

# Banking Disrupted? Financial Intermediation in an Era of Transformational Technology

Geneva Reports of the World Economy 22  
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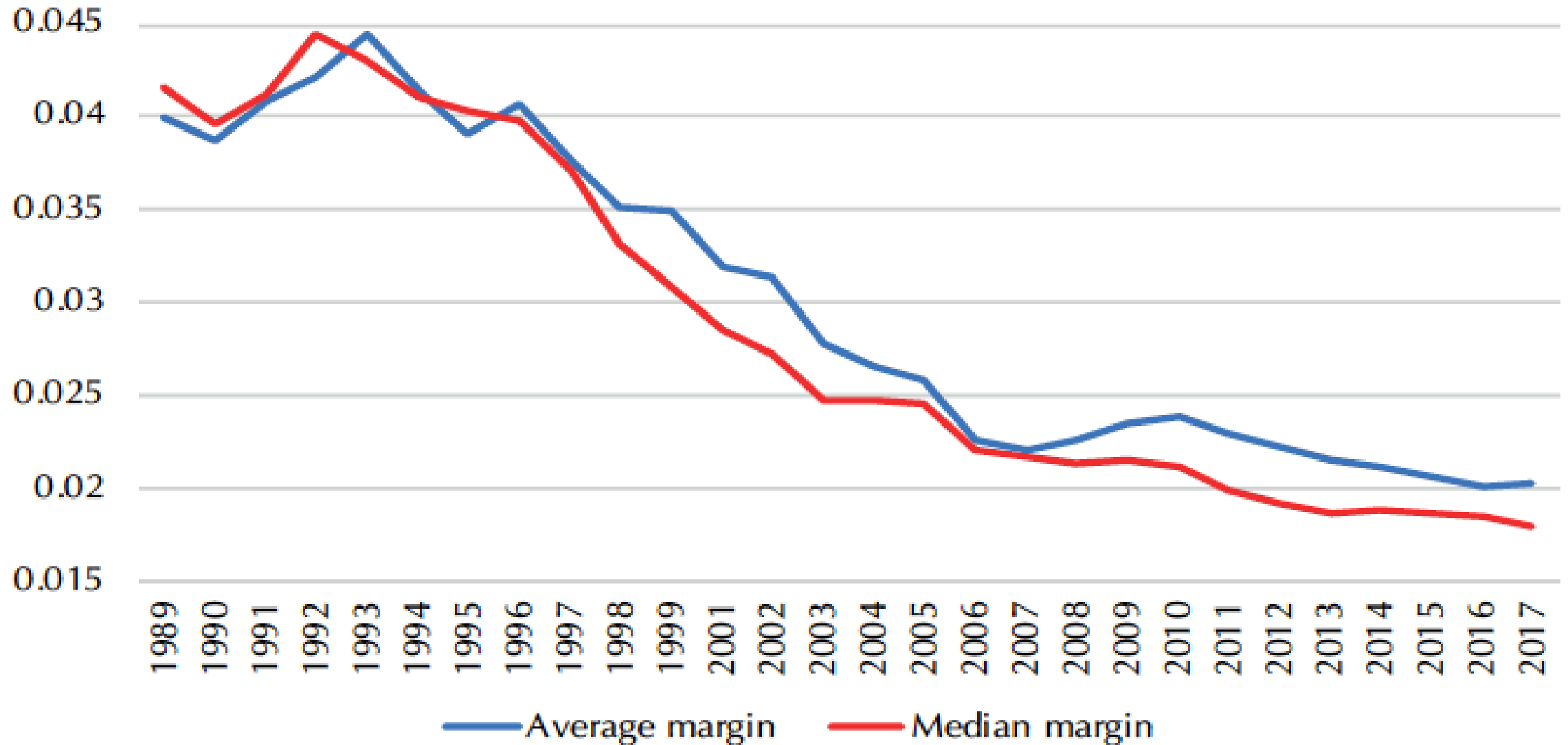
# Overview

- The death of banking?
- Competition from Bigtech and Fintech
- Public Policy

Based in part on Adrian and Mancini-Griffoli (2019), “The Rise of Digital Currency,” IMF Fintech Note 01/2019, July.



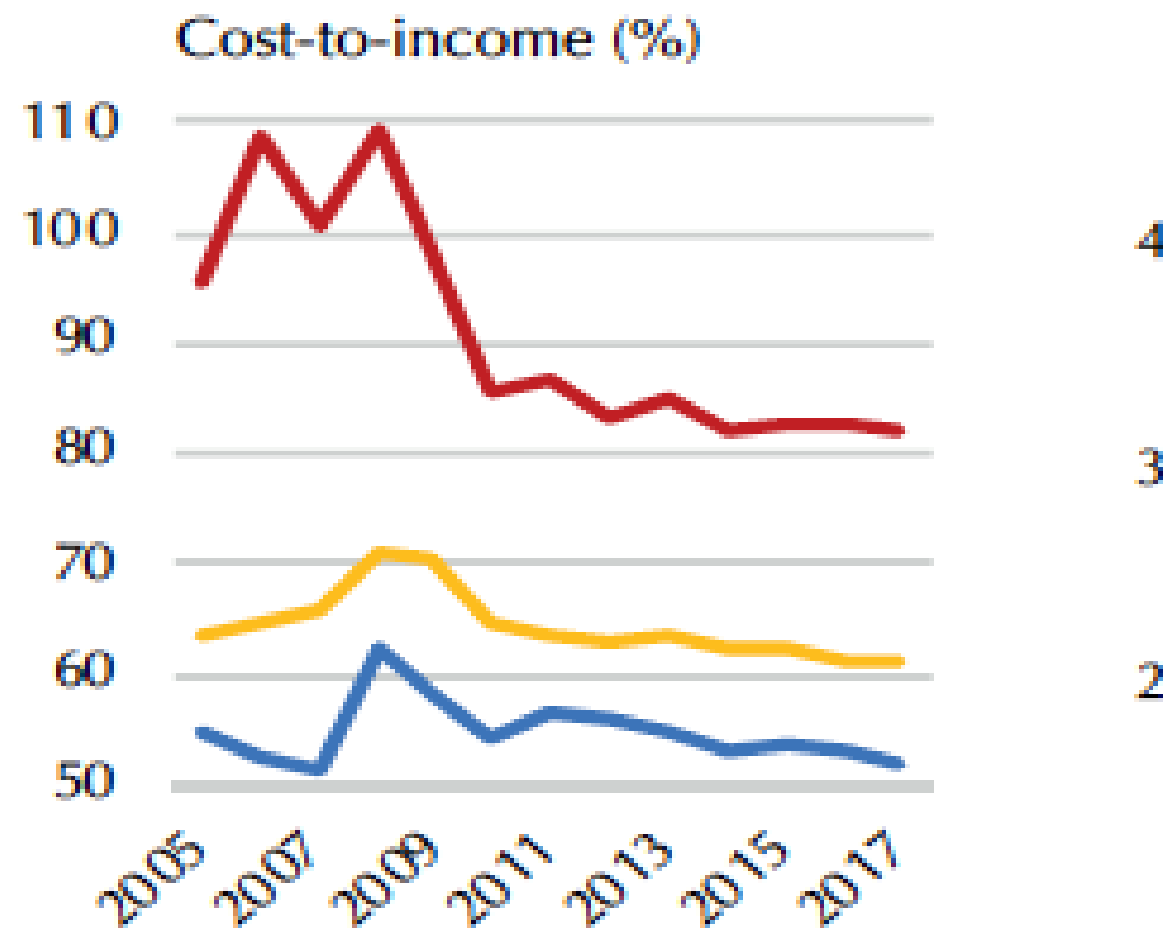
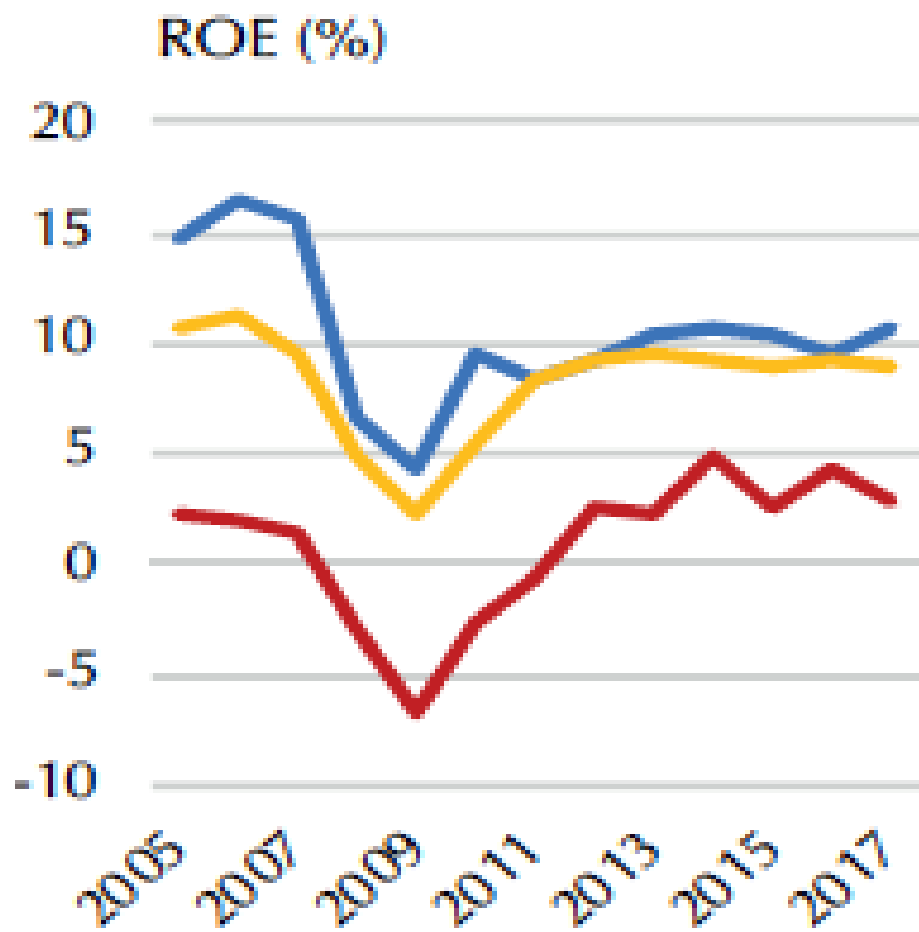
# Evolution of NIMs for Large Banks



Source: Authors' calculations using data from S&P Global.



# Performance Ratios for Large and Small Banks



— 10th percentile      — 90th percentile      — median

# The Death of Banking?

*Over the years, the banking industry has exhibited remarkable adaptability to changing conditions. Its fate is seldom as bad as the figures indicated it should be.*

*Banking (1960, p. 39)*

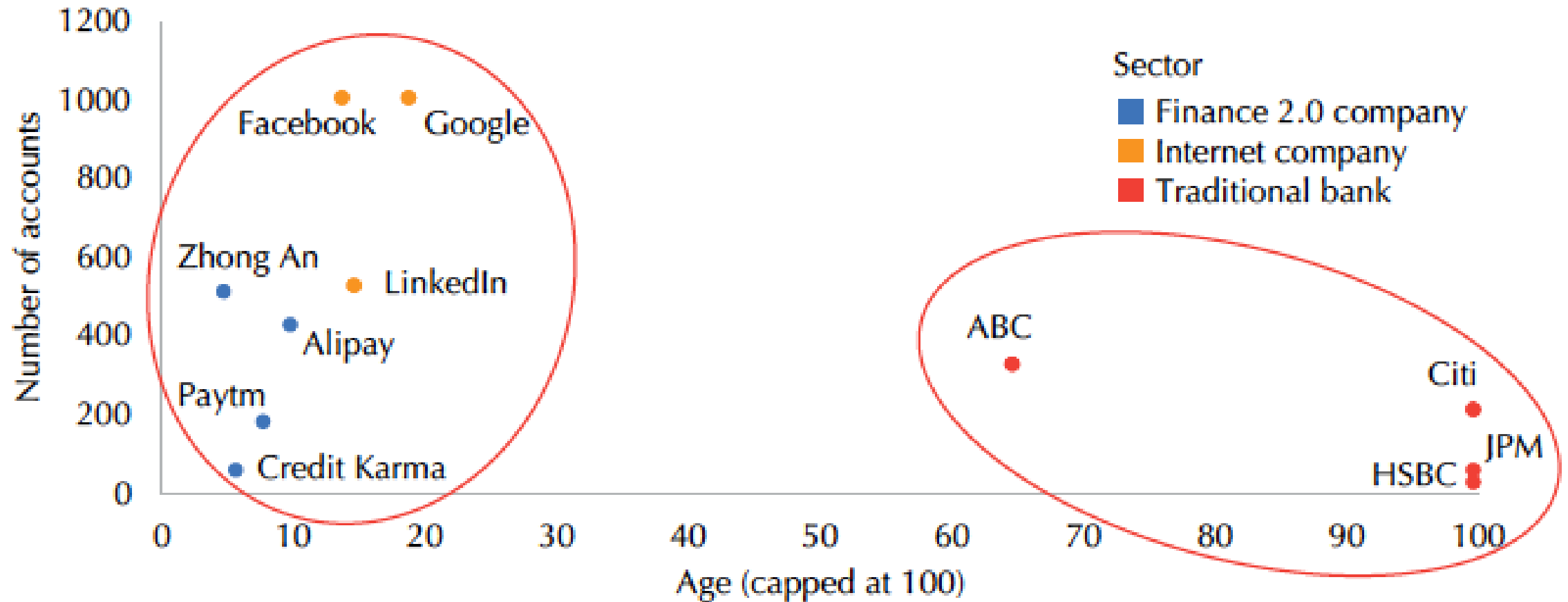
# Takeaway 1

Banks have adapted and held up well so far...

# Question 1

... but will they survive fintech and bigtechs?

# Number of Accounts and Age



Source: Nguyen Trieu (2017).

# Bank Deposits vs. Stablecoins: Which is More Stable?



Denomination

Unit of account

Exchange pledge

Fixed @ face value

Backstop

Government

Backing asset

Mixed

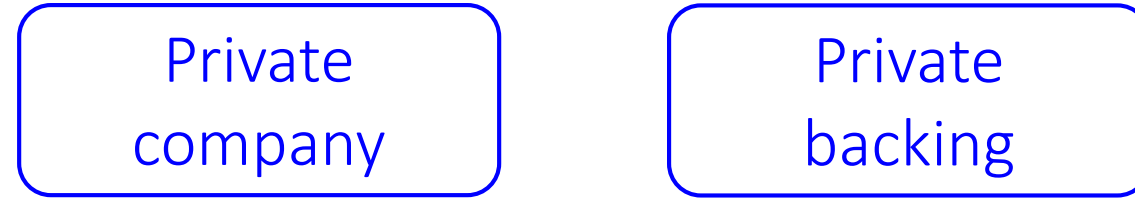


# Stability of Stablecoins Varies



		sCBDC	E-money	I-money
		Stablecoins Exchange stability		
Denomination	Unit of account	Same as banks	Same as banks	Own
Exchange pledge	Fixed @ face value			Variable @ market value
Backstop	Government	Private	Private	Private
Backing asset	Mixed	CB reserves	Safe & liquid	Mixed

# Broad Spectrum of Stablecoins; All Have Some Risks



Claim?

Default

Market

FX

Liquidity

# Takeaway 2

Banks offer better “exchange stability”

# Question 2

Why hold stablecoins?

# Stablecoins may offer greater convenience

Transaction costs

Cost, speed

Global reach

Cross border

Complementarity

Interoperable, open

Trust & access

Fintechs vs banks

Integrated

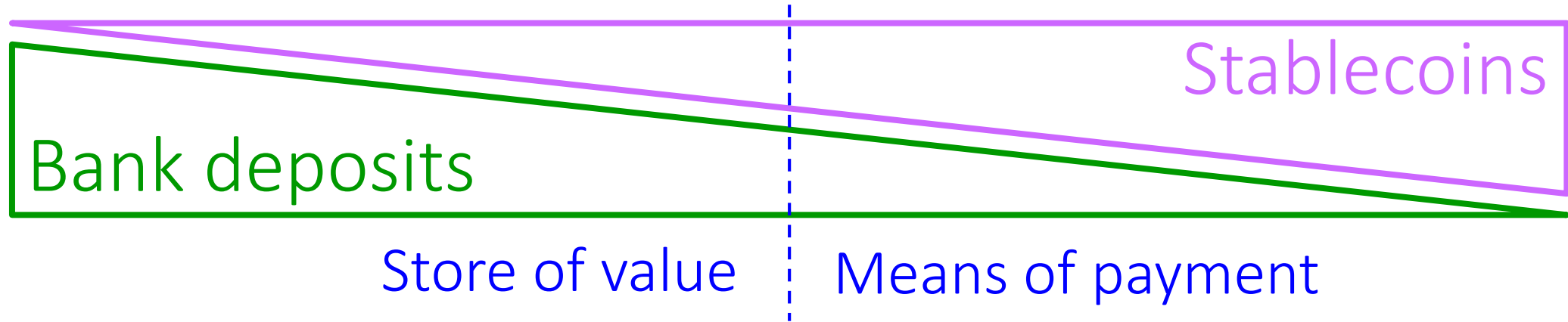
User friendly

Network effects

Over large installed bases

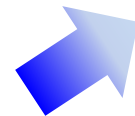


# Stablecoin adoption could be high... not necessarily at the cost of banks



Banks

Can offer higher interest...  
Better means of payment  
& bundled services.



Stablecoins

Can deposit in banks...  
Offer banking services.

# Question 3

What about risks to public policy?

And relevance of public means of payment?

# Public Policy Objectives



Financial  
stability

Monetary  
policy control



Consumer  
protection

Privacy: data &  
confidentiality



Financial  
integrity

Competition &  
efficiency

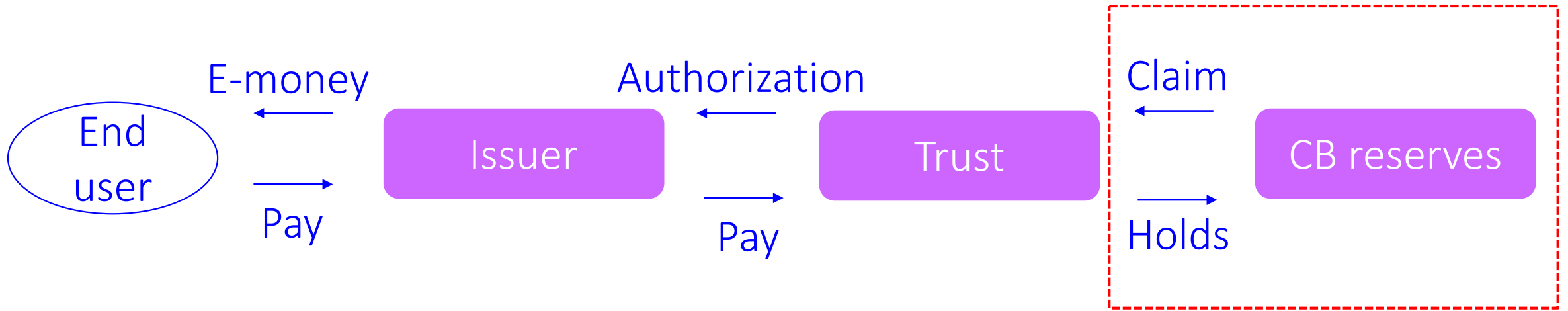


# One option...





# Birth of synthetic CBDC → sCBDC



- Almost holding, and transacting in, central bank liability!
- Simpler, cheaper, safer
- Public-private partnership...
- Preserving comparative advantages
- Greater competition for banks?

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