

A world map where the landmasses are filled with a collage of various national banknotes and currency symbols, representing global finance. The map is set against a dark, textured background.

Next Generation National Payment Systems

Enhancing the Current Payment Systems with a Digital National/Fiat Currency

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Agenda

1

What is Good About
Currency That We
Want to Keep?

2

What are
Stakeholders Asking
For with Digital
Currencies?

3





What are the Next
Steps to Embrace the
Opportunity?



1

What is Good About Currency
That We Want to Keep?

Attributes of Currency

Physical Currency		National (Fiat) Currency		Physical National (Fiat) Currency
<ul style="list-style-type: none">1. Medium of Exchange2. Unit of Account3. Portable4. Divisible5. Fungible 		<ul style="list-style-type: none">1. Legal Status (i.e., legal tender)2. Authorized issuer(s) and distributor(s)3. Authentic (i.e., distinguishable from counterfeit) 		A National Currency that Reduces Friction and Creates Trust
Reduces Friction		Creates Trust		

2

What are Stakeholders Asking
For with Digital Currency?

Building a National Digital Currency

Key stakeholders in the process:



Consumers

Ability to instantly send and receive money as easily as documents, photos, and messages



Businesses

Participate in digital commerce at lower transaction costs



Central Banks

Ability to publish currency digitally at lower cost than paper printing and maintain ability to manage money supply



Commercial Banks

Maintain relationships with commercial customers and continue to maintain revenue model



Fintech / Developers

Develop applications on robust, flexible and standardized platforms

Excerpts from the Fed's Faster Payments Task Force Video



Excerpts from the Fed's Faster Payments Task Force Video

“ People are confused by our current payment system. Some payments get there in two days, some in one day...when people look at the fact that they can send a text to a friend with a big file attached, people ask ‘why can’t I do that with money as well?’ ”

“ When the recommendations are implemented, business will have an increase in working capital and decrease in reliance on more expensive credit. ”

“ Success will be the ability for anyone to make a payment to anyone. ”

What About Block Chain & Cryptocurrencies?

We should not confuse the block chain technology with cryptocurrencies



Block Chain Technology (distributed ledgers) – enable tracking and faster transactions at lower cost

- Banks and interbank networks exploring how to use the technology to increase speed, lessen reliance on intermediaries and lower costs
- Other sectors, including, shipping, logistics, medical records, are looking to use it to track supply chain movement and more



Cryptocurrencies – non-national digital currencies

- Pros: Offer high transaction speed, low cost, ease of cross border use, current issues with current national systems, but likely to be resolved over time
- Cons: Lack backing like national currency and associated trust; recently uptick in investment and appreciation, but still little acceptance as payment

National Currencies & Cryptocurrencies: Similarities

CATEGORY	NATIONAL CURRENCY	CRYPTOCURRENCY
FINALITY	Irrevocable	Irrevocable
INSTRUMENT TYPE	Bearer	Bearer
TRANSFER	Immediate	Immediate
VISIBILITY	Privacy	Anonymity
VERIFY AUTHENTICITY	Printed Security Features	PKI

National Currencies & Cryptocurrencies: Differences

CATEGORY	NATIONAL CURRENCY	CRYPTOCURRENCY
ISSUERS	Treasury / Central Banks	Mining Computers
DISTRIBUTORS	Depositories and/or Commercial Banks	Mining
BACKING	Backed by the Government	None
STATUS	Legally Authorized	Undefined
STABILITY / VOLATILITY	1 to 1 with National Currency	Wide Fluctuations
LEDGER	Fed/Depository Institutions/None	Distributed
PRODUCTION COST	Negligible (nickels per banknote)	Processing Power (Electricity Cost)

A Reflection

Where do we go from here...

1. Meet Stakeholder needs
2. Stick with “tried and true” principles



3

What are the Next Steps to
Embrace the Opportunity?

What's Next to Advance Effective Digital National Currencies?

Possible Next Steps Include:

1. Pursue the steps outlined in the Faster Payment Task force, as appropriate for your company or system
2. Identify, test, pilot and implement the right set of technologies and processes to meet the guidelines you desire, which may match those recommended in Part 2 of the Federal Reserve's Faster Payments initiatives or similar study



Key Attributes of an Enabling Platform



Directory
Services



Flexible Design
(Interoperability
)



Rich Data
Formats



Configurable
Workflows



Rapidly
Scalable

Summary

We can and should build on what is good as we embrace digital

1. The existing Physical National/Fiat Currency System has a lot of good attributes we want to preserve which reduce friction and create trust
2. Adding fully digital capabilities should consider the needs of major stakeholders including consumers, businesses, central banks, commercial banks and financial technology application developers
3. We can address the needs of major stakeholders as we create digital capabilities by designing processes and leveraging technologies that meet key principles



Thank You

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