

# Trust & Transparency in the internet of money

What can we expect in the midst of change?

Bernd Petak  
bernd@finstripe.com  
@berndpetak

# Disclaimer:



I'm an observer, analyst and marketplace participant,  
not a political or technical advocate...

...but I have some expectations as a consumer and  
you should too!

# Trust & Transparency



Many are now comfortable trusting our financial institutions

Just in time! because disruptive change is upon us again

So who do we (unknowingly) trust and how might that change?

# Trust

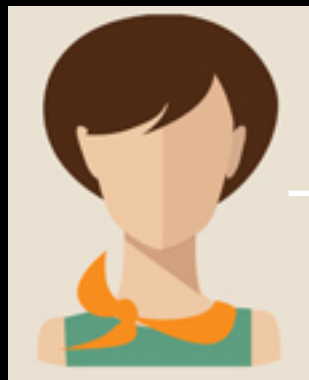


I trust my financial institution, and I trust the “system”

# Trust - a simple remittance example



You



Them

# Trust - what could possibly go wrong?



- Non-obvious error by you
- Communications compromise
- Bank systems error (caught by reconciliation, internal scrutiny or customer report)
- Bank internal fraud/theft
  - Bank external fraud/theft
  - Regulatory intervention
  - Timely counterpart acknowledgement of receipt
  - Counter-party trusts YOU not to reverse payment

*Our financial institutions are shockingly competent operationally!*

# Trust & Transparency



The unmistakable conclusions have to be:

*We are taking an awful lot for granted...there's a lot of trust required here*

*And transparency? What transparency? You can only see YOUR bank details, your banker may see more.*



# But change is nigh...



We are seeing the arrival of:

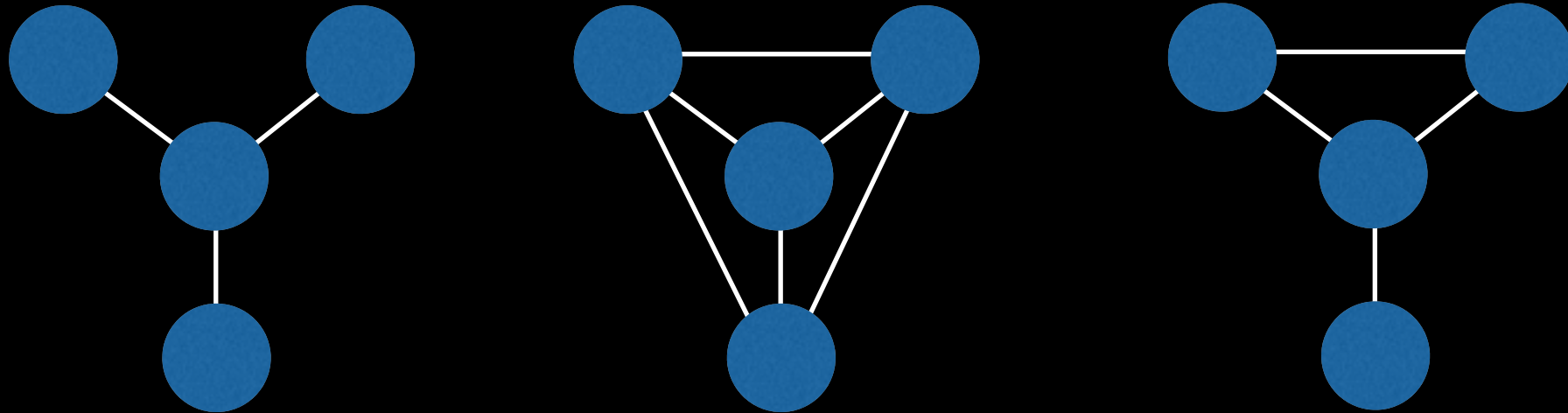
- Alternative Lending
- Crowdfunding
- Alternative Remittance
- Blockchain Technology



# The New World



There are three critical categories of new financial solutions:



- Centralized:** requires a key central entity to operate
- De-centralized:** no single central entity required to operate
- In-between:** requires some centralized services to operate

# The New World - Centralized Services



New **centralized** services can still have serious advantages:

- Build with **modern technology**
- **Focus**, fewer & simpler
- Can Integrate **transparency**
- **Avoid** playing in complex spaces
- Meet modern customer **expectations**
- **Partner** with incumbent players

*New centralized services have to achieve at least current levels of operational competence*

# The New World - De-centralized Services



On the new **decentralized** side things can be a little different. There are all the benefits highlighted before plus:

$$\begin{aligned} &= \frac{\sum_{x_1} f_1(x_1) f_2(x_2, x_1)}{\sum_{x_1} \sum_{x_3} f_1(x_1) f_2(x_2, x_1)} \\ &= \frac{\sum_{x_1} f_1(x_1) f_2(x_2, x_1)}{\sum_{x_1} f_1(x_1) f_2(x_2, x_1)} = \end{aligned}$$

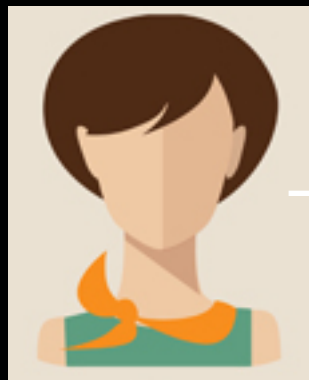


- New math and algorithms
- Everything is cheaper today
- That can be traded for trust and transparency benefits

# The New World - that same remittance



You



Them

# The New World - who do you trust now?



- Open-source software
- The majority of network node operators
- The math
  - The platform community
  - A contract initiator/arbitrator if any

*Traditional software errors, theft/fraud and transaction reversal become less likely. You can still mess up, and there's always the internet*



# The New World - what does decentralization buy?



What we get:

- Simpler/Cheaper**: fewer players, less process
- More Transparent**: if we want it to be
- Integrates Nicely**: enhances current practices
- Intermediaries**: fewer low-value added players
- Customer Experience**: compete on real benefits

What it costs:

- Change**: never easy
- Community**: central authority out; strong community in
- New Business Models**: must add value



# The New World - expectations around trust & transparency



I need to take responsibility to understand the products I use

Different is not good enough. Only better will do

I expect to trade my trust for appropriate transparency

# Trust & Transparency

in the internet of money

Bernd Petak  
bernd@finstripe.com  
@berndpetak