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The Honorable Donald J. Trump  
President-elect of the United States  
Presidential Transition Headquarters  
Trump-Pence Transition Team  
1800 F Street, NW, Room G-117  
Washington, DC 20270-0117

Dear President-elect Trump:

There is a great need to ‘risk-adjust’ the financial system and streamline its regulatory regimes using the new technologies of the digital age so that financial firms will never again bring the global economy to the brink of failure.

I have been involved in building and observing the infrastructure of the financial system for over five decades. I would like to illuminate some parts of the financial system that goes unrecognized as the key pillars of finance. They are also at the core of solutions to the big issues of the day - observing systemic risk; consolidation of regulations; regulator effectiveness; and using technology efficiently in and across the financial factories, infrastructure utilities and the regulatory apparatus of the global financial system.

It’s incredulous to many inside the financial industry and truly amazing to those in other industries that after six decades of automation of financial transactions there are no global standards for the identity of financial market participants nor their financial products. Imagine if every supermarket had a different barcode for the same product on its shelves or a different code for the producer or supplier of the product. Walmart, FedEx and Amazon could not exist. Imagine a shopper buying groceries and being asked to return three days later to pick it up. This is the current state of finance, no standards and waiting days to own financial products bought days before.

There are many who understand the details of the financial ‘system’ from the economists’ or lawyers’, or regulators or politicians point of view, but few from walking the factory floor of the back and middle offices where most of the legacy technologies are deployed and where the devil in the detail is housed.

What is lacking in setting government policy about finance is the same understanding of finance that a builder has when he first learns his or her trade. Watching steam fitters put plumbing together, or the first time a contractor supervises pouring a concrete foundation, or the architect who watches the first cars drive across a bridge he or she designed. There are few, if any, in the policy setting hierarchy of governments that understand finance the way a builder understands his domain.

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We encourage you to establish a new executive-level office, the Office of Financial and Regulatory Technology (the OFRT) to inform your administration on how to rebuild a significant infrastructure component of our economy - the financial system and its regulatory apparatus. The OFRT would be a center of research and innovation to build links between evolving technologies and new regulations. The objective would be more effective, leaner and transparent oversight in a digitized regulatory environment with less regulation and fewer regulators. As someone whose business career has spanned these six decades of financial industry automation I can assure you it can be done, and in short order. It simply needs political will, a characteristic you and your incoming team have in abundance.

The OFRT would follow in the footsteps of the U.S. Department of Defense's Advanced Research Projects Agency, the 1960's era government agency that supported the creation of a packet switching time-sharing network of computers known as ARPANET, the precursor to today's Internet. The OFRT's initial focus would be on the always overlooked detail level where the most fundamental change and accomplishments can be achieved - where financial data hits the technology road.

The non-standardized building materials of the computerized financial system is where you will find the roots of the systemic risk problems of finance. Global builders accept that the fundamental components of construction materials - cement, brick, steel, glass, plumbing, electricity, heating, ventilation and air conditioning - is to be specified to a standard. In similar manner, the building blocks of our financial system, principally electronically represented data arranged in different groupings by financial engineers and communicated between computers, must also be set to a standard. Without it no efficient and transparent financial system can be built to analyze risk across single financial enterprises nor measure systemic risk across the global financial system.

Financial transactions are an assemblage of identifiers and data elements that uniquely identify the transaction as a specific product bought by a specific business entity. It is analogous to assembling specific components of a manufactured product. Also necessary, as with manufactured products, are periodic or event driven actions that define the product's changing specifications (mergers, acquisitions, reorganizations etc.); occasional changes to subcomponents (calendar data, credit ratings, historical prices, etc.); and seasonal incentives or promotions (dividends, capital distributions and interest payments).

The inconvenient truth is that for nearly six decades these data components of financial transactions have not been standardized. This has led to excessive infrastructure costs, higher operational risk, and multiple regulators in niche segments of finance analyzing manual reports and sending in hordes of examiners to fill out questionnaires. This current state of finance is far behind the commercial sector which operates efficiently across its entire global supply chain with standard barcodes and the communications sector with its globally unique domain names, telephone numbers, machine addresses and communication protocols.

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There is another generation of technologies being actively pursued by financial institutions and their regulators led by distributed ledger technology (DLT), an outgrowth of the Blockchain. Both were developed to support the digital cryptocurrency Bitcoin. DLT works like a huge, decentralized ledger which records every transaction and stores this information on a global network to prevent tampering. It has tremendous promise to remove many of the hundreds of data intermediaries and financial market utilities that reconcile non-standard data. Financial institutions have for long kept separate ledgers that produce the data for the many regulatory reports produced, much being duplicated information. This relationship of many intermediaries reinforces the many niche regulators.

To date it is the financial institutions, their intermediaries and their regulators that are studying this new technology for use in finance. Already many proof-of-concepts are indicating narrower objectives, with conclusions that perpetuate each of these entities' roles in the financial supply chain. One of the prevailing views is that DLT will not work, not because of the technology not working, but rather because of financial regulations. These regulations have, over many decades, produced a complex of rules to fit the legal limits of an operational and technology ecosystem of an earlier era, not the new era of truly revolutionary technologies.

DLT's promise is to eliminate many of the intermediaries of the earlier era in this new ecosystem of finance. Self-interest must give way to common interest, underpinned by data standards and a common DLT ledger. This will allow a leaner and more transparent digital age of financial regulation and reduce financial infrastructure costs estimated at \$US 1/2 trillion.

Your administration through the OFRT, like the ARPANET of an earlier era, can lead the way.

We have prepared the attached research paper "*Trumpeting in the New Era of a Lean Technology-Driven Financial System*" to support the observations, conclusions and actions summarized above.

I would welcome your further inquiry on these core issues that are so critical to financial stability in our global economy.

Please do not hesitate to contact me at [agrody@FinancialinterGroup.com](mailto:agrody@FinancialinterGroup.com) or in New York at 917 414 3608.

Sincerely,

Allan D. Grody, President

w/Attachment - also available at:

<http://www.financialintergroup.com/cmsAdmin/uploads/downloads/Trumpeting-in-the-New-Era-of-a-Lean-Technology-Driven-Financial-System.pdf>