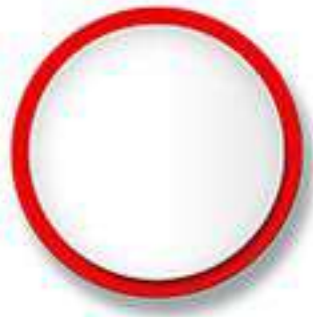


Banking and Financial Applications on FLO

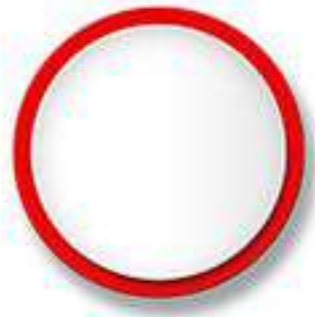
Technology



Banking and Financial sector is where
blockchain has **major impact.**



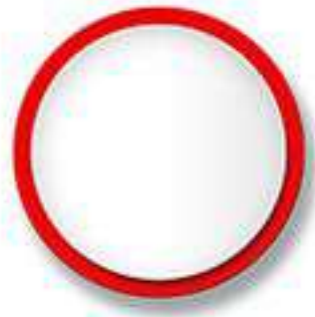
We can do **continuous compounding** of interest rates calculating exact interest for exact time of loan utilization.



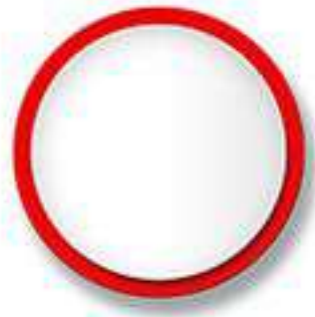
We can create **more efficient loan markets**
with better risk management.



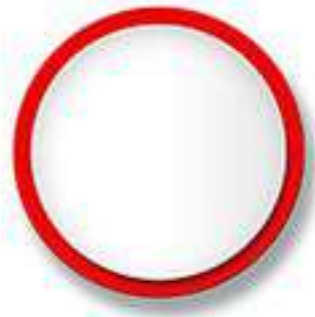
We can create blockchain event based
insurance products.



We can also create **trusted oracle based off-blockchain** event driven insurance products.



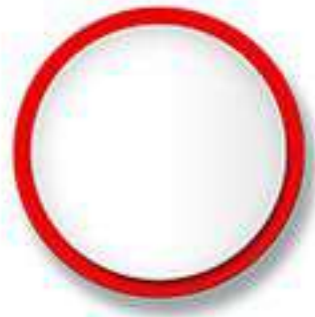
Some DeFi concepts have replaced counterparties in an asset trade with entire group assuming **counterparty role.**



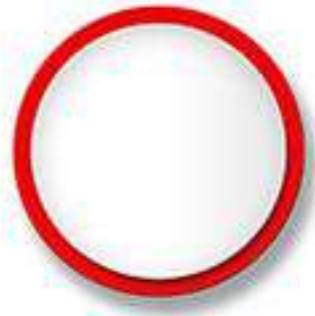
We can assets on blockchain whose value mirrors value of conventional assets **like company stocks or national currencies.**



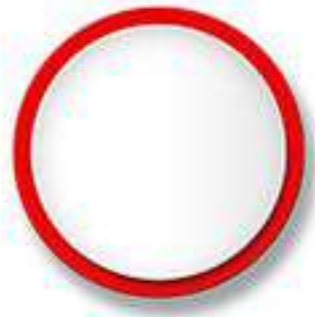
There are also initiatives related to decentralized governance. However RanchiMall is not very confident that decentralized governance works better than individualized leadership.



We believe that banking products should be so designed that the user is guided by the system rules towards **safe and long term high quality investments.**



RanchiMall believes that blockchain based financial solutions should involve less number of transactions, but **very high quality and safe transactions.**

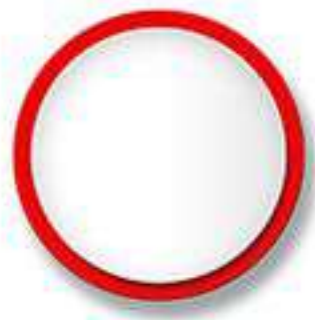


For example we have a product called **Bitcoin Bonds**, which locks user funds for 3 years, **completely guarantees** no losses, and offers 50 percent of upside to the consumer.

That's the kind of product we would love to have in blockchain.

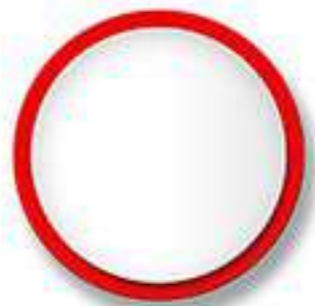


We could create a product that tracks stock prices of leading high growth companies like Amazon, Facebook, Google, Berkshire Hathaway and Tesla.



Blockchain based products get a **one time bump in token prices** if they design a great concept.

For example Ripple (2017) and Chainlink (2020) have got one time price bumps.

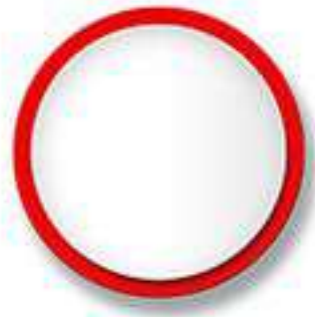


These price bumps offers **extra-ordinary returns** to very initial investors.



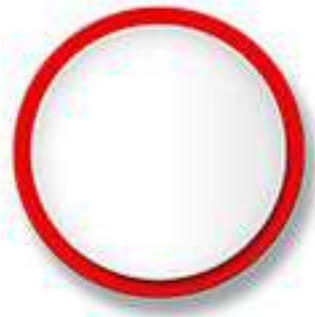
This pattern creates a **unique bootstrap** for blockchain based applications.

Initially users can gain very heavily if they back the right project.



However users who come later will not be so lucky if the project does not have meat. They will languish as the prices will freeze after initial bump.

So it's important that the **project delivers increasing value over a long term.**



Other innovations in blockchain finance has been usage of liquidity pools instead of **order books for market making.**



Liquidity pools are entities that get a **fixed fees but do not share high risk** while market making.

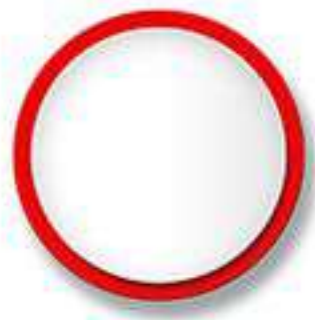
This is achieved by having them supply both sides of asset being traded in equal amounts.



RanchiMall does not like small fees large transactions kind of financial design.

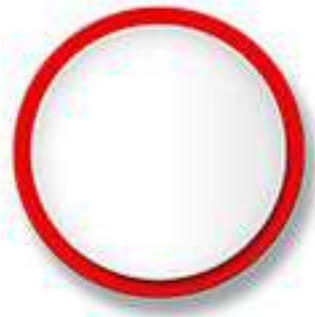


We believe in high value smaller number of transactions, with users having **high margin of safety.**



The common blockchain based financial platforms use blockchain based rules to **match borrowers with lenders.**

Borrowers must submit a blockchain acceptable collateral first.

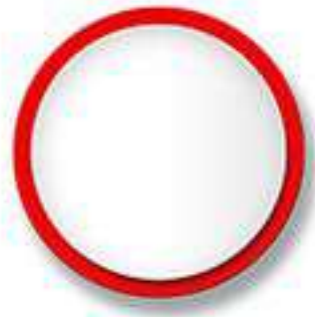


Since the price of assets in blockchain vary significantly, the margin on collaterals **may not be sufficient** if the price of borrowed asset goes up, or price of collateral falls down.



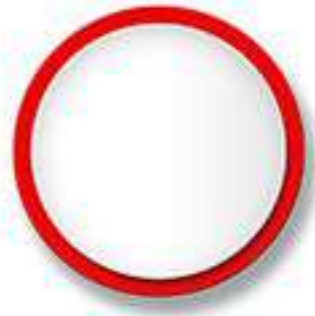
This leads to automatic liquidation of borrowers collateral if margin of safety on collaterals is breached.

To prevent such circumstances, both the collateral and the loan should be on same stablecoin.



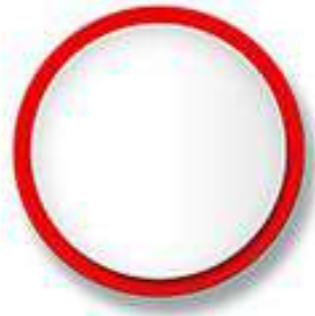
Blockchain based banks determine interest rates based on **utilization of the asset available to be lent.**

If utilization ratio is high, borrowers will pay higher interest rates, and lenders will be paid more interest too.

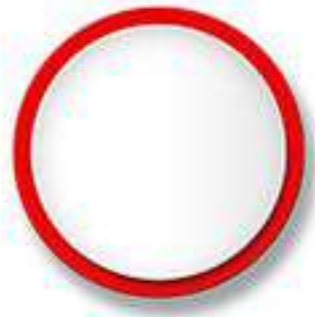


The difference of interest rate between lenders and borrowers is **the gain for blockchain bank**, and will be available to those who own the system.

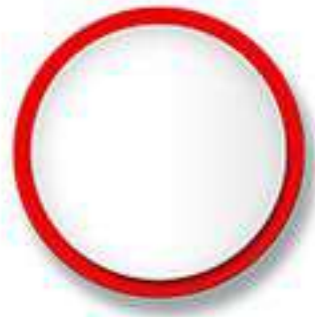
Such gains could be distributed to ownership tokenholders of the system too.



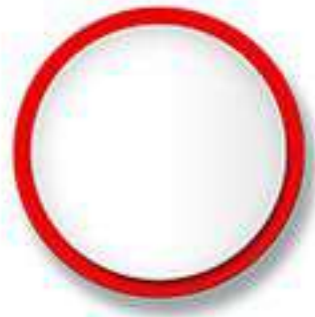
RanchiMall has a **blockchain bank initiative**. But we do not believe in high volume transaction, and low margins per transaction.



We would rather pick those collaterals that is guarantee to **go up in value over time**, and we aim that borrowers should see the **increase in collateral value higher** than interest that they pay for loans.

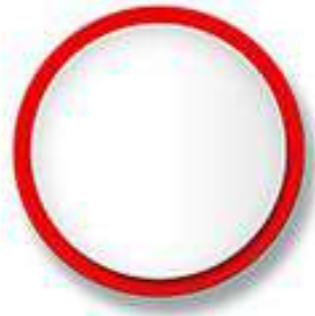


On lending side, lender assets should also be forced by system to be locked into those high value growing assets, so lenders get a slightly higher rate of return than otherwise.



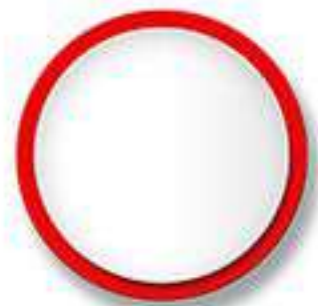
For this system to operate, both borrowers and lenders have to be limited in total quantity of assets they can operate inside the side.

High gains cannot be maintained for everyone. **System must select the best.**

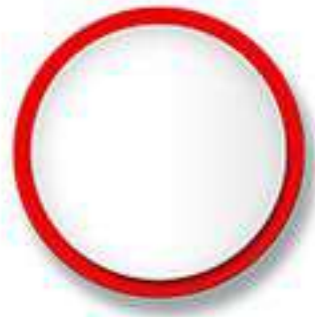


DeFi (Decentralized Finance) initiatives have also innovated the concept of arbitrage as a **price stabilization mechanism**.

If the price of a stablecoin goes higher than benchmark, then there is incentive for someone to buy stablecoin from benchmark system and sell in open markets increasing the supply in open markets.

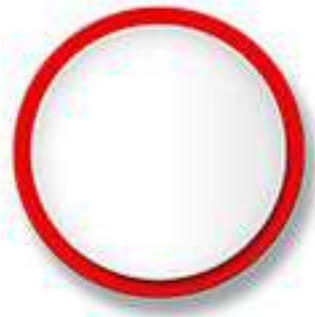


If prices of stablecoin falls below the benchmark, then there is reverse incentive to obtain stablecoin from the market, and liquidate at higher price in benchmark system **to reduce the supply in open markets.**



The big innovations in financial world due to blockchain:

1. Usage of liquidity pools to **eliminate counterparty** in trading of assets.
 2. **Automatic borrowing and lending** as per interest rates based on utilization of liquidity pools.
 3. **Usage of arbitrage** as a tool to stabilize prices.
-



RanchiMall will have to find systems which can **optimize gains for all participants** over a consistent basis.



Bitcoin Bonds is a very good example of such a product.



RanchiMall financial products will be guided by the **principle of high quality products, high quality customers** and will not be volume driven.

