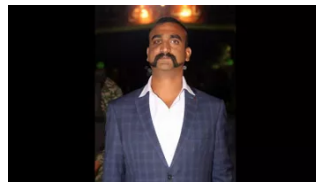
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