Discussion of Adolfo Sarmiento’s “Seven lessons from the e-Peso pilot plan”

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*The views are those of the presenter and not necessarily the Bank for International Settlements
Recapping the paper

- Experience with the e-Peso pilot plan (November 2017 – April 2018)
- Seven lessons:
  i. Reputation is key for central banks’ decision to introduce a CBDC
  ii. Financial inclusion and cultural reasons are the main motivations
  iii. Keep the technological solution as simple as possible
  iv. Security aspects and traceable transfers are central for operational risk problems
  v. A token was a good solution for CBDC implementation
  vi. Digital money was used for small payments and transfers
  vii. CBDCs complement the existing means of payment.
One point to underscore: financial inclusion is not just an EMDE issue

Share of adults without access to...

- Bank account
- Payment card
- Mobile phone
Another worth underscoring: traceability does not need to mean “Big Brother”
To account or to token: that is the question

In an account-based CBDC (left-hand side), ownership is tied to an identity, and transactions are authorised via identification. In a CBDC based on digital tokens (right-hand side), claims are honoured based solely on demonstrated knowledge, such as a digital signature. Source: R Auer and R Böhme (2020), “The technology of retail Central Bank Digital Currency” BIS Quarterly Review, March, p. 87-100.
Some potential issues with token-based CBDCs

- **“Smurfing”** – a criminal actor deposits money into multiple wallets, each below the threshold

- **Loss or theft** – tokens that are misplaced or stolen are irretrievable

- **“Digital dollarisation”** – token-based CBDCs circulate freely like dollar bills on the black market
But was the e-Peso truly token-based?

- Wallets tied to a mobile phone number
- Solution provides security for those who lose their phone or password
- Platform is anonymous *but traceable*
- Central bank would presumably retain control over usage abroad?

→ e-Peso may offer some advantages of token-based access without some of the key downsides
In conclusion

- The e-Peso is a pioneering project, contributing to central banks’ knowledge of CBDCs
- Valuable real-life insights for other central banks (“Data > opinions”)
- Financial inclusion is a bigger motivation in EMDEs, but not only an “EMDE issue”
- Adequate data governance can help secure privacy, prevent “Big Brother”
- Sound technical design may mitigate potential issues around token-based access