

Pre-Workshop Notes

Workshop:	Digital Assets - What Investors & Estate Planners Should Know
When:	25 August 2022, 3:00 to 4:30pm
Main Speaker:	Adrian Chng, Chairman of Fintonia Group
Other speakers:	Allen Lim & Keon Chee on Financial & Estate Planning Aspects of Digital Assets
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Starting with the Basics



Source: www.pexels.com

The word blockchain is on everyone's lips. DBS CEO Piyush Gupta predicts that blockchain will power the back office in 5-10 years' time.

Yet most people you meet do not understand what blockchain is or the many terms associated with it. Here's a typical writeup –

*"A **blockchain** is a distributed database or **ledger** that is **open** and shared among the **nodes** of a computer network. As a database, a blockchain stores information electronically in digital format.*

*Blockchains are best known for their crucial role in **cryptocurrency** systems, such as **Bitcoin**, for maintaining a secure and **decentralized** record of transactions.¹"*

¹ "Blockchain Facts: What Is It, How It Works, and How It Can Be Used," www.investopedia.com.

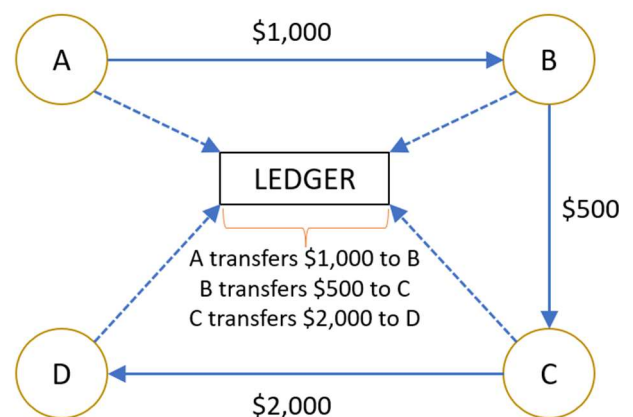
If you are puzzled by some of these terms, here's a scenario to consider:

Here's A Scenario

Suppose A wants to send \$1,000 to B. This is traditionally done through a trusted third party (such as a bank) where A would ask the bank to send \$100 to B.

Blockchain technology focuses on eliminating the trusted third party or the middleman.

Blockchain also aims to complete this process much faster than the traditional system – almost instantly and at much lower cost.



This and other transactions are placed in a **ledger** where the transactions are linked together in a chain.

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As a similar example, a company ledger contains accounting information that is used to prepare financial statements.

In an **open ledger**, anyone can join the network of the ledger. In a **distributed ledger**, the ledger is decentralized, meaning that every **node** in the network owns a copy of the same ledger. A **node** is just another word for a device such as a computer which contains a copy of the open ledger.

A **cryptocurrency** is a medium of exchange such as the Singapore dollar, but is **digital** and uses **encryption** techniques to control the creation of the currency and to verify the transfer of funds.

Bitcoin is the most well-known cryptocurrency and is based on blockchain.

Other terms you will encounter:

Mining – This is the process where a global network of nodes ensure that transactions are legitimate and added correctly to the blockchain. Mining is also how new Bitcoin is created.

Block – the blockchain is made up of a chain of blocks where each block contains three types of information:

- a. **Data** – This is the type of data stored in a block which depends on the type of blockchain. The data in the Bitcoin blockchain, for example, stores information on the number of bitcoins in the block, who sent the bitcoins, and who received them.
- b. **Hash** – This is a unique string of random letters and numbers that uniquely identifies the block.
- c. **Hash of the previous block** - Every newly created block contains the unique hash string of the previous block. That way, all the blocks are connected to each other.

Some Applications Using Blockchain

As a financial planner, blockchain can help automate the sales function by securing payments between parties and lower admin costs.

It can also help automate claims functions by verifying coverage between companies and reinsurers.

There is lots written on blockchain applications. Here is an example on blockchain insurance examples: <https://builtin.com/blockchain/blockchain-insurance-companies>

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