

Wealth Protection in the Third Millennium? Montag, 21. Dezember 2015 11:09

Banks are relying more and more on electronic systems. With all the advantages this may bring, it also makes them more vulnerable, writes H.S.H. Prince Michael von und zu Liechtenstein in an essay for *finews.ch*.

This article is part of a series entitled [«A Future Vision for Wealth Management»](#). The next contribution will appear on January 14, 2016.

Private wealth has been endangered since time immemorial – on one hand due to political and economic risks; but on the other, also due to threats that loom in one's own family circle. Examples that come to mind in this regard are a shopaholic son or daughter, an estate that has yet to be put in proper order, or a divorce that can escalate into a War of the Roses. «So far, so good», one might think; after all, those bumps in life are nothing new. Meanwhile, though, another snake in the grass has wended its way into the sitting room, one that most people don't even perceive as overly venomous: Big Data. Going forward, this digital Hoover will pose tremendous challenges to the financial industry. But let's start from the beginning:

Boundless Information

At the turn of the 21st century, mankind not only stepped across a millennium threshold but also experienced a dizzying increase in the pace of technological evolution. Practically overnight it became possible to obtain boundless information from all four corners of the world, and this in the blink of an eye. Today, there is hardly anyone who doesn't have a miniaturised mega-processor called a smartphone in their pocket, a wonderful little gadget that can be used to take care of many (or even all) of their private and business activities. But the bits and bytes of information they transmit and receive are not only swapped with the recipient; rather, behind the scenes, umpteen other interfaces capture, collect, analyse and interpret that data, this with the goal of deriving interesting profiles and forecasts from it. But for whom? The marketing industry? The competitors? For criminals? Or perhaps sub-rosa state authorities? And to what purpose? The unease about these machinations will eventually surge when the answers to such questions start to come out of the woodwork.

Artificial and Human Intelligence

It is precisely this ability to exploit the vacuumed-up data that will alchemise into the highly vaunted «gold of the future». And this in turn will awaken that old devil called greed. Hence certain segments of the financial industry – above all, insurance companies, banks, asset

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managers, family offices and trustees – are witnessing the dawn of a new era in which the protection of client- and asset-related data will experience an, if not revolutionary, at least even more weighty dimension. Because with Big Data, artificial intelligence and human diligence are at odds with each other. And behind any form of artificial intelligence lurk human beings who have certain intentions, as underscored by statements such as: We'll know your needs before you even recognise them yourself.

Adaptation to the System

You don't have to be an industrial spy to know that the financial industry is placing ever heavier bets on electronic and interlinked systems. The flip side of the coin is that, by doing so, they're making themselves increasingly vulnerable. If financial services become even more standardised and clients are compartmentalised like in an Ikea warehouse, it's only a matter of time before clients will have to adapt their needs to the system, rather than vice versa. And when the digitisation of client- and asset-related data becomes even more prevalent, companies will find themselves increasingly open to attack, with data security being the Achilles' heel. In the same vein, when individualised person-to-person advice gets progressively relegated to backseat, a potential system crash becomes the sword of Damocles. Technologies can generate and evaluate profiles, but they'll never be able to replicate the entire complexity of human real-life situations. Yes, to err is human; but those mistakes can be corrected and the magnitude of the damage can be contained. But system errors in this major league can lead to malfunctions or even a total breakdown. The *WikiLeaks* case clearly demonstrated how frivolously authorities handled highly confidential data. And it is not too far-fetched to imagine the possibility of a *BankiLeaks* calamity.

Fintech Revolution

Fintech is in the process right now of revolutionising the traditional financial industry and will undoubtedly gain sway in the market in just several years' time. It will open up a wide array of interesting and lucrative opportunities, but it also harbours many imponderables. So actors in the financial industry should not be blinded by all the possibilities that come from technological advances; they must constantly bear in mind that a healthy balance between artificial intelligence and human diligences needs to be maintained – and that even the best firewalls have their weaknesses.

Wealth Preservation

Thus in the context of Wealth Preservation, wealth *protection* means that one should not focus

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merely on the political, economic and familial risks and threats, but also be in a position to identify early on and at all levels those risks that go hand-in-glove with technological progress. The challenges for the financial industry will be in particular to ferret out nascent risks and account for them in their risk management systems; to anchor even more firmly in the minds of their employees the imperative of diligence in the handling of client- and asset-related data; and to elevate to their highest premise the need for personal financial privacy and the implementation of any and all relevant measures.

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Industrie- und Finanzkontor Ets., founded in 1948, is an independent, Liechtenstein-based trust company with an international orientation and a staff of roughly 50 people. The company specialises in long-term, generation-transcending wealth preservation particularly for families and entrepreneurs. The roots of Industrie- und Finanzkontor Ets. lie in the Princely House of Liechtenstein.