



Bank IT Use Case

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1. Introduction to conventional remittances:

India is the world's leading receiver of remittances, claiming more than 12% of the world's remittances in 2015. Remittances to India stood at US\$68.91 billion in 2015, accounting for over 4% of the country's GDP. The current scenario in foreign remittances in India mainly occurs through mainly two routes: Host to Host transfer and SWIFT transfer. Host to host transfers features real time settlements for correspondent bank customers and SWIFT transfer involves repatriation of funds involving message transfer for remittances. But lots of challenges involve with such transfers. In host to host form of transfer, there is delay in processing of funds to beneficiary and receiving KYC of remitter. The settlement happens ideally happens in a day or two from receiving the fund at the beneficiary's partner bank. Additionally, there is no visibility of transaction process in the beneficiary network. In case of beneficiary receiving the fund through SWIFT transfer, the settlement of the correspondent partner banks of remitter and beneficiary occurs at end of day. This also involves high transaction cost which affects the amount transfer.

Moreover, in the current scenario the cost of funds transfer, affects liquidity management in Banks. Liquidity is not well managed in terms of cost of funds and capital adequacy maintenance. The other grey areas include the security in sharing documents across parties in cross border remittances, and there is no transaction visibility across the sender and receiving terminal on end to end basis. Considering all the above-mentioned factors, there is a huge concern on the efficient flow of remittance on a real time basis and along with KYC details of Remitter being shared at beneficiary's end at almost instant basis.

2. Remittance through Blockchain -HC Remit:

The blockchain product- HC Remit provides benefits which addresses a lot of challenges in the current remittance scenario for international remittances. The settlement occurs real time between remitter and beneficiary within typically 3-5 seconds. KYC documents and details are shared real time between remitter, beneficiary and correspondent banks. There is also visibility in transaction status across the remitter and beneficiary at any point of time in transaction. The continuous visibility of prefunded or nostro account is also another advantage of blockchain. Due to the distributed ledger of blockchain technology there is instantaneous reconciliation.



The LORO account of receiving partner is prefunded by Remitter's partner, with a visibility of Nostro account to Bank IT. This manages liquidity well. The other concern, of delay in receiving of KYC details and other documents are also resolved as these are shared by Remitter's partner also visible to beneficiary bank on complying documentation and approval by Remitter's partner, making documents sharing secured. The transaction when initiated by remitter, happens real time and the settlement status at terminal bank is visible to Remitter Bank at all times

3. Envisaged framework of International Remittance from MENA corridor to India:

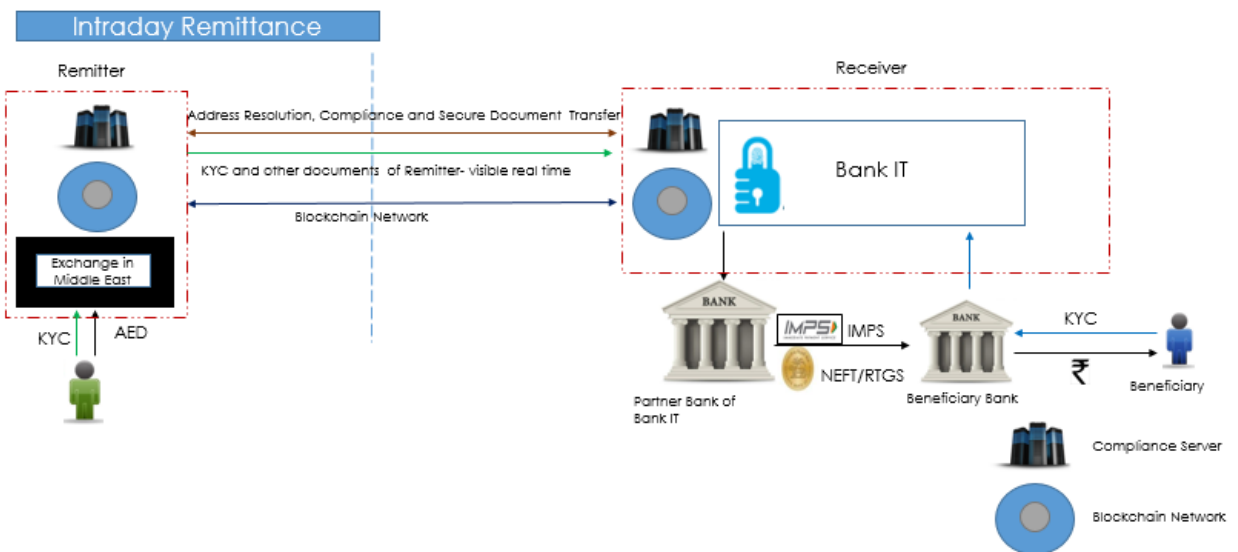
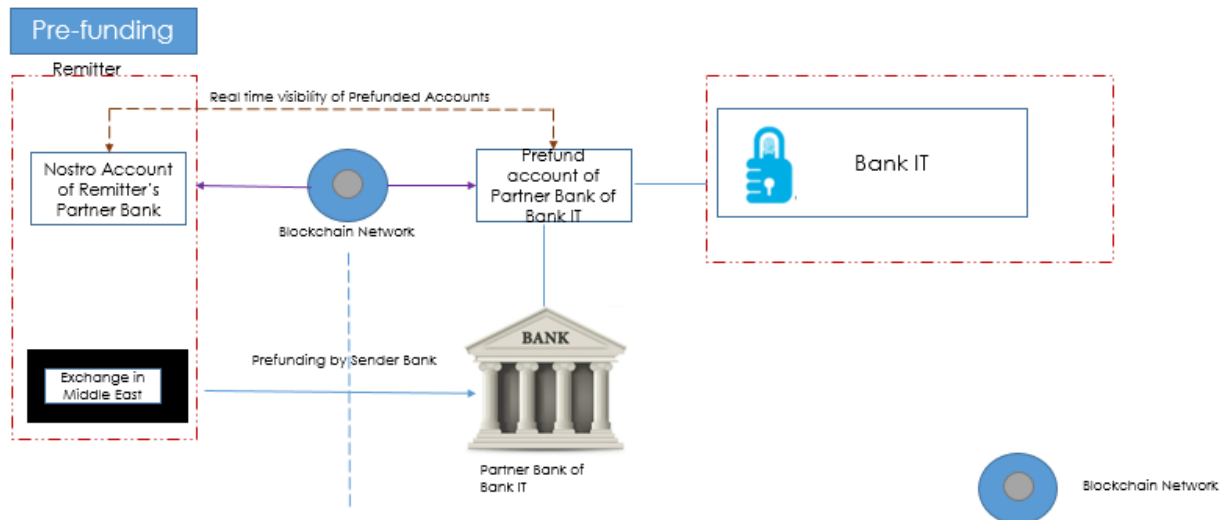
At the beginning of the day, the Remitting partner prefunds Bank IT's account. Remitting Partner and Bank IT get instant visibility of the pre-funded account on HC Remit.

Then the Foreign bank/partner initiates the intraday remittance transaction along with KYC details and other documents.

Compliance check is done between both parties. Bank IT can either approve automatically or can intervene manually- approve or decline a transaction based on the business rules set up on the system Bank IT also shares KYC document real time on its platform with beneficiary bank.

On completion of compliance check is done, transaction is submitted to blockchain network Bank IT receives the transaction on HC Remit.

Bank IT debits prefunded account, initiates inward remittance on domestic network to beneficiary account using IMPS, NEFT/RTGS .



4. Summary:

The block chain technology with HC remit product addresses the pain areas in the inward remittance from Middle East region. Mainly by resolving the KYC sharing real time and settling the transaction on a real-time basis. It also resolves the issue of visibility of end to end transaction. Incoming remittance is thus facilitated with real time settlement and compliance of documents thus encouraging economy to repatriate funds through blockchain.