



## Discussion of Adolfo Sarmiento's "Seven lessons from the e-Peso pilot plan"

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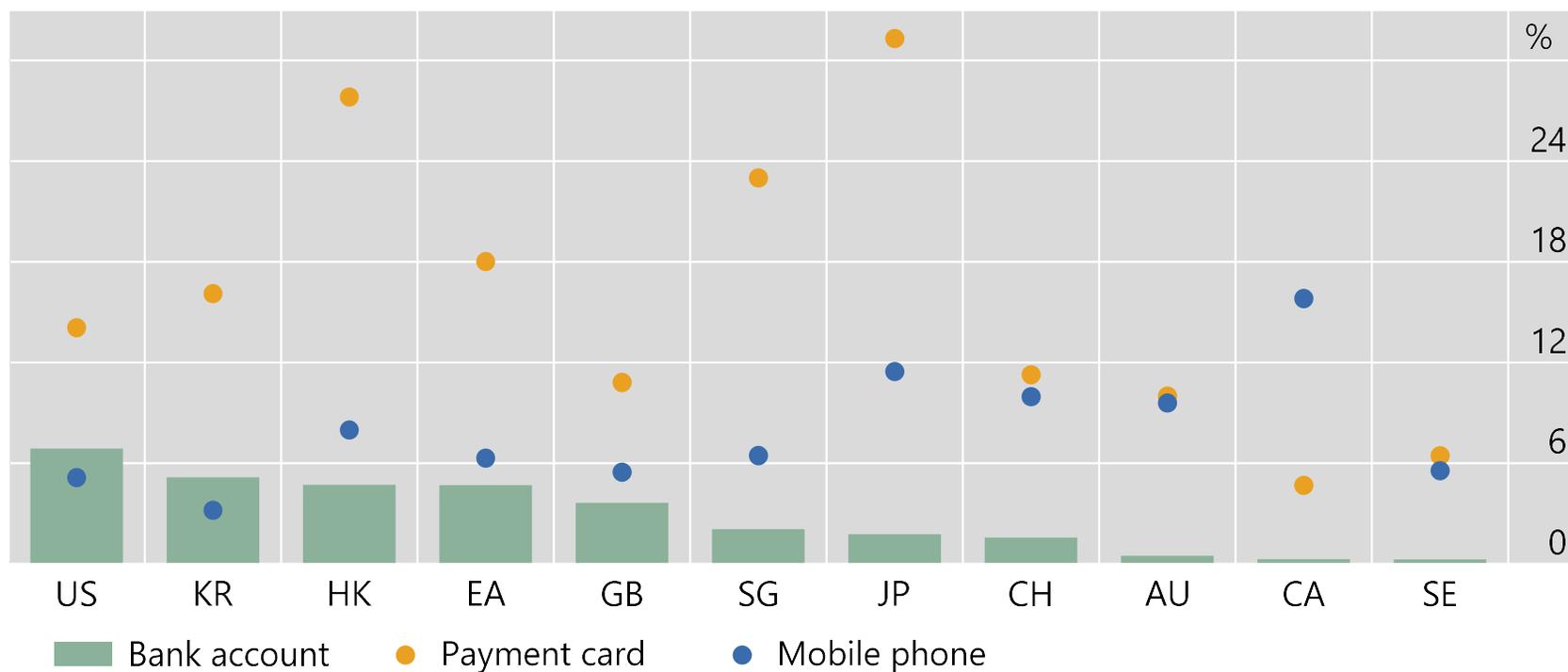
\*The views are those of the presenter and not necessarily the Bank for International Settlements

## 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...



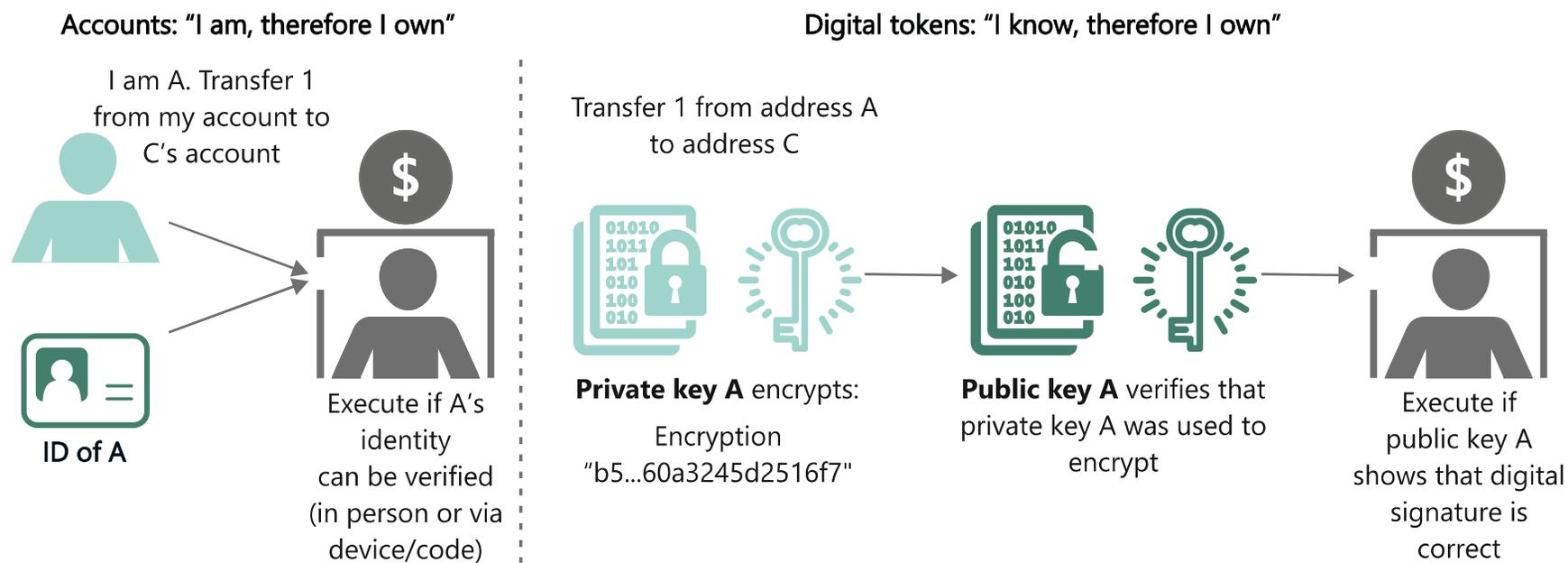
Another worth underscoring: traceability does not need to mean “Big Brother”



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## 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

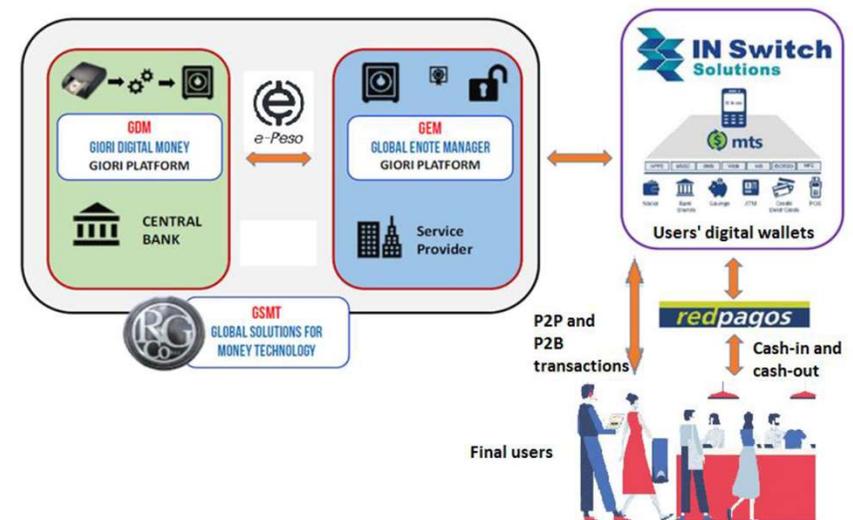
- **“Smurfing”** – a criminal actor deposits money into multiple wallets, each below the threshold
- **Loss or theft** – tokens that are misplaced or stolen are irretrievable
- **“Digital dollarisation”** – token-based CBDCs circulate freely like dollar bills on the black market



## 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