

Podcast with Prince Michael of Liechtenstein

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- Jo Ann Barefoot: [00:01](#) We have an incredibly special program today because I am in Liechtenstein and I am with Prince Michael of Liechtenstein, who is hosting an amazing event here. Welcome to the program.
- Prince Michael: [00:16](#) Thank you so much and I'm very happy that you are here.
- Jo Ann Barefoot: [00:19](#) Well, thank you. I'm honored to be here. It's a fantastic event and I'm so glad that we can sit down for a few minutes. I'd like to start by asking you to talk a little bit about yourself, and then we'll talk about the round table.
- Prince Michael: [00:35](#) I'm an entrepreneur and in business since about 40 years I started my career in the food industry for quite a few years, for 11 years. And then I came back to Liechtenstein to go for a very small fiduciary trust company offering financial services and started to develop that. We are now quite a leading institution here. And I then as I was interested to have that also for a client and for myself to have a bigger picture, I started also a geopolitical intelligence service, which is actually in that work of experts worldwide which contribute on that work on economics, politics, issues of energy but also security and defense.
- Jo Ann Barefoot: [01:28](#) Great. And you have put together the Vaduz round table. Tell us about that.
- Prince Michael: [01:36](#) Yeah, we put together. I started that in 1914 together with partners first more geopolitical issues, but then since last year we started also to do a financial round table looking how does the financial service industry go to and we see sort of a digital financial system by 2030. This is our, the theme of our round table.
- Jo Ann Barefoot: [02:07](#) I love that we're focusing on 2030. So many people are talking about the next two or three years or five years. So this is a bigger vision. And we're here under Chatham House rules, so we're not gonna talk about who's saying what here, but talk a little bit about the mix of people.

Prince Michael: [02:25](#) But I think we've tried to get together. There is Dr. [inaudible 00:02:31], who is from the University of Zurich. He's really sort of a guru on fintech. He has also some other functions. And myself decided, we are wondering with all the challenges that are coming, how will the financial services industry, banking and other financial services, look in 2030? And we said we have a number of challenges. We have economic challenges. We have political challenges. But we have also this enormous technological challenge which we have with the fintech coming up, block chain coming up and also in the monetary system there's a one side there are problems and difficulties which the central banks with having how to get out of the low interest rate politics. How will that affect the currencies? But on the other side upcoming the crypto currencies.

Prince Michael: [03:40](#) So there's a lot of challenges coming up in the financial industry and we wanted to have a look at that from all different angles and from different perspectives.

Jo Ann Barefoot: [03:52](#) And so we have people here from the crypto currency realm, from banks, from a number of regulators. It's a very interesting mix.

Prince Michael: [04:01](#) Exactly. We have a mix there. And from people who are entrepreneurs who are really in business from people who are technology who are asset regulators. And tried to find, well, we have common grounds but to define how we commonly see from the different perspectives the future.

Jo Ann Barefoot: [04:26](#) Mm-hmm (affirmative). And I should say we're in a very picturesque place here in the snowy mountains. It's a really beautiful, beautiful place.

Prince Michael: [04:34](#) I think we are lucky. It is a beautiful place. We are in the mountains, the Rhine Valley. There is snow around. But we are also lucky at this time that we have good weather.

Jo Ann Barefoot: [04:44](#) We do. We've been able to stand out on the deck, totally comfortable here. So let me ask you to talk about, you held a financial services of the same event last year. This is the second one on fintech. What are the big themes that you think are important that everyone should be thinking about?

- Prince Michael: [05:07](#) I think that a number of ways. If we look from a macro economic perspective, from a demographic perspective, we are now in a world with changing demographics and an aging population. So we have a huge problem on how to finance pensions, and we also will have more and more problem of healthcare costs. These problems are unresolved and I don't think we will resolve it finally in our workshops, but we have to take it into consideration as it will be a big strain on the financial system. In the shorter term we have the monetary crisis. How will the central banks get out or the economies get out of the problem of having extreme low to negative interest rates? This is also interesting. And what will that have for implications on the financial system and on the banking system?
- Prince Michael: [06:23](#) But we concentrated now more to see what solutions can the new technology give. And so we are looking at what will finally the consumer need, what will the people need? Maybe in future robots need? But we also have to look, extremely important is the regulatory aspect. We have to see that and I think the regulators will have to adapt and take into consideration all the new aspects of the new technologies of the new systems, and also of the changing business models in the financial industry, which is also a challenge of the banks. What will be the business model of the banking future?
- Prince Michael: [07:15](#) But otherwise, also, the industry will have to recognize that we need efficient regulations, and it will be very important very good collaboration between the industry, the regulators and the politics. And this will be a crucial thing. But we are also looking really at the technology. What is the technological developments? And then we have started with also the macro thing, what happens with money, with markets, etc.
- Jo Ann Barefoot: [07:49](#) Yeah. When you think about the regulatory challenges, which ones seem most important and/or most difficult?
- Prince Michael: [07:58](#) Well, I think they are all interlinked. I think what is now the challenge, I think finding the right balance between innovation and regulation. So regulations have to adapt to innovations, but they shouldn't block innovations. And I think to find the right balance here I would say is the biggest challenge. Regulators have also the problem that let's say what's happening now is moving target. Constantly new technologies, new systems and regulators will have to adapt. And I think some of the regulators

are nearly proactive. Right from the beginning they discuss with various sectors of the industry and try to support that. And then we have synchronization between innovation and regulations, which is let's say the goal we should reach.

Jo Ann Barefoot: [09:10](#) Our audience has heard me say this before, but I think the regulators have the hardest job in this whole ecosystem because they have to get it right. They shouldn't allow harm to come into the system through innovation, but they shouldn't block innovation. It's a tightrope.

Prince Michael: [09:26](#) It's true, but I think we shouldn't claim that the regulators should avoid all harm. Because I think we will never reach that. And if we are over cautious and want to be the over cautious nanny, we will block a lot. But I think the really big challenge, and that's why I agree that the regulators have the toughest job, is they have to find the right balance in between.

Jo Ann Barefoot: [09:59](#) Yeah, and it's moving all the time.

Prince Michael: [10:03](#) It's moving all the time. They have to get the balance. And I think it's not a very rewarding job because if something goes wrong the regulator will be blamed. If something goes well the credit will not go to the regulator.

Jo Ann Barefoot: [10:15](#) That's so true. I think the dilemma for the regulators, I think that more and more regulators are realizing that it's dangerous to hold still. Because the classic stance, and again our audience knows I'm a former bank regulator, the classic thought process is if I'm not sure what to do wait and see. And with the technology changing so fast today, it's dangerous to hold still.

Prince Michael: [10:48](#) It's dangerous to hold still because then in the meantime there will be an unregulated part, which can be all right. But there shouldn't be harm because if it's part of the financial services and regulated, if something goes wrong it is somehow still the responsibility of the regulator if officially it's not something which he regulates.

Jo Ann Barefoot: [11:14](#) Yeah. So we spent some time today talking about privacy. We're in the first year of the implementation of the GDPR in Europe, the General Data Protection Regulation. And our audience knows that that has been in the US more or less emulated in California. But I think Europe is probably the most advanced

region in trying to regulate for privacy. What thoughts do you have on how best to do that, whether there are key principles?

- Prince Michael: [11:58](#) It's a very difficult area. I'm very much for the protection of privacy in the private sphere of the person. What I'm criticizing in the GDPR is that it is too, in certain things it goes into too much details. And there's one big thing which is lacking, because I think it should also go for the official for the state, and it's only going for the private ones. And the data collection by the European governments and states is breathtaking and is, I would say it's very dangerous. But they say the GDPR makes its exception for special laws, and the special laws people are required to give a lot of data to the authorities, much more than would be needed. And there I see a big hole in it and a big thing.
- Prince Michael: [13:10](#) There's another angle of that that from the perception it wasn't well done because it seemed many people believe, and I don't say that it is, but there's a belief that it was done not for protecting the citizen but protecting the citizen from certain businesses which are not necessarily European.
- Jo Ann Barefoot: [13:39](#) Yes, yeah. I've had that sense as well.
- Prince Michael: [13:43](#) Which I don't think is the case, but the way it was done and the possibility of different governments to go around that special legislation, this certainly seems to become some substance.
- Jo Ann Barefoot: [14:05](#) Great point. One of the things we talked about today is whether there's a way to enable people to have a property right in their data. People own their own data and be able to get value for it. Do you have thoughts on whether and how we should try to do that?
- Prince Michael: [14:22](#) Well, I think it should be because data that was not really in the past regulated because the laws didn't exist. Data have a value, and I value it. So if you have data you should also have property rights on the data. So there will be, there is a certain value chain in data. How to define it, how to protect it yet, I don't know the details of it. But I think we will have, one of the big tasks to have a good system, which also helps enhancing this industry and also creating more competition would be giving a prize. The prize for the data would be that you have the property right of your data.

- Jo Ann Barefoot: [15:24](#) We're gonna run short of time. I'd love to turn to block chain and crypto and decentralized systems and regulation. What are your thoughts on that?
- Prince Michael: [15:44](#) I'm very much a friend of everything with decentralization, because it is normally more efficient. It gives also more room to competition, which in my opinion competition is also a very good regulator. I think that block chain will bring huge advantages in many areas like logistics, but it will also bring in the medical area. In the financial system I see the first areas that will really break added value will be the trade finance area. So I see a lot of possibilities. Now coming to the one which is constantly in the front lines are the crypto currencies. I think the crypto currencies will have to find a way to prove why are they needed. I think they will have to find proof. There are certain areas where they already have definite functions where the monetary system doesn't function any more, for instance in Venezuela, or certain areas in Afghanistan or for very special purposes.
- Prince Michael: [16:58](#) But for using it generally, I think they will more and more have to prove why. Or is there special business? Maybe crypto currencies can bring a result. I don't know what that is, in discretion to put value to the data.
- Jo Ann Barefoot: [17:17](#) Yeah, that's a good point. One of the people yesterday talked about, predicted with the massive expansion of computing power and data that we're going to see a whole new generation of internet. He said not necessarily on the block chain, although possibly so, but that's really gonna make it economic to have tiny payments and therefore new business models. And crypto is potentially one of the ways to do that. But that could be transformative too, certainly especially in the developing world, but also just in, the example was given of just pay for the right to read one newspaper article with a micro payment.
- Prince Michael: [18:08](#) I agree. We have to find systems to make small payments economically, because at the moment you can do small payments with the banking system, but it is expensive. Sometimes the fees are two or three times the amount which you transfer. And I think this is also a challenge the financial system will have. They have to show the consumers how that thing can be done. Because on one side we have major economies who say, which I don't think is a good idea, we

should abolish cash. On the other side we don't have a system yet how to make small payments.

- Jo Ann Barefoot: [18:47](#) Yeah, exactly. Are there some things I haven't asked you you wanna share?
- Prince Michael: [18:55](#) I think what I wanna share, what for me is a concern, we need really a financial system on all levels which is not there for being a financial system but really like the most people in the manufacturing and service industry which really serves the consumer. And it should also not be police which controls everything, but really a useful part of the economic infrastructure serving really the consumer.
- Jo Ann Barefoot: [19:34](#) Yeah. And to achieve that, do you have a prediction on the potential shape of the industry by 2030? I'm putting you on the spot here.
- Prince Michael: [19:45](#) Yeah. This is difficult, but this is basically the purpose of our round tables here. And that was the ground. I was sitting with Dr. Thomas Pushman in a faraway place in the Carpathians, and we were discussing about that. How can the financial system in the future look like, efficient financial systems? We didn't really know, and then we said it's actually worthwhile to do something about that and to create meetings, a round table trying to say where is this industry, what direction is it going?
- Jo Ann Barefoot: [20:28](#) And are you optimistic for 2030?
- Prince Michael: [20:31](#) I'm generally optimistic for the future. I also think we need sometimes crisis. We need sometimes disruptions. This is never really agreeable, but we need it and I think we will master it, and I think in 2030 we will have, not that I say it is bad now, but we will have a really good functioning very efficient financial system. And that's what I hope is going to happen.
- Jo Ann Barefoot: [20:56](#) I agree. Prince Michael, thank you for being my guest. It's just been wonderful to talk with you today.
- Prince Michael: [21:02](#) No, thank you. And I have to thank you again that you joined our meeting and that you have given a lot of inputs.
- Jo Ann Barefoot: [21:09](#) Oh, thank you. It's really, really been a delight.
- Prince Michael: [21:12](#) Thank you.

