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Threats to Banking, Sound Money and Crypto Assets

AMERICA, October 23, 2019 /EINPresswire.com/ -- It seems like it is the best of times and the worst of times for banking. Banks will continue to serve as a fundamental institution in processing deposits, storing value, and lending funds.
These entities are useful in the present and will be helpful in the future as well. We also know how banks work and earn money; they distribute loans, charge higher interest on the loans, and capture the spread between what they pay on deposits.
Banks earn by aggregating interest on their many loans and make sure to use a portion of these proceeds to pay their depositors.
Banks charge interest and set the rates based on announcements and policies (London Interbank Offering Rate) put forth by the Federal Reserve. Higher LIBOR is typically an excellent situation for banks as they can increase their consumer rates, and charge more while paying a nominal amount on deposits. Higher rates mean more money and more profits.
Banks also earn money from other means, such as a broad range of fees.
At the same time, technology is making it to where banks must compete with new fintech players and pay attention to new market trends, consumer needs, and act better. Increasing regulations might also be an issue as banks must undergo stress tests and find ways to earn money besides the tried and true interest arbitrage, we talked about above. It used to feel good to be a bank, macroeconomic situations, and other factors are making it to where banks must find more avenues for growth and profit.
Let's find out more about the fintech threat before moving on to one of the most significant risks to the banking industry today.

Fintech and Consumer Friendly Options

Everyone hates fees and non-consumer friendly behemoths. Banks don't necessarily provide individuals with the best service or make life easier for the individual.
These financial entities provide a slew of services. They promise to hold your funds, earn you a little bit of interest, help you trade, and manage your money.
But consumers might not love banks due to their lack of customer-centric principles. Excessive fees reduced deposit rates, and stringent lending practices force customers to other providers. Companies such as PayPal, Square, Robinhood, and others step into the sector, capture one segment, and serve many banking needs.
PayPal lets you send funds to many places within the world and helps you to store your funds in PayPal. Square enables you to accept deposits from employers in your cash app account lets you send money to others for free. Robinhood allows you to invest in companies without having to pay a trading fee like in Morgan Stanley or Merrill Edge trading account.
These new players make your life easier and help you do more of what you want in a user-

friendly and straightforward way. What's even more interesting is that there are more of these players popping up every day. Players like All of Us, Chime, Prosper, Public, Lending Club, Betterment, Stash, M1 Finance, WealthFront, and a variety of other fintech firms vie for a growing base of users. They aim to do it all from consumer banking to investing, from personal loans to business loans, and they aim to cover the entire banking spectrum.
Robinhood just rolled out a feature where customers can earn 2.13% or more on their uninvested capital, portraying one example of how customers can take advantage of these new entrants and improve their earnings. 2.13% on money is better than what typical traditional banks might pay on your savings account.

Substantial Interest Headwinds and other Macroeconomic Factors

Central banks across the world have primarily followed one single mandate, quantitatively ease and stabilize the financial systems. Now, for a variety of reasons, a few countries in a state of negative yields, others like the United States gradually raised rates to a little over 2% before slowly halting and slightly adjusting interest rates downward. Modern monetary theory, national debt loads, and other factors are also a significant cause for concern.

Negative interest rates compress bank profits and cause a host of issues

Central banks are now starting to raise a little more alarm on present issues and have issued statements on a potential need for a "monetary reset." A recent report by the De Nederlandsche Bank (DNB), or Dutch Central Bank, states that "if the entire system collapses, the gold stock provides collateral to start over."
This is a startling statement for a central banking institution and is one that bolsters assessments of pundits who view weakness in the general economy. Many might wonder why a central banking institution in a relatively stable country might hypothetically talk about the entire system collapsing and using gold as a way to restore financial order in the system.

"If things go wrong, prices may fall. But, crisis or not, a gold bar always holds value" the paper notes."

The author implies that gold preserves value in all periods while current financial instruments fluctuate in value.
It further notes, "gold is... the trust anchor for the financial system. If the whole system collapses, the gold stock provides a collateral to start over. Gold gives confidence in the power of the central bank's balance sheet."
Increased talk by central banking institutions in strong non-sovereign, store of value assets, with a capped supply, might also be an issue for banks as the gold standard does not strongly favor the profits of the current banking system.
This even more startling because the IMF recently wrote a paper discussing how negative interest rates might work within the banking system.
Indeed, countries like China have been stocking up on gold reserves and there is an increasing interest in adopting hard assets like bitcoin to ward off potential macroeconomic issues that may cause significant problems. Issues like negative interest rates, debt, and other factors continue to diminish trust in the financial system.

The ZB Group Take

We know that the current system is facing a large set of issues, and stores of value are in demand. Gold, US Treasuries, and even bitcoin have enjoyed a rise over these past several years. All of these assets have one key characteristic in common; they're safe havens. Treasuries are backed by the full faith and force of the U.S. government, gold has always held value, and bitcoin is emerging as a non-correlated asset class that has given strong returns. Investors are looking at ways to minimize fears and preserve value in these uncertain times.

About ZB Group

ZB Group was founded in 2012 with the goal of providing leadership to the blockchain development space and today manages a network that includes digital assets exchanges, wallets, capital ventures, research institutes, and media. The Group’s flagship platform is ZB.com, the industry leading digital asset exchange. The platform launched in early 2013 and boasts one of the world’s largest trading communities.
ZB Group also includes ZBG the innovative crypto trading platform, and BW.com, the world’s first mining-pool based exchange. Other holdings include wallet leader BitBank, as well as exchange brands ZBM, ZBX and Korea’s Bithi.
Industry intelligence and standards are headed by the recently launched ZB Nexus who embody the core values of ZB Group and open source their reports and analysis for the public.

Learn more about ZB Exchange by visiting www.zb.com.

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