

A quick digital payments tour

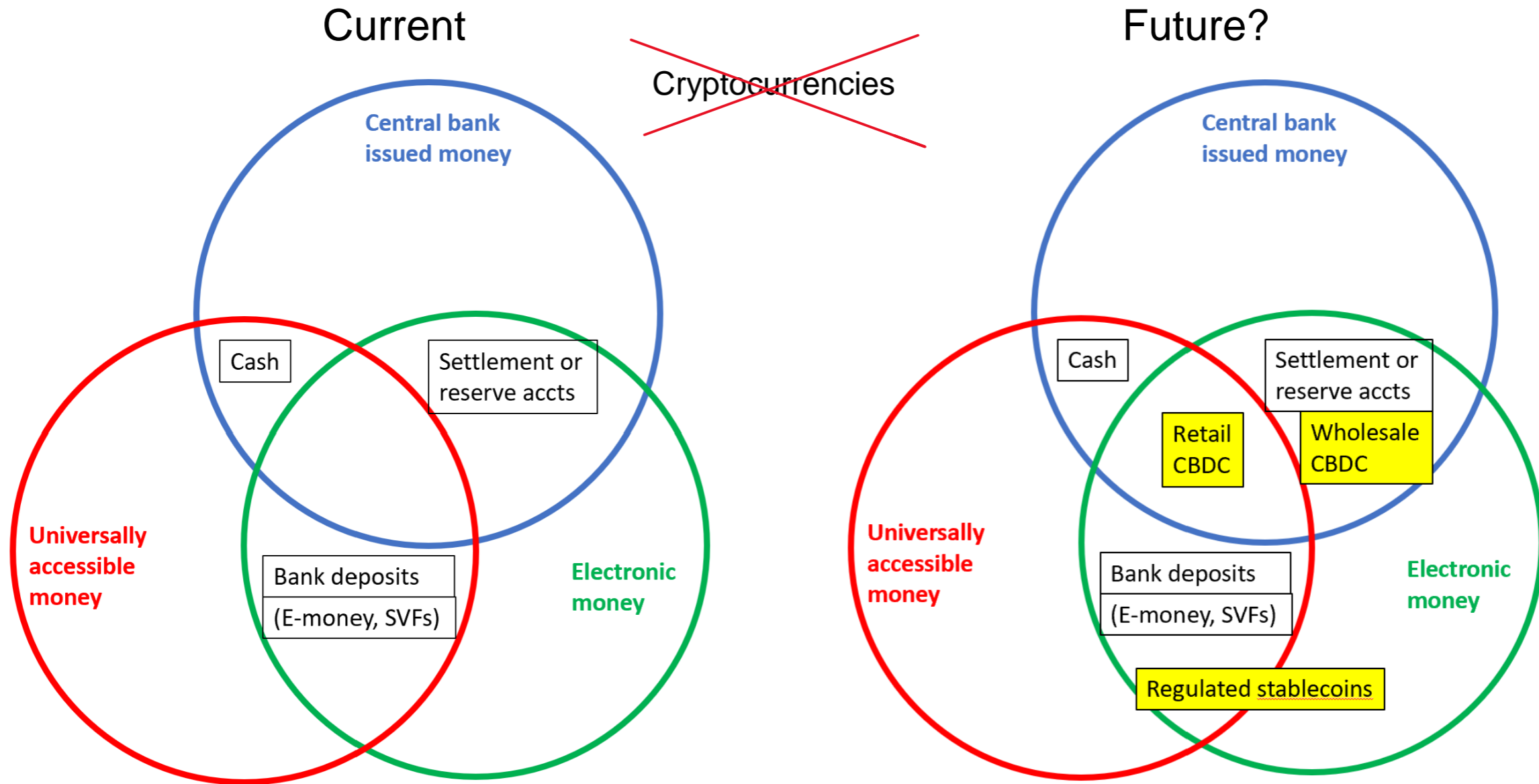
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Introduction

- **The evolution in forms of money**
- **Brief tour around the globe**
 - Stablecoins
 - Retail CBDC
 - Wholesale CBDC
- **DFCRC/RBA study**
 - Scope, platform and rules
 - Use cases
 - Findings: benefits, attributes of CBDC
- **Questions for the future**

Different Forms of Money



Stablecoins: Where are we now?

- **Almost entirely a USD phenomenon to date**
- **Limited use outside of crypto environment so far??**
- **Central banks: if stablecoins are going to be widely used as a form of money, then they will be regulated to be extremely safe (so you can forget algorithmically backed coins)**
- **Singapore and others leading the way on regulation: Like stored-value facilities but with new technology?**

Retail CBDC: Where are we now?

- **Bahamas, Jamaica, Nigeria, Eastern Caribbean. China still pilot, not full issuance. India now piloting.**
- **Rationales: Mostly financial inclusion and payments system efficiency**
- **Some are using DLT, some not**
- **Limited work to build ecosystem and two-sided market. Extremely slow take-up by population.**
- **No advanced economy issuance. But ECB heading towards decision? Working hard on all aspects of ecosystem. Bringing European Commission along the journey.**
- **Many others happy to watch ECB progress. E.g. Sweden slowing down?**
- **Advanced economy rationales: Preserving access to central bank money; resilience; ‘strategic autonomy’; etc**

Wholesale CBDC: Where are we now?

- **No decisions to issue yet**
- **But some advanced economy jurisdictions see stronger case than for retail CBDC; eg Australia, Singapore; as settlement asset for tokenised markets, atomic settlement, smart contracts etc.**
- **Possibly only a modest evolution relative to provision of existing CB settlement accounts**
- **BIS Innovation Hub: lots of cross-border experiments using wCBDC**

DFCRC/RBA Australian research project

- **What are the business models and use cases that a CBDC could support and which are not effectively supported by existing payments and settlement infrastructures? We need to go beyond technology pilots or desktop research.**
- **Our project was real money, real customers and real regulatory review**
- **Minimal guidance on types of use cases for CBDC (could be ‘retail’ or ‘wholesale’, i.e. consumer or business or financial market use cases)**
- **Private, permissioned DLT platform based on Ethereum (Quorum)**
- **170 submissions and 16 use cases selected: from large financial institutions to small fintechs**
- **RBA issued CBDC directly to existing counterparties in exchange for ESA/reserve balances and to others via a bank/agent**

Diverse use cases: Mostly B2B but some involving households

- Trading of nature-based tokenised assets (x2)
- Corporate bond settlement
- Tokenised HQLA securities trading
- Tokenised FX transactions
- Settlement of AUD leg of FX transactions
- Proof-of-reserve for stablecoin issuance
- Retirement savings contribution payments
- Automation of VAT payments
- Milestone-based construction payments
- Multi-party payments with tokenised bills
- Settlement of livestock auctions
- Web 3 commerce
- Offline payments
- P2P payments with different custodial models
- Two-tier distribution of CBDC.

Findings: Potential benefits to businesses and households from CBDC

- **Enabling smarter payments: eg multi-party or multi-stage payments using smart contracts**
- **Supporting innovation in financial and other asset markets; eg tokenisation of assets, DLT platforms, atomic settlement**
- **Promoting private digital money innovation: eg promoting interoperability and uniformity of tokenised bank deposits or stablecoins**
- **Enhancing resilience and inclusion in the digital economy; eg offline payments, payments that do not require a bank account**

Findings: Key CBDC attributes valued in use cases

- **Claim on the central bank (guaranteed value, no counterparty risk)**
- **Direct control (holder did not have to rely on an intermediary)**
- **Programmability (smart contracts to improve efficiency or reduce risk in complex business processes)**
- **Atomic settlement (reducing settlement risk and improving efficiency)**
- **Transparency (valued by some – but not other – use cases, eg CBDC as backing for stablecoin)**

Program Report

- **See RBA and DFCRC websites**
- **Valuable learnings on:**
 - How CBDC could be used to enhance the functioning of the payments system – CBDC as a possible infrastructure layer for private-sector innovation
 - Highlighting legal, regulatory, technical and operational issues that need to be understood/addressed
 - Providing a forum for interacting with industry and improving policymakers' knowledge
 - Identifying areas for future research

Questions for the future

- **Can there be a Goldilocks demand for retail CBDC?**
- **Can modernising RTGS be a substitute for tokenised wCBDC?**
- **Does Regulated Liabilities Network or BIS ‘unified ledger’ have legs?**
- **How could CBDC interact with stablecoins, tokenised deposits etc? Facilitating? Or Competing/replacing?**
- **Who should have electronic access to central bank balance sheet?**
- **Large network companies haven’t been successful with stored-value products; will it be different with stablecoins?**