



THE FUTURE OF BANKING: OPPORTUNITIES AND CHALLENGES IN A NEW ERA OF FINANCE

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Same activity, same risk, same rules?

- APIs
- Blockchain
- Cloud

...(to name just a few)

New Technological Infrastructures Pose New Operational Risks

The literature on complex systems talks about systems being “robust yet fragile”

- Beware too much focus on efficiency and not enough focus on redundancy/ability to reconfigure in times of stress or change
- When does increasing efficiency start to be counterproductive?

Efficiency v Robustness Tradeoff

- Operate with the presumption that a major disruption to operations is inevitable:
 - Require redundancy
 - Meet baseline technical standards appropriate to relevant tech
 - Require incident and near-miss reporting
 - Engage in scenario analysis

Key Principles

We also tend to ignore some of the systemic dimensions of operational risk

- Operational risk is typically considered as idiosyncratic to individual institutions
- That misses the possibility that operational problems can be transmitted from bank to bank through technological channels
- A “macro-operational” perspective is needed

Technological Transmission Channels for Systemic Risks

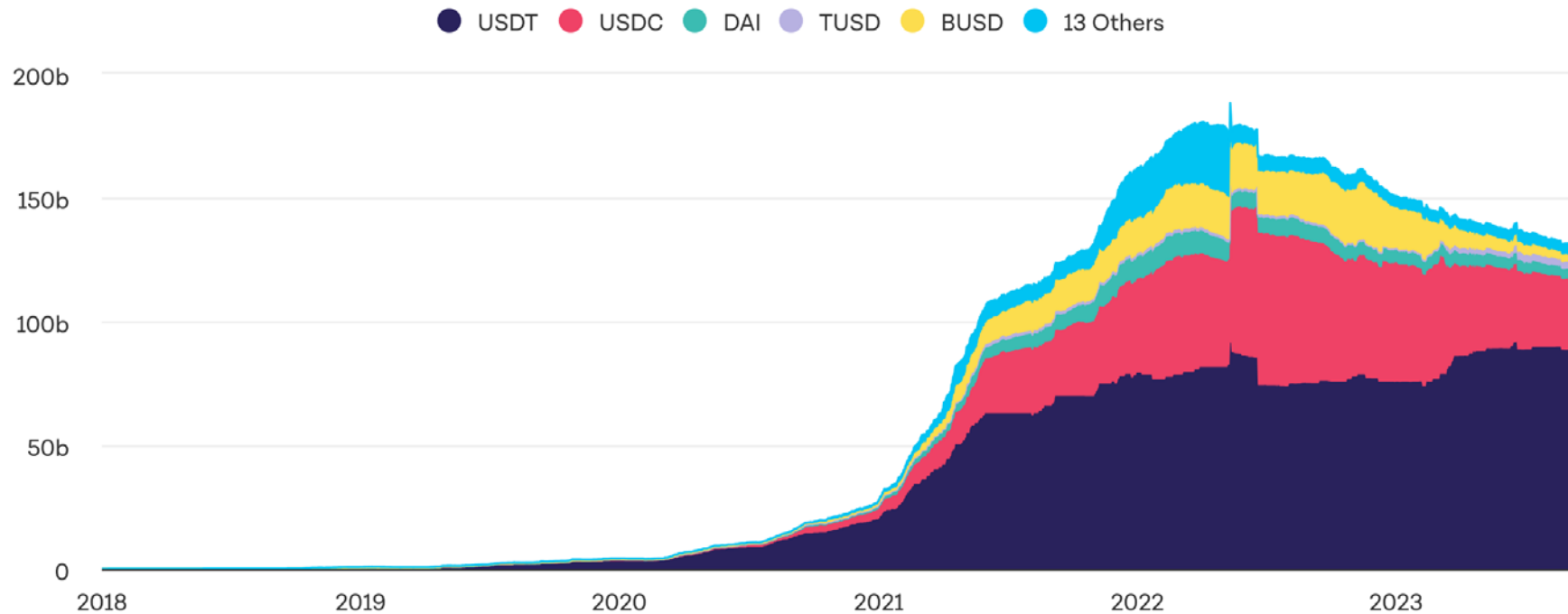
Don't be too credulous of technology's power to solve complex problems:

- Techno-solutionism can distract from more challenging elements of problems
- Techno-solutionism can blind us to harms associated with new tech/related business models
- Techno-solutionism can discourage us from asking preliminary questions about a new technology's efficacy

Beware Techno-Solutionism!



Total Stablecoin Supply



SOURCES: THE BLOCK, COIN METRICS, COINGECKO
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Case Study: Stablecoins

Questions?