



Dialogue.
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Sibos 2011
Toronto
19-23 September



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Opinion

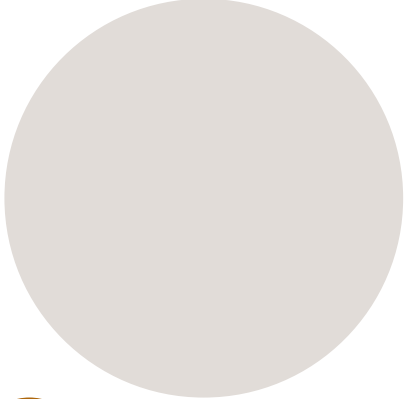
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Opinion



A view from the CLOUD

The shape of finance

In 2007, David Weinberger observed in his book, “Everything is Miscellaneous,” that knowledge has been shaped by the physical geography of a library and the constraints of books and what he calls first and second order data. First order data would be the books, second order data would be the card catalogues pointing to the books (metadata). Third order information is when both become digital and the digital disorder that results.

Is the world of finance, banking, securities and other monetary issues shaped by a geography of money? To tackle that question, we must first unpack some assumptions. First of all, let’s explore all of the tags related to money, because in many ways, currency is itself a tag. I started to think about this in a grocery store outside of Brussels, buying chocolate and other Belgian treats for

Gary Thompson, co-founder and president of CLOUD, Inc. (cloudinc.org or twitter @CLOUDFinance), a non-profit technology standard consortium founded in March 2009 and a speaker at Sibos in Amsterdam, reflects on the implications of the ‘cloud’ for the way we perceive money.

my family back home in the States. As I stood in the store, I had in my right pocket a number of tags denominated in US dollars. These came in both paper and coin form. In my left pocket, I had my euros. Like the US currency, some of these were in paper form and others were coins. Of course, the paper euros are a bit more colourful and decorative than their US counterparts, but regardless, they are still simply tags, indicating value.

In addition to my paper and coins, I also have tags that don’t change as I move around the world. These tags are my credit and debit cards. Since my residence and home accounts are in the United States, these virtual tags for my money are denominated in US dollars, too. The same cards for a resident of another country would be denominated accordingly.

When I purchased my chocolates, based on where I am, I reached into my left pocket to make the exchange of value in euros necessary to acquire the Belgian chocolates and other snacks. We knew how many tags needed to be exchanged, because each item I purchased also had a tag on it, indicating the price. In addition to that tag, each item had another tag, a UPC code that allowed the scanner at the cash register to total up the tags into one overall amount and the computers at the store to know which items had just been

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Gary Thompson, CLOUD, Inc.

sold, to ensure that its inventory could be replenished.

Based on the physical geography of finance, I had to ensure that I had the right version of my money tags to make the purchase with the more colourful paper and coins of euros, but what if I had made this same purchase with one of my credit or debit cards. In this case, I am simply swiping the card through a magnetic reader to validate that I am WHO I say I am to connect this purchase to my credit or banking account. The paper and coins I used obviate the need for such validation since the currency is obviously mine; it came out of my pocket. In CLOUD language, my WHO, my WHAT (currency), my WHERE and my WHEN were all coincident in this moment.

The limitations of currency

Since my card is not denominated in euros, it must electronically make the 'currency' exchange necessary for my purchase. Why? There is no currency. There are just tags. In this case, why 'in the world' can a product's price not be tagged electronically? With a semantic web, should it not be possible for the Cote D'Or bar of milk chocolate I just purchased to be 'smart'? Just like Cote D'Or changes the wrapper for different markets, can it change the virtual wrapper and its tags? The ingredients are the same; only the wrappers are different. Can we use a CLOUD-enabled Internet to change its virtual wrappers and break through our current shape of finance?

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From the paper balance sheets that are being liberated by XBRL, paper currency that is being liberated by mobile and electronic payments, or letters of credit and guarantees for the trade supply chain, are the technology approaches we are taking to modernise these aspects of finance still trapped in a paper-based and document mentality?

Gary Thompson, CLOUD, Inc.

If newspapers and magazines are being forced to go digital, then we have to ask, just how deeply is paper embedded into finance? From the paper balance sheets that are being liberated by XBRL, paper currency that is being liberated by mobile and electronic payments, or letters of credit and guarantees for the trade supply chain, are the technology approaches we are taking to modernise these aspects of finance still trapped in a paper-based and document mentality?

On the Friday after Sibos in Amsterdam, with my hotel close to the museum area, I had the pleasure of having easy access to the Van Gogh museum, the Rijks museum (where Rembrandt and the Dutch masters are housed), as well as the Concertgebouw, where I attended a concert Friday night, featuring pieces by Wagner and Bartok.

Much like finance, there were certain common tools that each of these masters used to create their masterpieces. Van Gogh, Rembrandt and the many other artists on display had access to the same paints, brushes and canvases, but their works were different, shaped by their own skills and their own creativity. Similarly, the concert Friday evening had similar instruments to orchestras around the world. Violins are violins; cellos are cellos; oboes are oboes. However, the

music that these common instruments make depends on the notes that were originally put together by composers and then elicited in the here and now by a conductor and musicians.

I got to thinking during the performance that there are some interesting analogies to finance to be found in this performance and the various masterpieces hanging on the walls at the museums. During the concert, even though I speak English, the language of the strings, woodwinds and percussion were easily understandable. However, when the truly magnificent singers began their contributions that night, I could no longer understand. They were singing in Dutch, and this is where the analogies started to fire.

When you think about it, the money we use around the world really isn't any different, but even with our use of these common 'instruments', we make money more like the singers than the violins and cellos. In some ways, we focus so much on the syntax, that we lose sight of the semantics. From securities to corporate actions to payment systems to risk, the notes are the same. It is simply our interpretations that are different. **D**

A three-part appreciation of Sibos is available at: cloudinc.org