

G-24/AFI Policymakers' Roundtable at the International Monetary Fund (IMF) & World Bank Group (WBG) Virtual Spring Meetings

“Digital Currencies: Risks and Opportunities for Financial Inclusion”

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Cryptocurrencies, Global Stablecoins and Central Bank Digital Currencies: Evolution and Approaches

Douglas W. Arner

Kerry Holdings Professor in Law
RGC Senior Fellow in Digital Finance
& Sustainable Development
Associate Director, HKU-Standard
Chartered Foundation FinTech Academy
University of Hong Kong
Douglas.arnier@hku.hk



Evolution: Digital Money & Payment

- Technological revolution in money and payment: decentralised / centralised
- Money, payments, finance and the technological horizon
- RTGS / mobile money / FPS
- Bitcoin
- Blockchain
- Stablecoins
- Libra: “Global stablecoin”
- COVID-19
- CBDCs: Digital Yuan / DCEP



COVID-19 and Digital Finance

- Digitisation
- Payments / CBDCs?
- RegTech / SupTech
- AML / market integrity?
- BigTech / data
- [Digital Finance, COVID-19 and Existential Sustainability Crises: Setting the Agenda for the 2020s by Douglas W. Arner, Ross P. Buckley, Andrew M. Dahdal, Dirk A. Zetsche :: SSRN](#)



Evolution / Regulation

- 2008-2013: Bitcoin, blockchain
 - Enthusiasts, criminals
- 2013-2016: Ethereum, Tether, Mount Gox
 - Broadening, central banks, regulators, law enforcement: market integrity
- 2016-2018: ICO Bubble
 - Broadening, regulatory arbitrage, customer / investor protection
- 2019-2022:
 - Regulation, Libra, CBDCs, COVID-19, DeFi
 - Normalisation - FATF/G20/IOSCO (2019), EU (2020), OCC, SEC, UK
 - Broadening: systemic concerns?



Stablecoins: Response

- Stablecoins vs global stablecoins (GSCs)
- Regulatory concerns:
 - Market integrity: G20 / FATF
 - Consumer protection / privacy
 - Monetary stability? (substitution?)
 - Financial stability?
 - Competition / antitrust?
- Key:
 - Monitoring
 - Powers: payments authority
- FSB principles
- Regulation: EU example
- Domestic / regional development: CBDC / payment systems



Central Bank Digital Currencies

- Technological revolution in money and payment: decentralised / centralised
- Money, payments, finance and the technological horizon
- RTGS / mobile money / FPS
- Bitcoin
- Blockchain
- Libra
- COVID-19
- Digital Yuan: DCEP



Central Bank Functions and Evolution

- Monetary policy / stability
- Financial stability (positive / negative)
- Payments
- Supervision
- Development / inclusion (SDGs / innovation)
- Central banks as technology



A framework of contextual analysis

The key is to analyse your own context. I suggest looking at 7 different aspects, derived from AFI FinTech4FI strategy, of which the level of development of the commercial banking system is only one:

- 1. Digital inclusion? Mobile penetration? Smart phone penetration? Geography? Excluded population characteristics?
- 2. Money and payments: how widely used is cash? Payments systems: RTGS / FPS / mobile payments? Interoperability?
- 3. Banking system? financial inclusion: bank accounts, other accounts?
- 4. National ID / digital ID / KYC/ekyc framework?
- 5. Economic context: trade linkages? remittances? tourism? etc
- 6. Legal context: does the central bank have payment systems supervision / authorisation? does the currency issuance / monetary stability authority extend to digital?
- 7. Capacity: internal in the central bank? public digital awareness? business?

Framework summary: <https://nextbillion.net/economic-fintech-innovation-financial-inclusion-covid19/>

Detailed FT4FI strategy: https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3387359



Approaches

- China: CBDC, blockchain, ban, law + infrastructure + standards
- EU: financial, non-financial, money / payment
- Switzerland, Russia: comprehensive legislation
- US / UK / SG / HK: functional, existing framework + new regulations



International Money and Payment Arrangements

- Cross-border payments: G20 / CPMI / Libra / SWIFT etc
- International arrangements?



- [Distributed Ledger Technology and Digital Assets - Policy and Regulatory Challenges in Asia by Douglas W. Arner, Ross P. Buckley, Anton N. Didenko, Cyn-Young Park, Emilija Pashoska, Dirk A. Zetsche, Bo Zhao :: SSRN](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3414408)
- https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3414408
- [The ICO Gold Rush: It's a Scam, It's a Bubble, It's a Super Challenge for Regulators by Dirk A. Zetsche, Ross P. Buckley, Douglas W. Arner, Linus Föhr :: SSRN](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3072298)
- https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3072298
- [The Distributed Liability of Distributed Ledgers: Legal Risks of Blockchain by Dirk A. Zetsche, Ross P. Buckley, Douglas W. Arner :: SSRN](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3018214)
- https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3018214
- [Decentralized Finance \(DeFi\) by Dirk A. Zetsche, Douglas W. Arner, Ross P. Buckley :: SSRN](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3539194)
- https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3539194



- Stablecoins: Risks, Potential, Regulation - BIS Working Paper no. 905 (Nov. 2020) - Arner, Frost, Auer: <https://www.bis.org/publ/work905.htm>
- [Regulating LIBRA: The Transformative Potential of Facebook's Cryptocurrency and Possible Regulatory Responses](#)
- [Zetzsche, Buckley, Arner](#)
- https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3414401
- The Markets in Cryptoassets Regulation (MiCA) and the EU Digital Finance Strategy (Oct. 2020) - Zetzsche, Annuziatio, Arner, Buckley: https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3725395
- After Libra, the Digital Yuan and COVID-19: CBDCs and the Merger of Money and Payment
- Buckley, Zetzsche, Arner, Didenko
- https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3622311



Thank you!

Introduction to FinTech - on edX:

<https://www.edx.org/course/introduction-to-fintech>



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