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From: Joshua Reich <josh@i2pi.com>
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Subject: lets start a retail bank
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What would it take to start a really boring, simple bank?

As I see it, a bank provides basic functionality:

1. A place to hold my money so I don't need an oversized wallet or mattress
2. Electronic payment & transfer interfaces
3. Ability to lend my cash to others in exchange for a risk adjusted return
4. The opposite of 3 = borrowing.

Atop of this banks go to great lengths to optimize revenue. They invent products with fictitious boundaries so that they may extract the maximum revenue from each consumer. And to do so they make it very difficult for the consumer to rationally evaluate these products by hiding information. My bank knows more about my financial behavior than I do, yet it makes it very difficult for me to rationally choose banking products. The interface that they provide for viewing my home loan transactions, for example, is terribly obtuse. It would take a herculean effort on the part of the average consumer to compare the pros and cons of two competing loan types given the information barrier that is artificially maintained between the bank and the consumer.

Why not simply build a bank that provides the infrastructure to perform the 4 basic functions listed above? But instead of earning money by hiding information from the consumer - adopt an open information policy. The role of the bank simply becomes a gatekeeper for your money. Products are no longer offered directly by the bank. Instead the bank provides you with the ability to perform the basic financial transactions PLUS have complete and open access to your data. This data is then shared, in a privacy compliant fashion, with 3rd party financial products that are available to the consumer in a marketplace. If I want to get a home loan, I go to the bank operated market for home loans, and the bank uses all the data it has available about me to help me best evaluate competing loan offerings.   By not implementing the loans, the bank is no longer conflicted, and takes the role of financial assistant rather than duplicitor.

To put the same idea another way, think of eBay. eBay provides an electronic marketplace for goods and it provides a basic infrastructure for buying and selling goods. I want a 'bank' that provides the infrastructure for basic retail financial transactions and using the information it knows about my transaction history, it assists me when I need to choose from competing financial products that are offered in the bank operated marketplace.

Once this is done, the bank can cut through all the crap. I don't need 6 different bits of plastic in my wallet to access my money. These cards reflect artificial distinctions atop of the concept of 'let josh use his money.' I don't need a chequing, savings and home loan account. These are artificial abstractions of the 'hold my money for me' concept. Make banking simpler. Remove the conflict of interest that motivates banks to obscure information from consumers. The bank should be my agent, working with me to make better financial decisions.

How would one build this?

Josh