Flexibanks

Conventional banks take customer funds and then lend them out for profit. Land banks are created when companies accumulate prime real estate for future building on preferential sites. Databanks are the equivalent, where data is collected for later analysis. And physical banks of earth are created to reclaim land from the sea. Or protect against flooding. So why not flexibanks too? To elaborate, is there scope to create a profitable 'flexibility bank' for commercial clients to access. For example, for fee-paying clients to borrow (legal title to) flexibility and pay it back later, say in the form of real options?

Some issues are 'product range' (how wide and deep is the range of real options available), product valuation (what's the fee for each type of real option lent out) and product legal title (confirmation of legal title before the transaction is done).

Several potential examples are as follows:
(1) creating call options for preferential access to resource capacity increments. For example, a property company could buy a block of luxury flats. It could then **lend out** the rights to buy or rent some flats. This action creates FL value for both parties- the lender generates income by 'lending out' the FL option. The renter gains FL for the duration of the lending term. How would the FL be lent out? As a set of call options (a first right to buy) over and above the prevailing market price of comparable competitor flats that don't offer such flexibility. For investors who value both FL and certainty, they would pay for the call option ahead of actual deposit payment date. This gives the company 3 sets of cash inflows, with the first set explicitly valuing buyer flexibility.

(2) A property company could also buy a block of luxury flats. It could then **sell off** the rights to buy or rent some flats. How? As a set of call options (a first right to buy) over and above the prevailing market price of comparable competitor flats that don't offer such flexibility. For investors who value both FL and certainty, they would pay for the call option ahead of actual deposit payment date. This gives the company 3 sets of cash inflows, with the first set explicitly valuing buyer flexibility.

(3) lending out FL working capital as a product in its own right. To elaborate, if an item can be transacted, then it's value can probably be traded. A vanilla (and literal) example is a bank offering a start-up business a temporary line of credit. The bank's risk exposure influenced by this credit risk, informs its share price and bank share trading activity. All because a time-bound FL option was created. It's, also likely that the market value of the entity owing the portfolio of FL working capital will rise when the combination of FL customers, FL increments and market uncertainty are at their peak. But only if the credit risk is hedged somehow e.g. by central cash reserves held.

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