

11th Annual Technology & Innovation – the Future of Banking & Financial Services

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Blockchain & the future of banking

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Topic suggested to me

Integrating Blockchain into Core Banking Platforms

- Building-out core foundations of tomorrow's financial services infrastructure
- Enabling next-generation services with blockchain-generated solutions
- Who will drive the adoption of blockchain in financial services?

Q: How will blockchain affect **my industry**?

How will blockchain transform the whole economy?

Then – What does that mean for banking & finance?

B.A.U. – but better

- Improved back office efficiencies
- Faster clearing & settlements
- Better identity management & verification

What is blockchain?

- Distributed **ledger** technology
- What is a bank? A centralised **ledger** technology
- Two technologies come together:
 - P2P + Public Key cryptography



What is the state of blockchain development?

- cryptocurrency market cap = USD \$30 Billion
 - Bitcoin, Ripple, Ethereum, Litecoin ... + 1000
- Start-up ecosystem = **AngelList** counts 600 companies, (av. valuation \$4 million)
 - <https://angel.co/blockchains>
 - More born every day from **Hackathons**
- Most governments have policy documents, some have legislation

Stay informed

Sign yourself up to mailing lists:

- www.coindesk.com/

Join the industry association

- www.adcca.org.au/

Go to blockchain meet-ups

- www.meetup.com/blockchaincentre/

Books

Tapscott & Tapscott 2016
'Blockchain revolution'

Swan 2015
**"Blockchain: Blueprint
for a new economy"**

... not an ICT nor a GPT

Blockchain is a new ...

Institutional technology

Davidson, S., de Filippi, P., Potts, J. (2017) 'Blockchains and the economic institutions of capitalism' *Journal of Institutional Economics*,

Before 2009

firms

markets

**Relational
contracting**

Government

Davidson, de Filippi, & Potts (2017) 'Blockchains and the economic institutions of capitalism' *J. Institutional Economics*

After 2009

firms

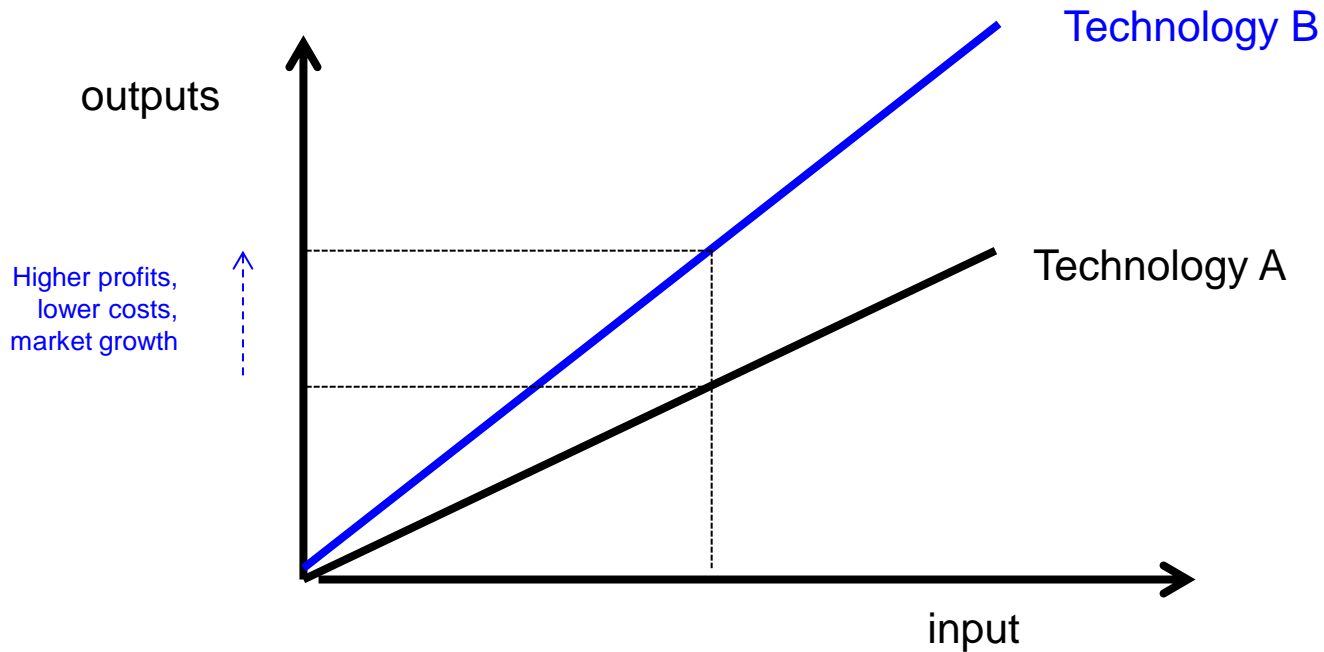
markets

**Relational
contracting**

**Govern-
ment**

**BLOCK-
CHAINS**

B is a productivity enhancing technology



New institutional technology affects transaction costs

firms

markets

Changing the boundaries between economic institutions

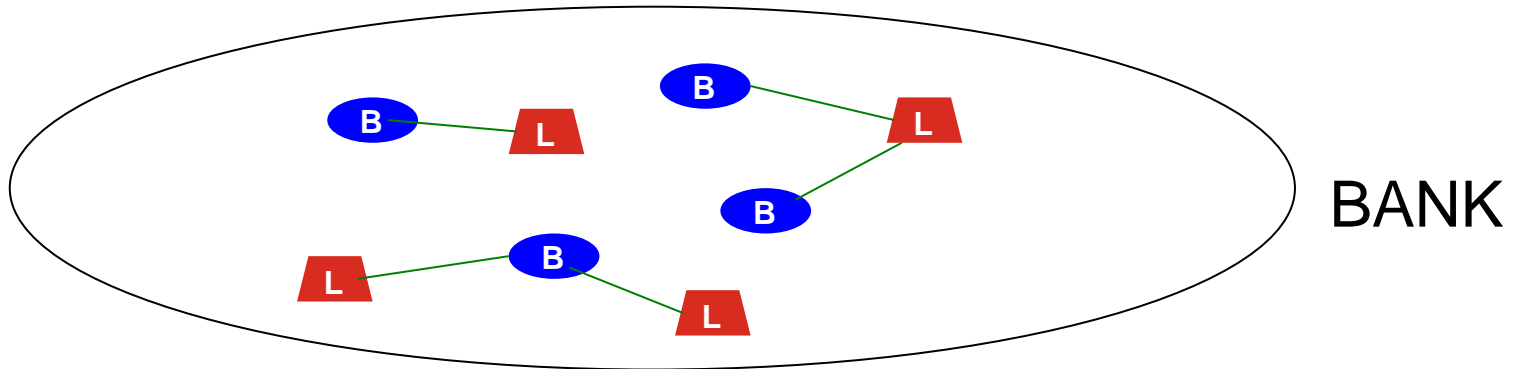
firms

markets

BLOCKCHAINS

What is a bank?

- Banks are internal markets (platform) between supply & demand for capital
- A bank is a **firm** that **intermediates a market**



Blockchain is a technology of decentralization

- It compete with firms AND with markets

How?

- Crypto-identity = search & match for P2P lending

[from firms to markets]

- Mitigating **opportunism** (smart contracts, DAOs)

[from firms to blockchains]

The threat of crypto-secession

- Risk of capital flight from over-taxation or inflation constrain bad govt.
- Global financial location by regulatory effectiveness encourages good govt.
- Blockchain endogenizes this within a nation – crypto-secession, i.e. partial exit
- Threat of blockchain exit constrains govt & bank behaviour

the financial system is evolving

Blockchain is a new institutional technology

Driving increased structural complexity through disintermediation, decentralization & exit

predictions

1. Experimental adaptation requires **regulatory learning** (sandboxes)
2. Emergence of **crypto-banking** (advising and underwriting ICOs?)
3. Continued **servicisation** of banking & finance (coupled with AI)
4. Banking & finance as **software** (smart contracts)
5. Global **unbundling** and **competition** (Cities, not Nations)

The options before you...

1. Lobby for increased regulatory protection
2. Frantically buy crypto & fintech start-ups
3. Develop capabilities & innovate & aim global