

THE FUTURE OF BANKING

Tiff Macklem

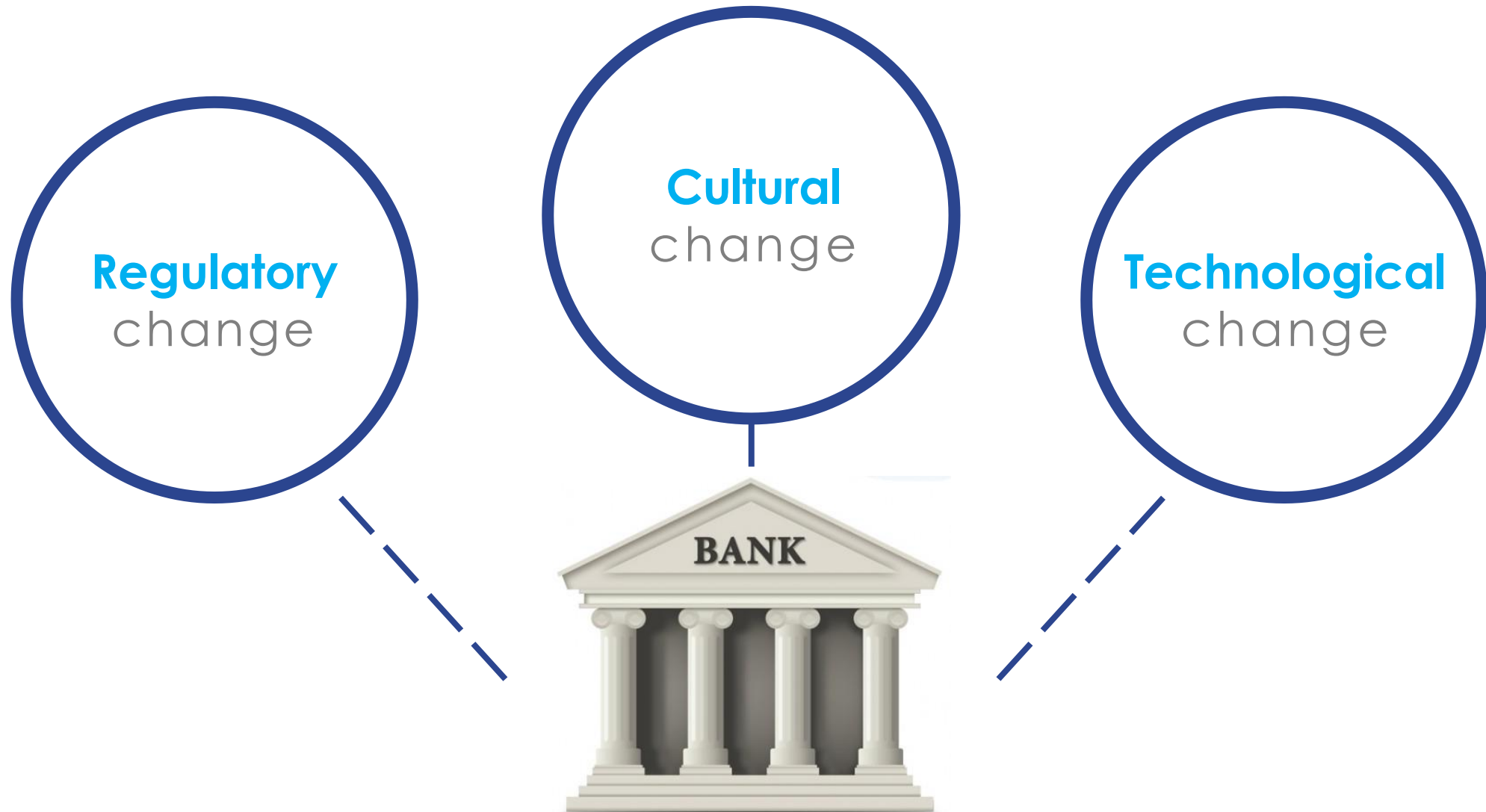
Dean, Rotman School of Management,

Friday, June 23rd, 2017



Rotman

THREE DIMENSIONS



The 2007-08 Global Financial Crisis Cast a Long Shadow

LEHMAN BROTHERS

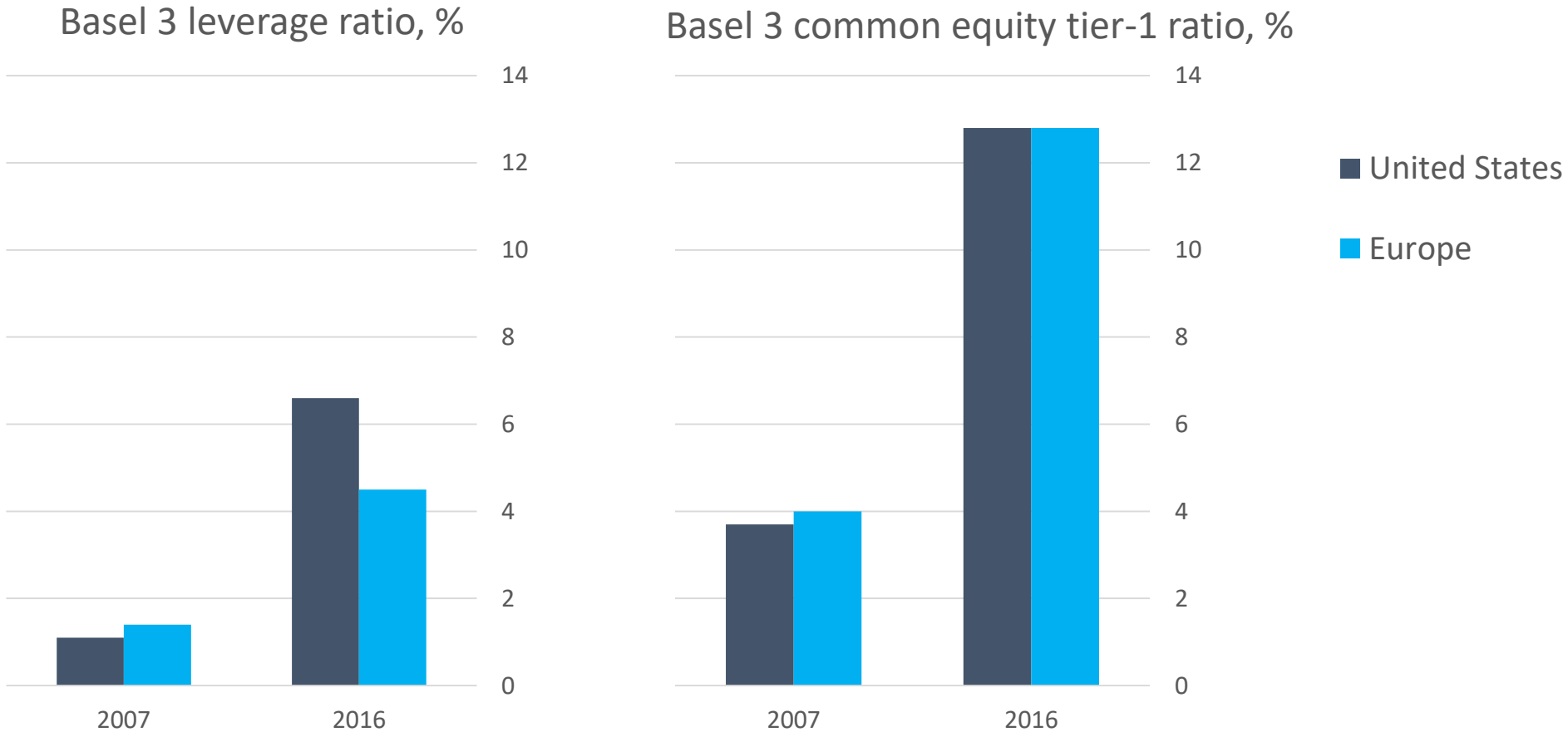


BEAR
STEARNS



Rotman

The Basel 3 effect - **BIG BANKS**



Source: *Basel 3, an international capital-adequacy standard, is unloved but much needed*; accessed from Economist.com

U.S. DEPARTMENT OF THE TREASURY

A Financial System
That Creates Economic Opportunities
Banks and Credit Unions

Report to President Donald J. Trump

Executive Order 13772 on Core Principles
for Regulating the United States Financial System

Steven T. Mnuchin

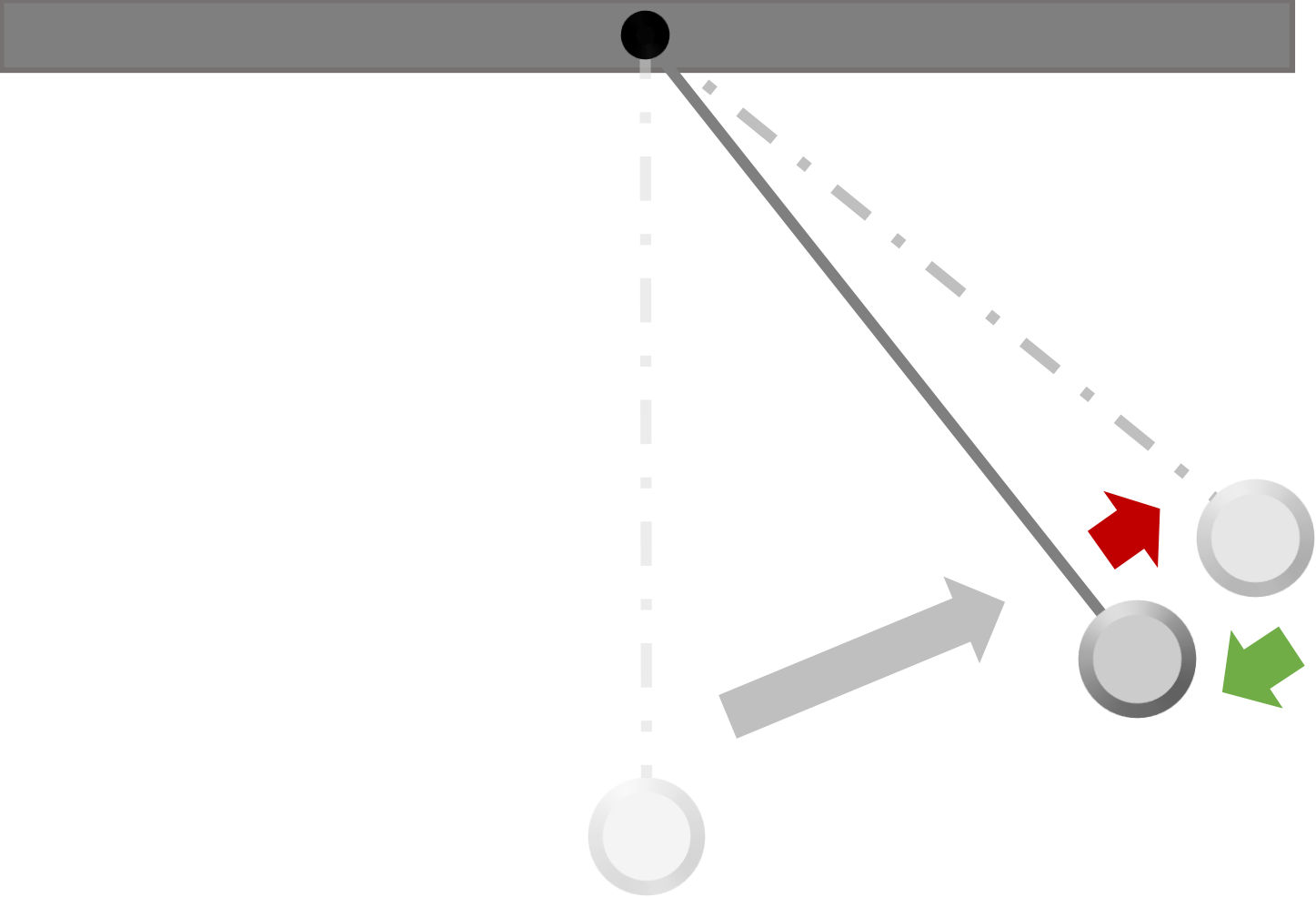
Secretary

Craig S. Phillips

Counselor to the Secretary



Regulatory Pendulum – Approaching PEAK REGULATION



CULTURE

- Weak cultural foundations at the root of financial crisis
- FSB rules align compensation with horizon of risk
 - Only for what you can measure
- **For everything else there is Culture**
- Culture creates social norms that influence what people do when nobody is looking



WHAT THE RESEARCH SAYS

People are more likely to CHEAT when problems INVOLVE MONEY and are reduced to NUMERICAL COMPARISON



Increasing people's attention to STANDARDS OF INTEGRITY and SOCIAL CONSIDERATIONS makes them more honest

- Chen Bo Zhong & Nina Mazar of Rotman School of Management

TAKE-AWAY: INCREASE PEOPLES' ATTENTION TO MORAL and SOCIAL CONSIDERATIONS

What can leaders do?

- Be clear about values
- Promote honesty and integrity
- Walk the talk

CULTURE MATTERS

Firms that promote **integrity as a core value** are

- more profitable
- less unionized
- more productive
- more attractive to future employees

BLOCKCHAIN



TECHNOLOGICAL DISRUPTION

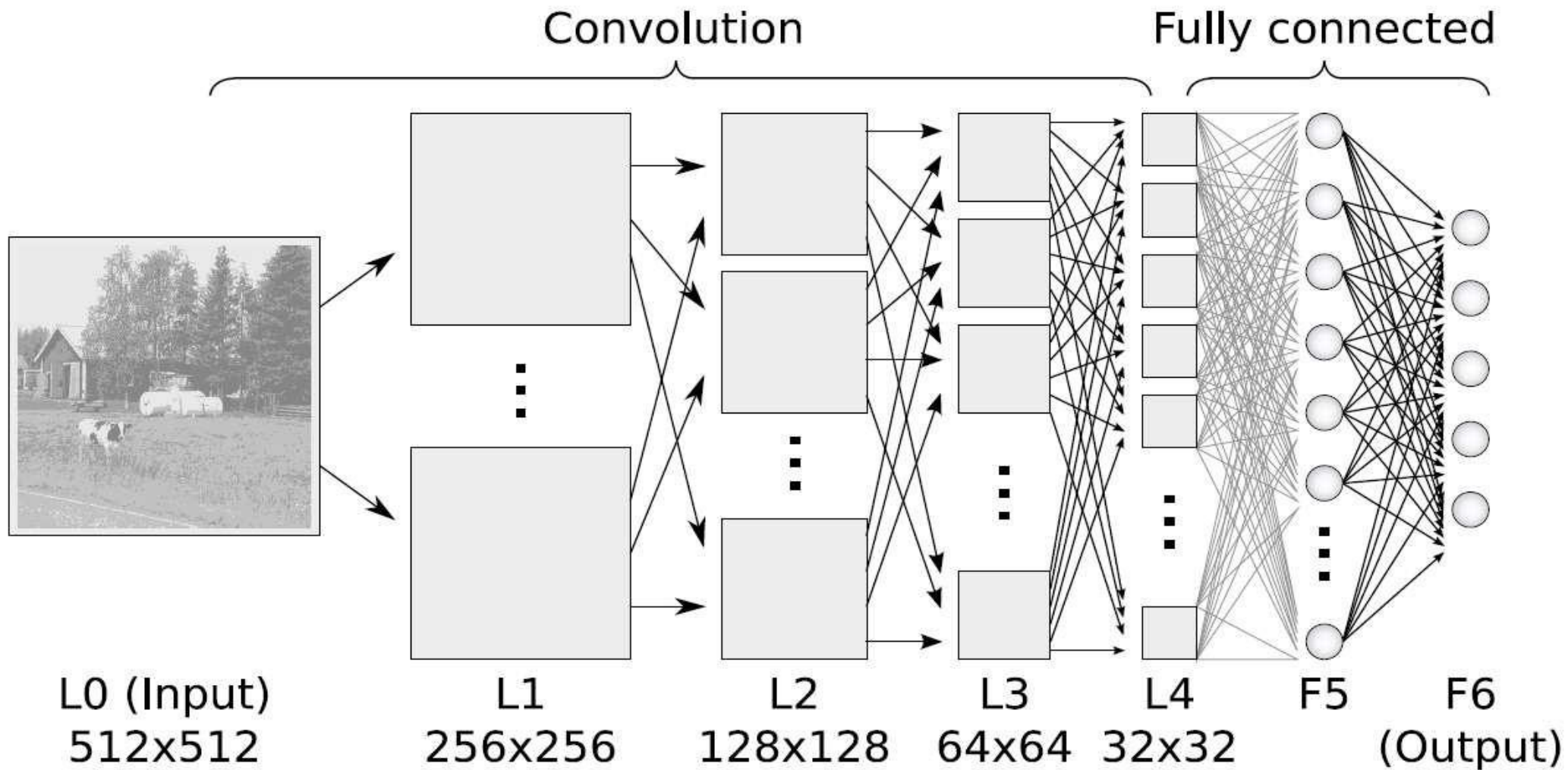




The Simple Economics of AI Prediction & Judgment

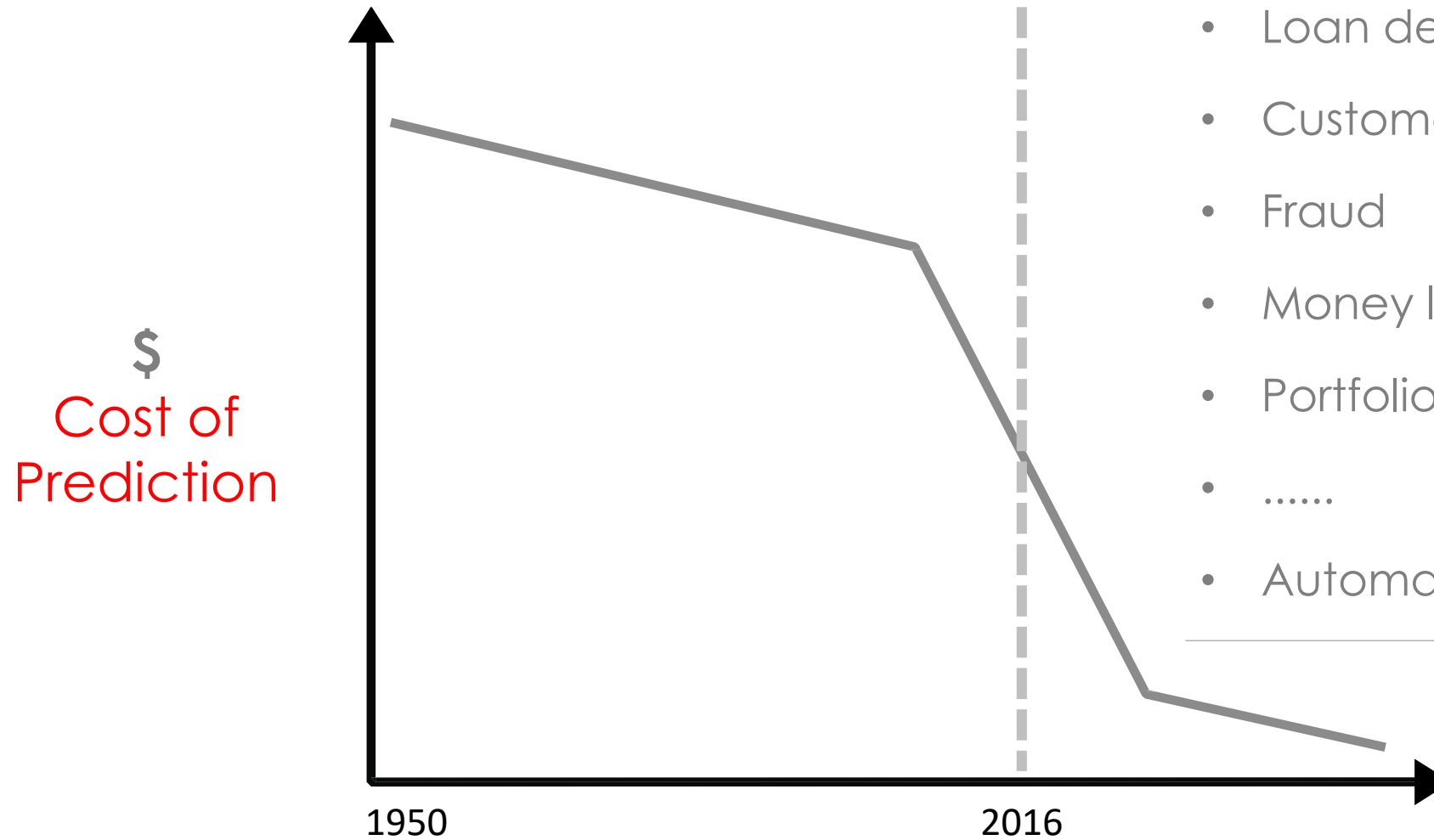
Ajay Agarwal, Avi Goldfarb, Joshua Gans

Rotman School of Management



Source: https://www.ais.uni-bonn.de/deep_learning/

Artificial Intelligence



-
- Loan defaults
 - Customer characteristics
 - Fraud
 - Money laundering
 - Portfolio returns
 -
 - Automated chat systems
-

CANADA'S ROLE



Yoshua Bengio



Geoffrey Hinton

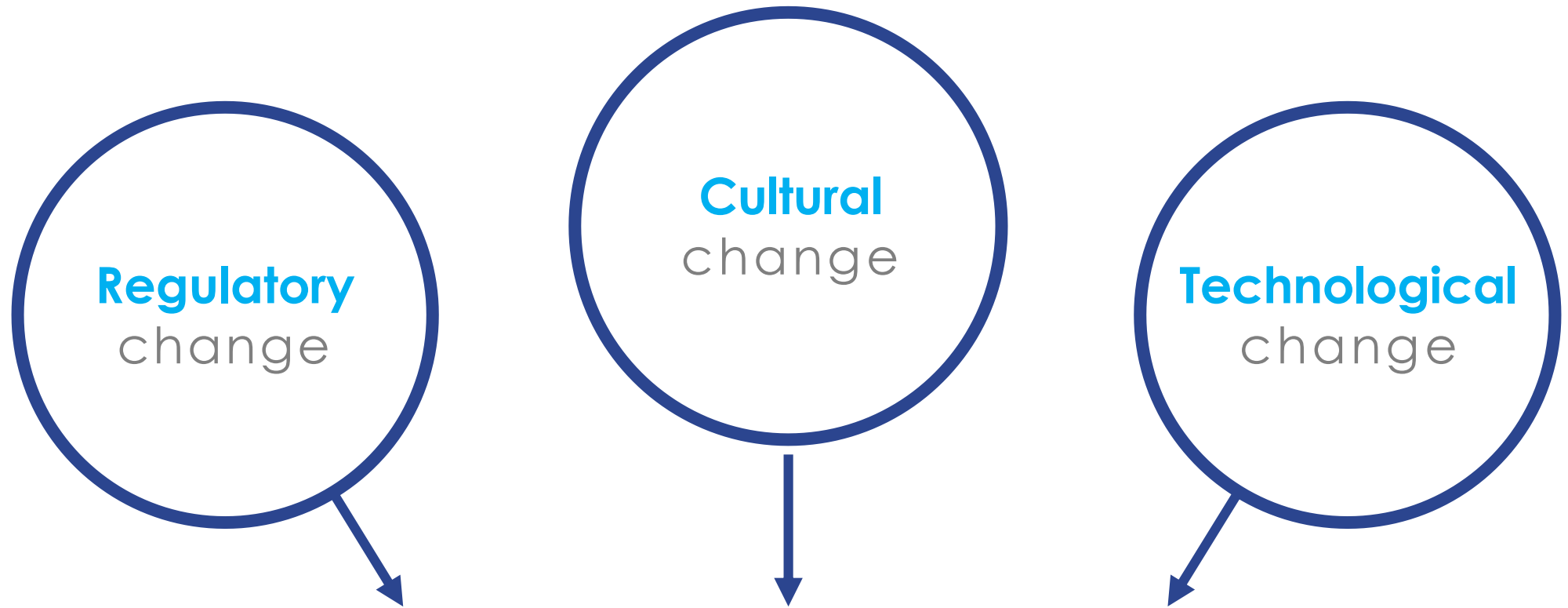


Richard Sutton



Supported by CIFAR

Three Dimensions of **THE FUTURE OF BANKING**



Regulatory
change

Cultural
change

Technological
change

Future success will demand a broader set of talents, skills and behaviours.