

Financial Innovation and Banking

The Present and Future of Swiss Banking Conference

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The Technology of Banking

- ▶ Banking: Money & Payments, Credit, Wealth Management.
- ▶ On what technologies does banking rely?
 - ▶ Data storage, data analysis, communications, security (e.g., cryptography).
 - ▶ Electronic revolution 1960s-70s; Internet 1990s-2000s.
 - ▶ Largely complementary to the business of banking.
- ▶ Industry-threatening innovations today?
 - ▶ Blockchain (decentralize autonomous organizations);
 - ▶ Artificial Intelligence.

Blockchain

- ▶ Blockchain: a database management system governed by computer code and a decentralized (not delegated) consensus protocol.
- ▶ New form of security, trust, discretion (Hello, UBS); politically neutral.
- ▶ Cost savings primarily via regulatory arbitrage; not intrinsic technology.
- ▶ Products (so far)
 - ▶ An autonomous money and payments system (Bitcoin).
 - ▶ Decentralized credit arrangements (limited to cryptoassets).
 - ▶ Semi-autonomous fixed exchange rate systems (Tether, MakerDAO).
- ▶ Success (so far) has been limited, though global DAO-based stablecoins may very well disintermediate banks in global payments system.

Artificial Intelligence

- ▶ AI: Smarter computer algorithms, more powerful processing ability, applied against more/better data.
- ▶ Opening door to DIY wealth management with robot assistant?
- ▶ Wealthy clients likely to prefer the human touch.
- ▶ Nevertheless, AI tools can/will be used to drive down costs.