

Retail central bank digital currencies

Asian Development Bank FinTech BootCamp
Manila

4 November 2019

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Today's team

- Adam Cotter, Director and Head of Asia, OMFIF
- Philip Middleton, Deputy Chairman, OMFIF
- Wijitleka Marome, Deputy Director, FinTech, Bank of Thailand
- Marc Lepage, Principal IT Specialist, Business Relationships and IT Strategy, ADB
- Saket Sinha, Global VP, IBM Blockchain Financial Services

Our agenda

- Introduction and overview
- Where are we with CBDCs?
- Migrant worker remittances – the ADB opportunity
- The view from the central bank
- The technology challenge
- Panel discussion and questions from the floor



The next payments frontier

- A retail CBDC likely in next five years, but probably not from a G20 economy
- Issued to meet a specific policy imperative
- Will probably be a public-private partnership
- Private stablecoin digital currencies (e.g. Libra) unlikely to be in significant usage
- Cryptocurrencies (e.g. bitcoin) will remain speculative assets
- Jury still out on blockchain in this field – central banks are technology agnostic
- Choices will be driven by government policy requirements, not technology



Wholesale digital currency stuttering

- Initial great expectations for distributed ledger technology/blockchain in financial services remain unrealised
- Problems of capacity/speed, technical resilience, security continue to hinder industrial scale deployment
- Major regulatory concerns
- Significant questions about fungibility into fiat currency
- Nevertheless some progress – e.g. USC, JPMorgan coin – in stablecoin environment being made

Cryptocurrencies are a distraction

- Bitcoin and its like were intended to overturn conventional fiat-based currencies
- For a while, initial currency offerings dominated the headlines
- Volatility, lack of fungibility, cybersecurity concerns, absence of fungibility, and regulatory cold shoulder halted growth
- Cryptos are not a means of exchange, store of value or unit of account, and pose a threat to monetary sovereignty and stability
- Today cryptos are, at best, a highly speculative asset or, at worst, a means of exchange for the criminal fraternity

Payments revolution is underway

- Declining use of cash in many advanced economies
- Need to upgrade existing national and international payments systems
- Emerging new technologies and capabilities
- Changing consumer preferences and financial behaviours
- Regulatory concerns – anti-money laundering/combating the financing of terrorism; financial stability; cybersecurity
- New non-bank service providers



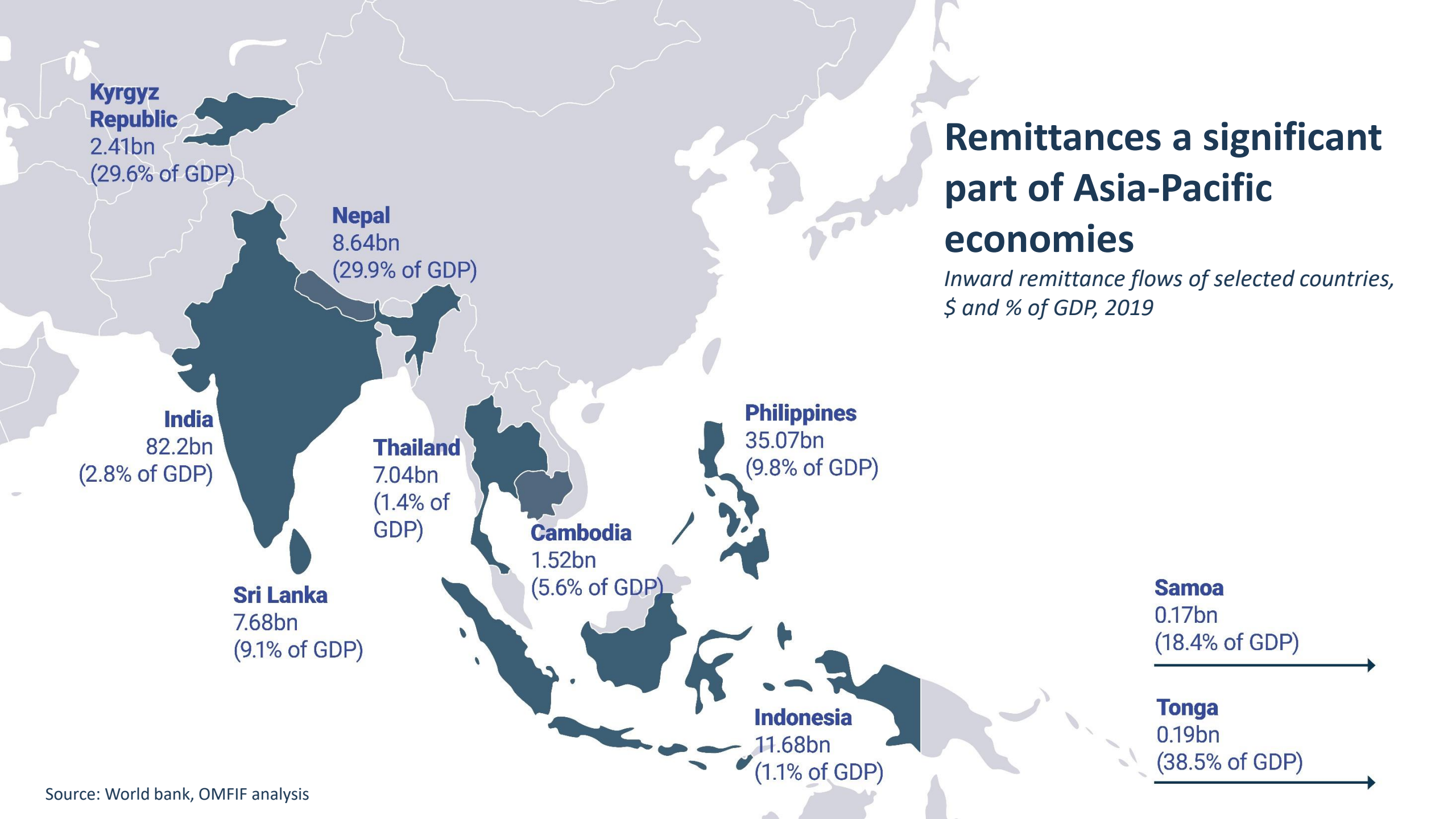
Multiple policy objectives for central banks – Choices must be made

- Replace cash
- Reduce cost/inefficiency/reliability/resilience of national payments systems
- AML/CFT
- Eliminate black economy
- Promote financial inclusion
- Add new monetary policy tools
- Improve financial stability
- Enhance economic development



Migrant worker remittances – The ADB opportunity?

- Significant remittance flows in region
- High transaction costs
- Disadvantages least affluent
- AML/CFT and reserves management issues
- Central bank-owned stablecoin platform a possible solution?
- Public-private partnership model



Remittances a significant part of Asia-Pacific economies

Inward remittance flows of selected countries, \$ and % of GDP, 2019



Some big challenges

- Account-based or value-based?
Interest bearing?
- AML/CFT and privacy questions
- Cybersecurity
- Financial exclusion
- Extent and nature of public-private partnerships
- Technology
- Threat to commercial banking sector
- Communicating with public, politicians and industry

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Thank you