Recent CPMI work

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CEMLA Fintech Forum
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Digital innovations
Digital innovations

- CPMI working group on digital innovation and digital currencies
  - *DLT in payments, clearing and settlement* (2017)
  - Private digital tokens for wholesale settlement – work ongoing
  - Legal sub-group on digital currencies – work ongoing
  - Cross-border issues and Retail arrangements – tbd

- CPMI-IOSCO joint working group on digital innovation
  - *PFMIs* and decentralised arrangements (concluded)
  - Integration of trading, clearing and settlement platforms
  - Tokenisation of securities
  - Role of BigTechs
The money flower
Central bank survey of CBDCs: Respondents

1 The black circles represent the Cayman Islands, the Dominican Republic, the Dutch Caribbean, the euro area, Hong Kong SAR, Samoa, Singapore, the Solomon Islands and Tonga, respectively. “Advanced economies” and “Emerging market economies” as defined by the IMF World Economic Outlook country classification.
What types of CBDC work is conducted?

- On wholesale CBDCs: 13% of respondents
- General purpose CBDCs: 31% of respondents
- Both: 56% of respondents

Source: Central bank survey on CBDCs.
Motivations for general-purpose CBDCs

<table>
<thead>
<tr>
<th>Score</th>
<th>General-purpose CBDCs</th>
<th>Wholesale CBDCs</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Payments safety</td>
<td>Payments safety</td>
</tr>
<tr>
<td></td>
<td>Payments efficiency (domestic)</td>
<td>Payments efficiency (domestic)</td>
</tr>
<tr>
<td></td>
<td>Others</td>
<td>Financial stability</td>
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<td></td>
<td>Financial stability</td>
<td>Payments efficiency (cross-border)</td>
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<tr>
<td></td>
<td>Financial inclusion</td>
<td>Monetary policy implementation</td>
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<tr>
<td></td>
<td>Payments efficiency (cross-border)</td>
<td>Financial Inclusion</td>
</tr>
</tbody>
</table>

![Bar charts comparing scores for general-purpose and wholesale CBDCs](chart.png)

- Advanced economies: payments safety & financial stability
- Emerging market economies: efficiency & financial inclusion

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1. The score is calculated as an average of the options: "Very important" (4), "Important" (3), "Somewhat important" (2) and "Not so important" (1).

Source: Central bank survey on CBDCs.
Likelihood of issuing a CBDC (sometime soon)

Share of respondents

Graph 8

General-purpose CBDC

<table>
<thead>
<tr>
<th>Short term</th>
<th>Medium term</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very likely</td>
<td>Somewhat likely</td>
</tr>
<tr>
<td>0</td>
<td>20</td>
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</table>

Wholesale CBDC

<table>
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<th>Medium term</th>
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<tr>
<td>Somewhat unlikely</td>
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<td>0</td>
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</table>

Note: Short term: 1-2 years and medium term: 1-6 years.

Source: Central bank survey on CBDCs.
Digital innovations (private digital tokens)

Tokens can be transferred “peer-to-peer”. A payment is a transfer of ownership of the token and, simultaneously the claim on the issuer.
Private digital tokens - Motivations

**Greater efficiency**
(eg harmonised messaging standards, richer data, faster settlement, longer availability)

**Safe settlement asset**
(eg for non-banks and non-domestic institutions)

**New settlement mechanisms**
(eg means to effect simultaneous settlement in token-based arrangement)
Private digital tokens - Implications

For central banks
- Overseer
  - Application of global standards and conduct of oversight
- Catalyst
  - Standardisation of message standards, market coordination
- Operator
  - Provision of an account (and services?)
  - CBDC

For financial stability
- Potential impact on central bank liquidity provision

For monetary policy
- In extremis, could interfere with monetary policy implementation
Digital innovations (legal working group)

- **CPMI legal sub-group on digital currencies – Issues identified:**
  - Status and qualification of digital currencies in private law
  - Underpinning of holdings and transfers of digital currency
  - Status and requirements for issuers and providers of supporting technical infrastructure (eg DLT)
  - Applicable law, jurisdiction and conflicts of laws

- **Workshop in April**
  - Private sector and (practice-oriented) academics
  - CPMI group will meet to discuss the next day

- **Analytical framework** to be developed in parallel with domestic progress
Real-time gross settlement systems
RTGS systems are now prevalent across the globe
Operating hours are getting longer
Interoperability is increasing.....slowly
Financial inclusion
The CPMI-World Bank report on *Payment aspects of financial inclusion* (PAFI) was published in April 2016

- The report is premised on two key points:
  - Efficient, accessible, and safe retail payment systems and services are critical for greater financial inclusion
  - A transaction account is an essential financial service in its own right and can serve as a gateway to other financial services
- The report sets out guiding principles to help countries advance financial inclusion. It also suggests possible key actions, including providing basic accounts at little or no cost, stepping up efforts to increase financial literacy, and leveraging large-volume payment programmes, such as government payments, by adopting electronic payment services
- Transaction accounts are a cornerstone to make and receive payments and to store value in electronic form
Interrelation of foundations, catalytic pillars and effective usage, or «PAFI house»
The PAFI task force will focus on the following three topics:

- **Lessons learnt from applying PAFI**: this will cover how PAFI is being applied, challenges in applying PAFI and the recent developments in payments that need a more detailed guidance from the Task Force, such as fintech issues. The task force will build on the CPMI reports that cover fintech developments and other aspects relevant to this workstream.

- **Measuring financial inclusion efforts from a payments perspective**: the purpose is to design a framework that provides guidance on a set of indicators, together with the underlying methodology, that could be developed by each country to measure the effectiveness of its financial inclusion efforts.

- **A toolkit to facilitate the application of the PAFI Guiding Principles and key actions for consideration**: this will aim at providing more detailed guidance on how to approach specific problems and gaps in practice, and possibly also on the interpretation of some of the Guiding Principles and the accompanying key actions for consideration.