

Risk, Transformation & Trust: It will be a little different this time



Foreword

Over millions of years, the human world has grown massively complex. Some might even say threatening. Accelerating change is now altering core concepts of risk, volatility and even reality itself.

We all understand that the world is full of risk, yet few realize that risk itself is increasing and at an increasing rate. Growing pools of risk are starting to intersect with each other, creating a multiplying effect.

Marketplace dangers, such as prime brokerage failures or settlement risk join a growing list of news events. “Black swans” such as the Archegos default, Swiss Franc volatility, banking “fat-fingers” and the pandemic itself, all point to one uncomfortable truth.

The world is experiencing more *volatility* events at a greater *velocity*, with a greater *variability* of outcomes.



Brad Levy, CEO, Symphony

Understanding Volatility

Volatility is much broader than one person or group can recognize.

More intense and frequent cycles of volatility are driving higher highs and lower lows, with global events now occurring more often.

The [Law of Cause and Effect](#) defines how things and events relate and the different outcomes that may result. To truly understand volatility this is where you must begin.

There are three factors fueling these upheavals, the “Three V’s” of Volatility, Velocity and Variability.

More intense and frequent cycles of volatility are driving higher highs and lower lows, with global events now occurring more often. Within this, the actual speed of volatility changes are increasing. In turn, this drives a greater variability of results. A wider spread of potential outcomes creates bigger winners and a longer tail of losers. Iconic examples like Amazon, Blockbuster, Blackberry, and Apple illustrate this.

The “Three V’s” drive a “Volatility Monster” that threatens the world we know. The Vol Monster is always lurking. It’s just a matter of how hungry it is, at any given time. Technology is now a major force prodding and enabling it.

Evolution to Revolution

Most people understand technology as a continuing evolution; what comes next will be neither slow nor steady.

Today's aggressive level of change is transforming yesterday's technology evolution into tomorrow's revolution. But let's contextualize all this through the lens of history and some science.

Market professionals know that interest rates have been declining for 40 years. Meanwhile credit has been increasing for the past 20 years. And stocks go bust at times. Against that background, we overlay the convergent cycle of technical revolution. This "revolution" is really just a confluence of several principles, all happening simultaneously:

- **Moore's Law** highlights the multiplication of computing speed, over time. In simple terms, as microchips shrink, computer processing power grows exponentially. This explains the increasing pace of technology advancements, such as A.I. and blockchain.
- **Metcalf's Law** outlines how the value of any network increases exponentially, as it grows in size. In the business world, entire industries have been disrupted by this network-microchip overlap. This is how the telecom and media space were completely disrupted by networks such as Spotify and Netflix.
- **Wright's Law** correlates an increase in productivity from the efficiency of technology. Basically, we can reduce cost through the use of technology. A great illustration is the adoption of self-driving software that is now supplanting long-haul truckers.

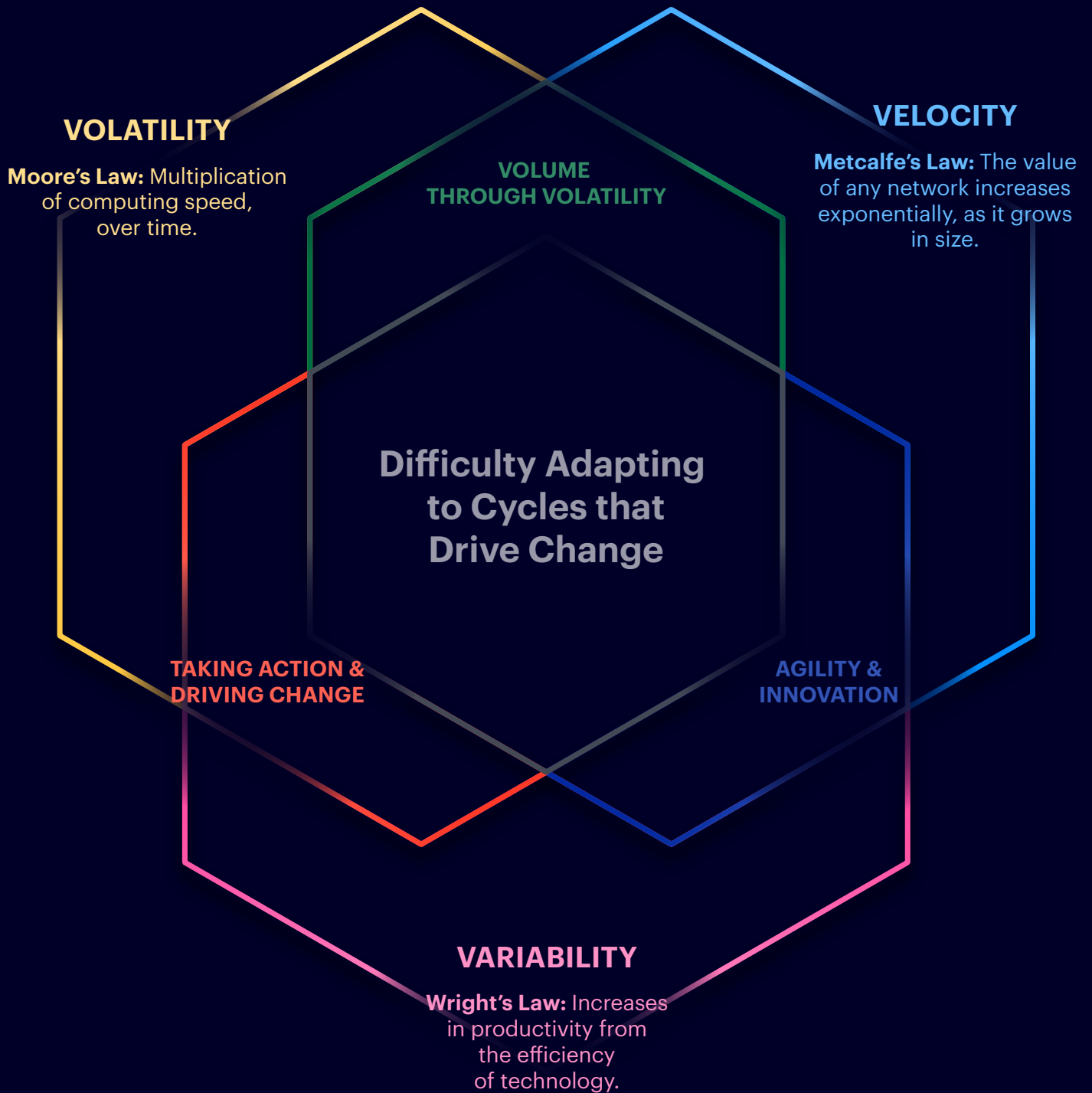
- **The Gaia Theory**, formulated in the 1970's, proposes that all biological organisms are integrated into a single, self-regulating system that maintains all life on planet Earth.

In his essay on "[The Changing World Order](#)," hedge fund manager Ray Dalio describes a similar dynamic in economics. Mr. Dalio's "Big Machine Cycle" details how an economy is merely the aggregate of many transactions, simultaneously occurring in all of its markets, which drive the macro-economic cycles.

All these cases are the same dynamic over a different backdrop, whether climate change, biology or economics. And, in an increasingly complex and technical world, these principles become a guide for us. Ultimately, these factors will determine which companies will dominate or survive... and which will not.

Successful companies are defined by the common precepts of: high volume, quick reaction and low processing time. However, many companies only focus on one or perhaps two of these three. Yet they are all necessary.

For all companies in the long run it's critical to be able to achieve all three, even in the most volatile environments, and that is extremely difficult.



Adapting to changing economic cycles can be difficult. Thomas Friedman's "Thank You for Being Late" and the principals of Moore, Metcalfe, and Wright establish the groundwork for long-term viability during times of volatility.

The Movement to decentralize Finance

People mistakenly believe Covid caused this global disruption, however the current turmoil is a familiar dynamic.

Yesterday's oil shortages and trade wars are today's inflation and supply chain. This is systemic stress driving radical change.

Similarly, people think businesses started to decentralize with the pandemic. In fact the decentralized finance movement, or DeFi, was already underway; 2020 merely accelerated this pace. Symphony has been empowering decentralization through open architecture since our inception in 2014.

In that time, we've built a decentralized network that makes people more capable — as well as more empowered by technology's evolution.

Today, employees and customers are operating in a decentralized manner at "the Edge."

As business becomes less centered around an office, financial workflows become larger, more complex, and distributed across multiple teams. Operating at this Edge is only possible through technology. But the Edge is not the Cloud. It isn't even a specific place. It's anywhere that the person is, and technology itself is continually pushing all of us towards this decentralized Edge. Yet this Edge presents some challenges.

There are the obvious business issues, such as security and compliance risk. There are also less obvious concerns such as the human challenge of simply keeping people connected.

Not technology connection. Rather, the emotional connection of people themselves. Because when folks operate remotely, they often feel like they're missing something. That sense of disconnect materializes as business problems. But it's really a human problem.

The Edge consists of three components: applications, people and data. Applications allow people and data to interact. When people are decentralized, they get stressed. When data is decentralized, it gets dumb. A networked infrastructure is what keeps everything optimized. That is what we deliver.

Making It Easier

Symphony's role is to connect and create federated industry workflows.

This means we enable people to operate independently but also to work together. The sense of community and connectedness results in a networked market infrastructure.

When the business world began seriously considering decentralization, Symphony was already there. Being at the Edge enabled Symphony to meet people exactly where they wanted to be met. During the Pandemic volatility of 2020, the entire planet went through a lengthy paralysis. Symphony helped people and their firms to successfully navigate that crucial period. Through us, financial professionals remained connected to each other, and companies continued functioning in a seamless fashion. As the world continues to evolve, both technology itself and Symphony's role as the enabler of it, will accelerate.

But this evolution is not simply a technology dynamic. Decentralized people must still remain just as effective in their roles. This can only happen through connection.

Thus, Symphony's unique selling proposition is precisely that connection.

Symphony helped people and their firms to successfully navigate that crucial period. Through us, financial professionals remained connected to each other, and companies continued functioning in a seamless fashion.

Network Effect

Just as humans are a network, at our core, Symphony is a network.

Nearly everything that creates business advantage always stems from proper networking and engaging with people.

As such, Symphony's technological inclusivity and empowerment helps foster a sense of belonging across our industry. Even when separated by physical distance, people want to remain connected. Our platform makes this possible.

By tethering the people, the firms and their workflows, we ultimately become the bridge for the industry itself. A bridge of trust.

In the end, business is not about open-source, API's and secure cloud platforms. Rather, it is really about people. More specifically, it's about one's ability to interact with partners, colleagues and customers in a trusted environment. From that understanding, comes all the technology solutions we deliver.

- **The ability** to remove operational beta/risk with better workflows;
- **The power** to instantly collaborate across global regions;
- **The integration** to capture trading alpha;
- Resulting in **the capacity** to drive measurable outputs and results;

Nearly everything that creates business advantage always stems from proper networking and engaging with people.

This is the real business of Symphony.

Thoughtful Risk-Taking & Building Incremental Trust

Throughout history, trust has always been a requirement for innovation.

Of course, humans are enabled by technology. Yet they only create massive value in the combination of deep trust and thoughtful risk-taking.

Symphony itself appears to be just a network. Ostensibly, we are a technology platform with a large number of people and applications on it. But really, this is an organization that fosters a community of trust. We are proud to be leading the market in the move towards decentralization. However, Symphony is actually a servant in this equation. Yes, we make your outcomes better. But it is your trust that makes this possible.

Symphony is steering the world towards the delivery of a very different way of working. Our industry is moving from the familiar world of centralized exchanges and clouds to a less-structured future that is distributed, decentralized and virtual. The combination of technology, people and trust is the key to achieving this transition successfully.

Symphony represents the leveraging of technology to connect people. Not just in a business sense but also in the emotional linking of humans. We are a builder, not a disruptor. Our firm has been entrusted with incrementally moving a growing community through the global revolution at hand. That is where we started, although we've progressed beyond that.

A worldwide moment of change is where we all are today. Symphony will continue enabling this transition at every stage, through trust and technology. The decentralized Edge is where we are going.

OTHER WORKS I'VE PUBLISHED

- [Trident...a weapon of mass solution](#), 2018.
- [It's the Community, Stupid](#), 2015.

ADDITIONAL WORKS THAT INSPIRE MY THINKING

- [Changing World Order](#), Ray Dalio. 2021.
- [The Cold Start Problem](#), Andrew Chen. 2021.
- [Novacene](#), James Lovelock. 2019.
- [Gaia: A New Look at Life on Earth](#), James Lovelock. 1979.
- [Connecting the Dots](#), John Chambers, Diane Brady. 2018.
- [Homo Deus](#), Yuval Noah Harari. 2018.
- [Sapiens](#), Yuval Noah Harari. 2018.
- [Elon Musk: Tesla, SpaceX, and the Quest for a Fantastic Future](#), Ashlee Vance. 2017.
- [Thank You for Being Late](#), Thomas L. Friedman. 2016.
- [Extreme Ownership](#), Jocko Willink, Leif Babin. 2015.
- [Zero to One](#), Peter Thiel & Blake Masters, 2014.
- [The Innovator's Dilemma](#), Clayton M. Christensen. 1997.



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