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**SPEED READ**

- Banking fundamentals are being challenged
- A new layer of digital inclusion is needed
- The FinTech revolution is just beginning
- Today's banks won't disappear

# WELCOME TO VALUEWEB

We are still in the early stages of the FinTech revolution. A new age of finance is coming and banks will need to evolve, explains CHRIS SKINNER.

**W**e share a belief in banks, because governments say they can be trusted and use them as a control mechanism to manage the economy. So now we come to Bitcoin and the internet age, and some of these fundamentals are being challenged.

We are 70 years into the transformation that computing is making to our world. Considering it was 330 years from the emergence of steam power to the last steam power patent, there's a long way to go.

**WHAT IS THE VALUEWEB?**

We can already see that a new age of money is being created in the internet age. I call this the ValueWeb, connecting everyone on the planet to talk, socialise, communicate and trade globally, in real-time, for almost free.

The ValueWeb is a digital networked value structure that is real-time, global, connected, digital and near-free. It is based upon everything being connected from the seven billion humans communicating and trading in real-time globally to their billions of machines and devices, which all have intelligence inside.

In other words, what is happening in our revolution is that we can provide a computer far more powerful than anything before, and put it in the hands of everyone on the planet so that they're all on the network. You then have the network effect, which creates exponential possibilities as everyone can now trade, transact, talk and target peer-to-peer.

As we connect one-to-one in real-time, it will create massive new flows of trade for markets that were underserved or overlooked. Just look at Africa – mobile subscribers have taken to mobile wallets like ducks to water. A quarter of all Africans

who have a mobile phone have a mobile wallet, rising to pretty much every citizen in more economically vibrant communities like Kenya, Uganda and Nigeria. Africa is leap-frogging other markets by delivering mobile financial inclusion almost overnight. The same is true in China, India, Indonesian, the Philippines, Brazil and many other under-served markets.

**THE DIGITAL FUTURE**

A second big change is the nature of digital currencies, cryptocurrencies, Bitcoin and shared ledgers. Will all the banks be based on an R3 blockchain? Will all clearing and settlement be via Hyperledger? What role will Bitcoin play in the new financial ecosystem?

This new structure obviously cannot work on a system built for paper with buildings and humans, and is most likely to be a new layer on top of that old structure. A new layer of digital inclusion that overcomes the deficiencies of the old structure. A new layer that will see billions of transactions and value transferred at light speed in tiny amounts. In other words, the new age is one where everything can transfer value, immediately and for an amount that starts at a billionth of a dollar if necessary.

This layer of value exchange is therefore nothing like what we have seen before and, for what was there before, it will supplement the old system and diminish it. Give it half a century and we will probably look back at banking today as we currently look back at cash and barter. They are old methods of transacting for the old historical structures of physical trade. These have now been replaced by a new method of transacting in the digital age.

**EARLY DAYS**

I don't expect banks to disappear, but I do expect a new system to evolve that may include some banks but will also include new operators who are truly digital. Maybe it is the Googles, Baidus, Alibabas and Facebooks; or maybe it is the Prosperers, Lending Clubs, Zopas and SoFis. We don't know the answer yet and if I were a betting man, I would say there will be a hybrid mix of all as they evolve into a new age of financial structures.

We're not there yet – this revolution is in its early days. It's just 70 years since the first computer was built. The Industrial Revolution took three centuries to play out. Give this revolution another few decades and then we will know exactly what we've built. ■

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**The game changers.** Head of Challenger Banks and FinTech at KPMG, WARREN MEAD, looks at the different faces of challenger banks, and predicts how we can expect them to compete with the Big 5 in the future. Warren shares his slides from the Challenger Banks event.

**Service design – the service revolution.** We all know the success stories of Uber and Airbnb, fuelled by emerging technology. Now traditional product services organisations must up their game and fight back, using service design to transform the customer experience. How do FinTechs and start-ups design their products and services compared to traditional financial services brands?