

Breakout VI:
**Using Blockchain
Technologies to
Innovate and Gain a
Competitive Advantage
in Commercial Banking**

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Using Blockchain Technology to Innovate and Gain a Competitive Advantage in Commercial Banking

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BLOCKCHAIN TECHNOLOGY

What Is Blockchain & Why Is It Important?

- + Blockchain is a highly secure, highly efficient means of capturing, storing, and moving data
- + Provides a permanent record of all transactions as well as allowing data and intelligence to be tied to payments (smart contracts, programmable money)
- + Drives instantaneous, secure and transparent transactions 24/7/365
- + Empowers banks to offer smart contracts and all other leading edge banking solutions
- + Enables banks to compete with the largest banks, neo-banks and fintech firms
- + Positions a bank to adapt and respond to any competitive threat

WHY BLOCKCHAIN? – SUPERIOR TRANSFORMATIONAL TECHNOLOGY

The technology infrastructure currently in place around the world was developed more than 40 years ago. Today it is:

- + Very expensive to operate and maintain
- + Very susceptible to hacking and fraud
- + Very difficult and expensive to make secure
- + Inflexible and difficult to adapt or customize
- + Incapable of incorporating new advances such as Smart Contracts, Artificial Intelligence and Big Data

Today, in every industry all around the world, that legacy technology infrastructure is being replaced by blockchain technology which is:

- + Very efficient
- + Much more secure than legacy technology
- + Highly scalable
- + Easy to create customized solutions
- + Able to incorporate new advances such as Smart Contracts, Artificial Intelligence and Big Data

THE TASSAT VISION

We Believe:

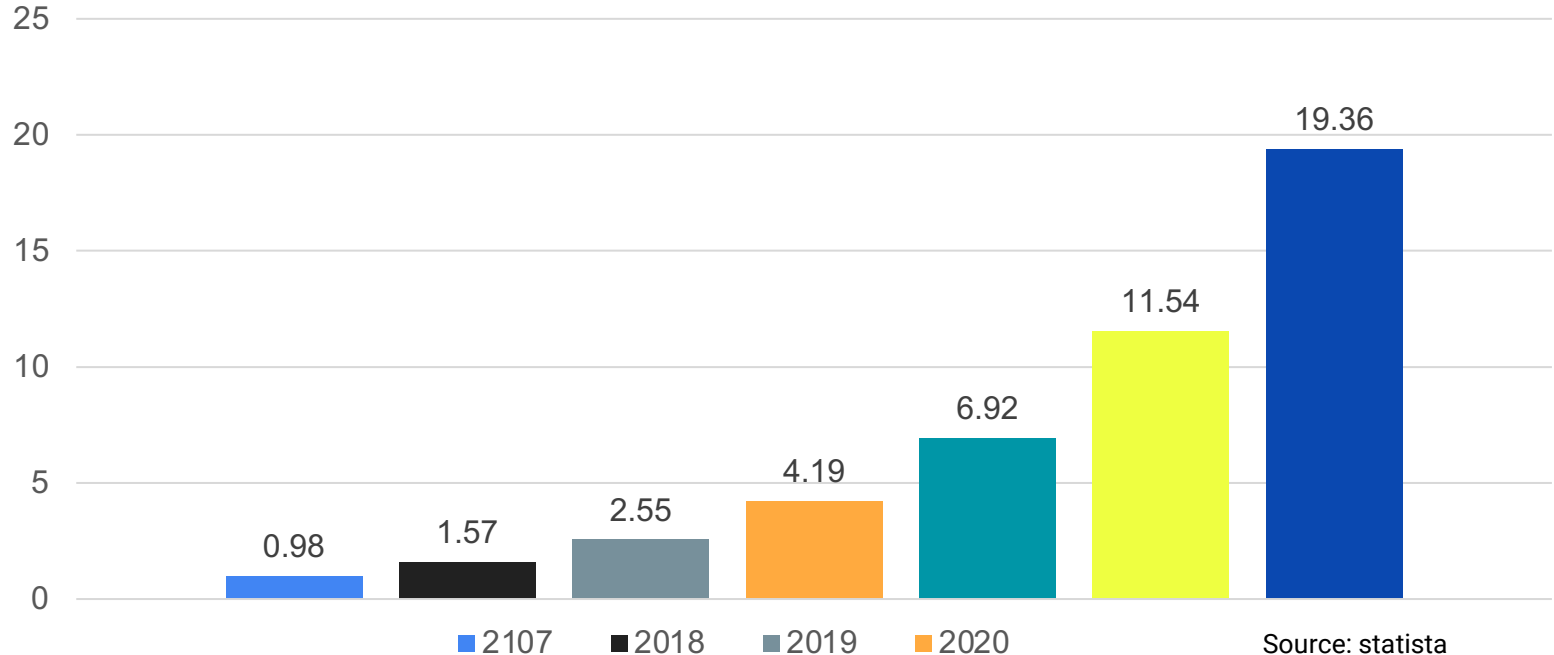
- + The digital asset economy is here now
- + Blockchain technology will be the critical piece of every financial institution's technology stack
- + Getting started sooner rather than later creates a competitive edge and promotes growth
- + It is a critical time for banks to adopt, engage, and participate in blockchain technology
- + Banks that fail to adapt will be left behind
- + While the habit of most banks is to "wait and see", breakthrough technology always favors early movers and creates entirely new winners and losers
- + Relying exclusively upon legacy platforms will become an obstacle to success

WORLDWIDE SPENDING ON BLOCKCHAIN TECHNOLOGY FROM 2017 TO 2023 AND BEYOND



Blockchain Technology Spending
Billions of Dollars

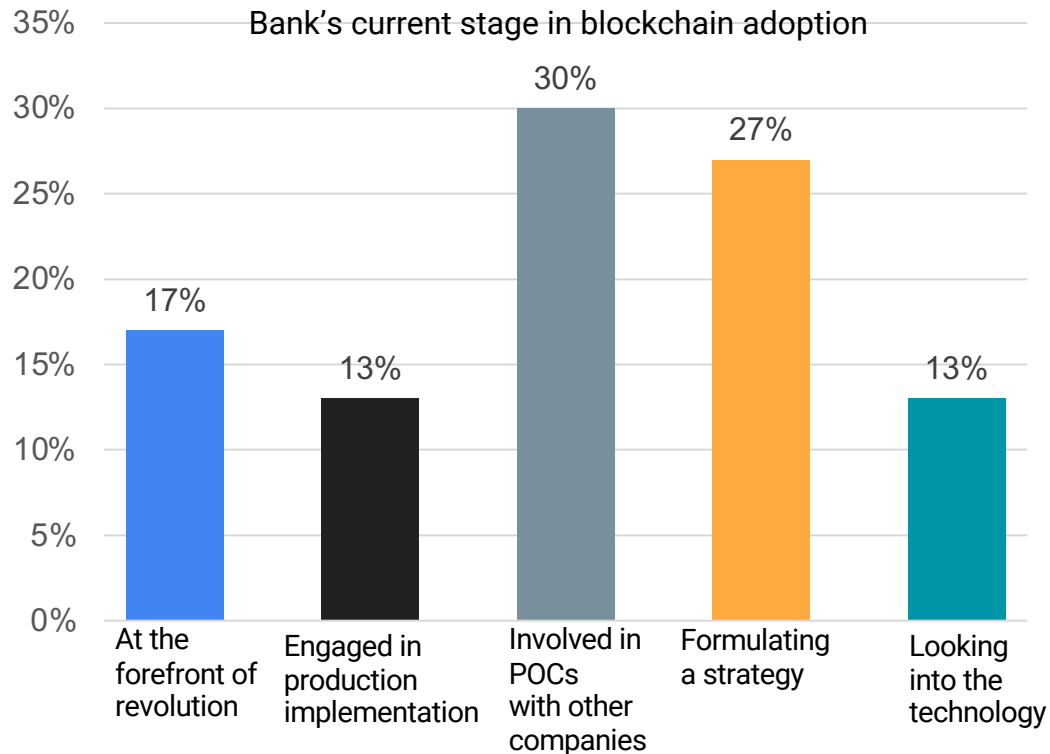
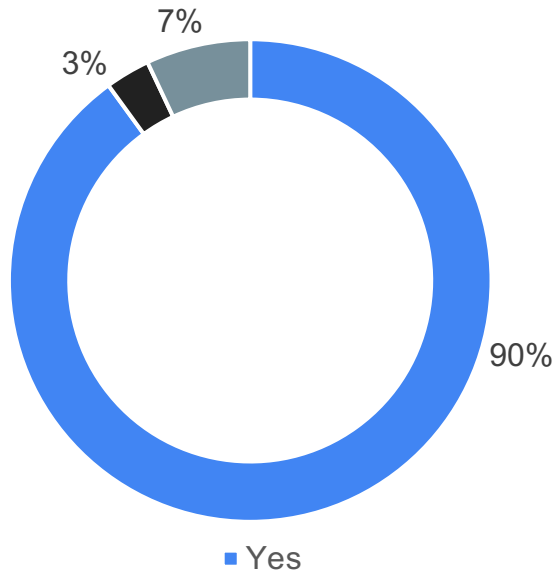
**Projected to grow to \$163B by 2027
(14x increase over the next 5 years)**



90% OF MAJOR BANKS ARE EXPLORING THE USE OF BLOCKCHAIN TECHNOLOGY IN PAYMENTS



Are you currently exploring the use of blockchain/distributed ledger technology in payments?



Source: consultancy.uk



THE DIFFERENCE BETWEEN PUBLIC & PRIVATE BLOCKCHAIN

Public Blockchain is accessible to everyone, everywhere, at all times

- + Privacy and confidentiality issues
- + More vulnerable to fraud, especially applications built on public blockchain
- + Difficult to regulate
- + Examples: Bitcoin, Circle USDC, Figure USDF

Private, Permissioned Blockchain is accessible only to entities allowed to view the data and transactions

- + No privacy or confidentiality issues
- + More secure than either legacy systems or public blockchain
- + Easy to regulate
- + Examples: TassatPay, The Digital Interbank Network, all banks using either product

THE POWER OF PRIVATE BLOCKCHAIN-BASED SOLUTIONS

- Valuable + Real-time B2B payments 24/7/365
- Efficient + Can be implemented at a low cost swiftly with no additional bank staff
- Secure + Built using private, permissioned blockchain making both data and applications secure from hacking and fraud
- Scalable + No limit to transaction size or volumes
- Customizable + Smart contracts and other financial innovations can be implemented swiftly and cost-effectively
- Prepared For The Future + Any innovation the bank or its competitors can imagine can be added swiftly and efficiently. Positive ESG impact.

WAYS TO GAIN A COMPETITIVE ADVANTAGE USING PRIVATE BLOCKCHAIN: REAL-TIME PAYMENT USE CASES

- + TassatPay is an example of a proven, private blockchain-based platform for U.S Banks with over \$850B in real-time transactions since 2019 and over \$500B in real-time transactions in 2022 alone.
- + The private blockchain platform empowers U.S. banks to provide customized solutions which save time and expense and enhance effectiveness for bank customers while creating deeper client relationships and new revenue opportunities for the bank.
- + More than 20 Use Cases or customized solutions have been created with bank partners. In this presentation, we will describe the broad working capital application for any business as well as four specific Use Cases:
 - + Logistics
 - + Mortgage Warehousing
 - + Commercial Construction
 - + Private Equity Capital Calls
- + These real-time payment Use Cases will drive a commercial bank's growth and profitability.

WORKING CAPITAL MANAGEMENT USE CASE



Situation

Corporate CFOs need to manage cash flows which requires knowing when inflows and outflows occur while also trying to control discounts and late payment fees.



Challenge

Collecting receivables, managing payables, and controlling pricing policies, including discounts and late fees, is a frustrating, labor intensive, and time-consuming process.



Solution

In any industry, a corporate CFO can agree to terms via a smart contract to offer discounts for early payment and penalties for late payment. The smart contract then applies the appropriate discount or penalty automatically once funds arrive at the bank. Scheduled payments also providing greater visibility for cash inflows and outflows.

RESULTS

Working Capital Management



- + Much less time spent tracking down payments
- + Greater control over discounts/penalties and cash flows
- + Payment terms and policy changes can also be implemented more efficiently and effectively by your corporate client
- + Bank becomes the indispensable conduit between a corporation and its clients and vendors, deepening the bank relationship and creating new lending and financial services opportunities

LOGISTICS USE CASE



Situation

In logistics, goods do not move until payment is made. Airplanes, trucks, ships and railroads operate 24/7/365, including holidays – not just from 9 to 5 Monday through Friday when banks are open.



Challenge

Cargo sitting in a ship, truck, train car, or an airport warehouse waiting for payment is a costly proposition.



Solution

CargoSprint used TassatPay to revolutionize and grow their logistics business. Instead of deploying check printers in remote offices and having messengers carry checks around, as it had done for years, CargoSprint adopted TassatPay and private labelled it “SprintPay.” CargoSprint then offered discounts to customers who moved accounts to the bank using TassatPay as well as paying premiums to vendors doing the same.

RESULTS

Logistics



- + Rapid revenue growth as CargoSprint now enjoyed a competitive advantage relative to peers who could not match TassatPay’s speed, efficiency, fraud prevention, and 24/7/365 availability
- + Lower cost of serving clients
- + A dramatic reduction in preventing, investigating and remediating fraud

Any corporate customer with large logistics demands and multiple vendors and clients can benefit in a similar manner as CargoSprint did, as can entities operating facilities such as shipping ports, transportation hubs and airports.

MORTGAGE WAREHOUSING USE CASE



Situation

Mortgage warehousing involves a labor and paper intensive process where timely payment and proper allocation of proceeds matters.



Challenge



Solution

All of these processes can be tracked and automated with smart contracts built on Tassat's blockchain technology. Once a lender has agreed to underwriting and loan terms with a mortgage warehouse borrower, those terms and conditions can be captured in a smart contract. Drawdowns on the line of credit can then occur automatically with documentation included. Similarly, when a mortgage is sold by the originator, the sale proceeds can automatically pay down the line of credit tied to that loan.

RESULTS

Mortgage Warehousing



- + More efficient, less labor-intensive processes
- + Less potential for fraud
- + Clear tracking of loan sales to repay lines of credit
- + Better collateral and credit risk management

COMMERCIAL CONSTRUCTION USE CASE



Situation

In the commercial construction industry, both developers and lenders to developers want to make sure funds are being used properly and general contractors are paying sub-contractors in a correct and timely manner.



Challenge



Solution

Once terms are agreed to between the lender and the developer, those terms can be captured in a smart contract which then executes automatically when the agreed upon terms are met. Similarly, developers can set up sub-contractors to be paid automatically when the general contractor is paid, based on agreed upon criteria amongst the parties.

RESULTS

Commercial Construction



- + A much more efficient borrowing and payments process
- + Greatly reduced potential for fraud
- + Benefits available around the clock and not just during normal “banking hours”
- + Provides ability to better manage lending risk for the construction lines of credit

PRIVATE EQUITY USE CASE



Situation

In the private equity industry, capital calls are essential to the business but a nuisance for both limited partner investors in the funds and the private equity general partners who manage the funds.



Challenge

Countless hours are wasted transmitting, receiving, inputting and checking wiring instructions. The potential for misplaced funds and fraud are both enormous and getting worse.



Solution

With TassatPay, a general partner can offer its limited partners a link to schedule payment as part of the capital call.

RESULTS

Private Equity



- + All of the labor wasted instructing and executing the sending of funds is gone.
- + The general partner does not waste valuable time tracking down payments and, instead, has greater predictability and certainty of receipt of funds.
- + The potential for fraud is dramatically reduced.

WHAT IS A SMART CONTRACT?

- + A smart contract is a contract which is self-executing once the agreed terms of the contract have been met.
- + In addition to payment instructions, smart contracts include the terms of the agreement and can also include documents relating to the contractual agreements among the parties.
- + Unlike legacy platforms, blockchain technology enables the creation of smart contracts due to its ability to carry intelligent instructions and unlimited data.
- + Smart contracts are being created every day in a variety of industries.
- + Platforms like Tassat create the opportunity for banks to have a payment solution as part those smart contracts.

SMART CONTRACTS FURTHER EMPOWER BANKS

Summary of the Smart Contract Payment RFP Capability

The screenshot shows a 'Create Smart Payment Contract' dialog box. The form contains the following fields and values:

- Contract Name:** March Widget Shipping Invoice
- Select Contract Type:** RFP - Discount
- Payment Amount:** \$1,000,000
- Payment Due Date:** Apr 15 2023
- If # Of Days Before:** 5 days
- Then Earlybird Discount:** 5%
- Select Counterparty Wallet:** iRobot Construction Divison of Greater New York
- Contract Expiration Date:** Apr 15 2023
- Public description:** Invoice Number #8979
- Private description:** New client

A blue 'NEXT' button is located at the bottom center of the form.

- + Fulfillment of the contract is governed and monitored by blockchain within a bank so the counterparties can be confident that once the conditions are met, the contract is executed and funds are released
- + An enhancement to traditional RFP on legacy payment rails because originator can create a customized solution with additional terms and conditions
- + Direct communication between payor and payee to ensure effective payment handling
- + Payments can be scheduled for the future or customer can decide if they want to fulfill the contract at a later time
- + Can also include receivable items and other data to the payment for easy documentation and reconciliation

TASSAT DELIVERS PROVEN RESULTS

- + In these Use Cases, the bank becomes an indispensable, value-added partner for its corporate customers.
- + A deeper relationship means larger deposits and detailed visibility into the corporate customer's financial activities, providing multiple opportunities to offer credit and other banking services.
- + Once corporate customers experience secure, real-time payments 24/7/365 and the power of blockchain-based solutions they never return to banking the old-fashioned way.
- + Instead, the bank's customers thrive and grow with newfound banking capabilities courtesy of the bank providing those capabilities.
- + The result for the bank is corporate customers who value and appreciate their bank more than ever due to greater efficiency and reduced fraud.

TRANSFORM YOUR BANK INTO A HIGH GROWTH, FINANCIAL SERVICES POWERHOUSE WITH PRIVATE BLOCKCHAIN-BASED TECHNOLOGY.



Thank You

LARGE AND HIGHLY PROFITABLE B2B MARKET

- + 5X to 10x as large as retail payments, commercial banking is also more profitable than retail banking
- + More than 40% of B2B transactions still use paper checks
- + JP Morgan estimates the potential savings from payment automation at over \$400B per year
- + Revenue opportunities represent a multiple of those savings
- + Real-time payments 24/7/365 and smart contracts on blockchain enable banks to innovate, deepen client relationships and grow revenues and profits.

ANNUAL VOLUME OF TRANSACTIONS

