

Session on Central Bank Digital Currencies and their Implications on Developing Countries

Presentation by the
Bangko Sentral ng Pilipinas

10 March 2022, 8:30am EST

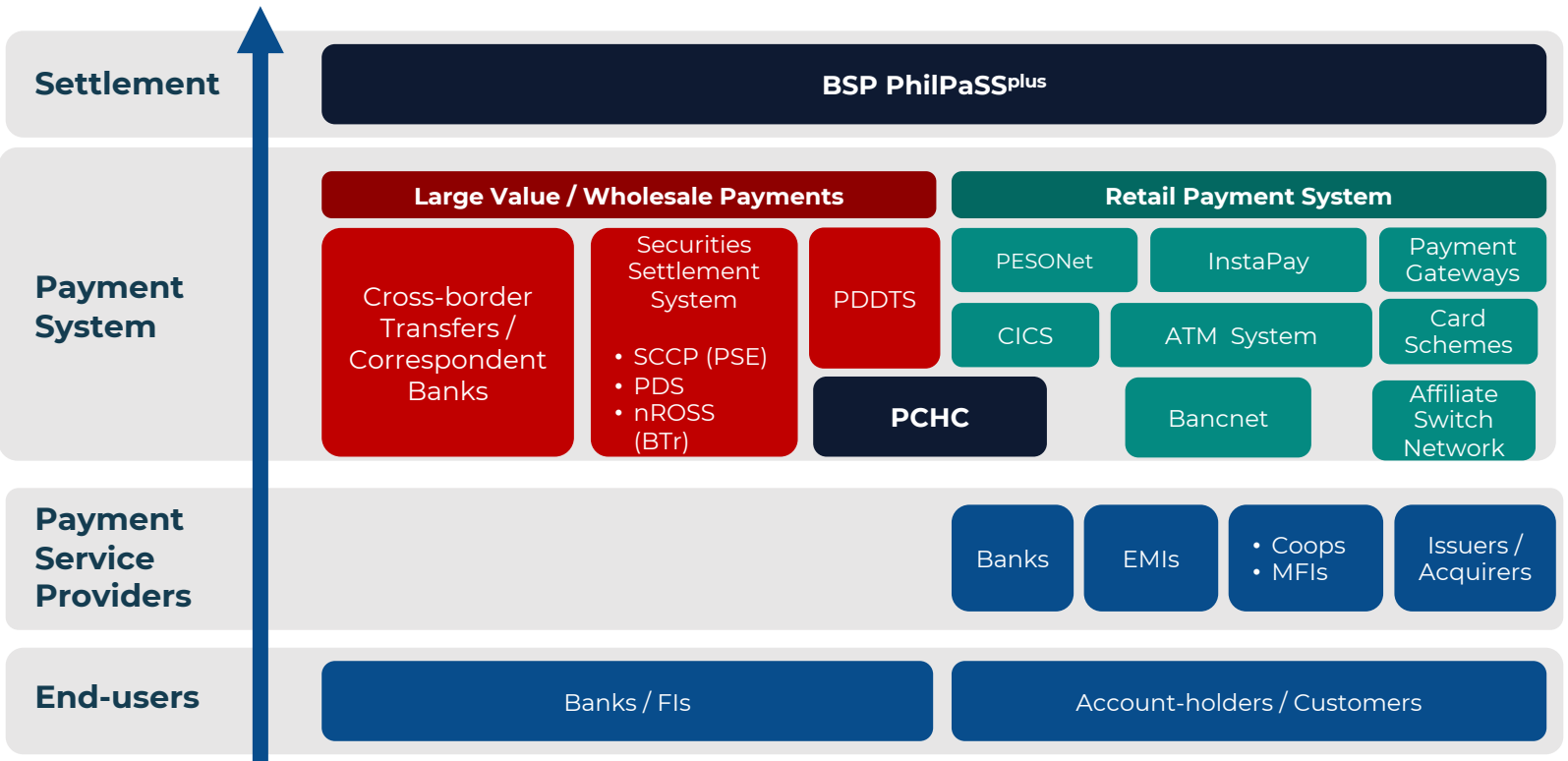


AGENDA

- 1 State of PH National Payment System
- 2 Assessing the value of CBDC in PH
- 3 Potential CBDC use cases in PH
- 4 Project CBDC Ph



State of the National Payment System in PH



Assessing the value of CBDC Comparison Framework

Measure payment mechanisms along seven broad categories:

Accessibility

Consumer access to the payment mechanism

Anonymity

Private identity for transactions

Bearer Instrumentality

Instrument payable to anyone in possession of it

Independence

Degree of intermediation

Operational Efficiency

For scoring: central bank costs

Programmability

Automatic execution of operations as part of core platform

Service Availability

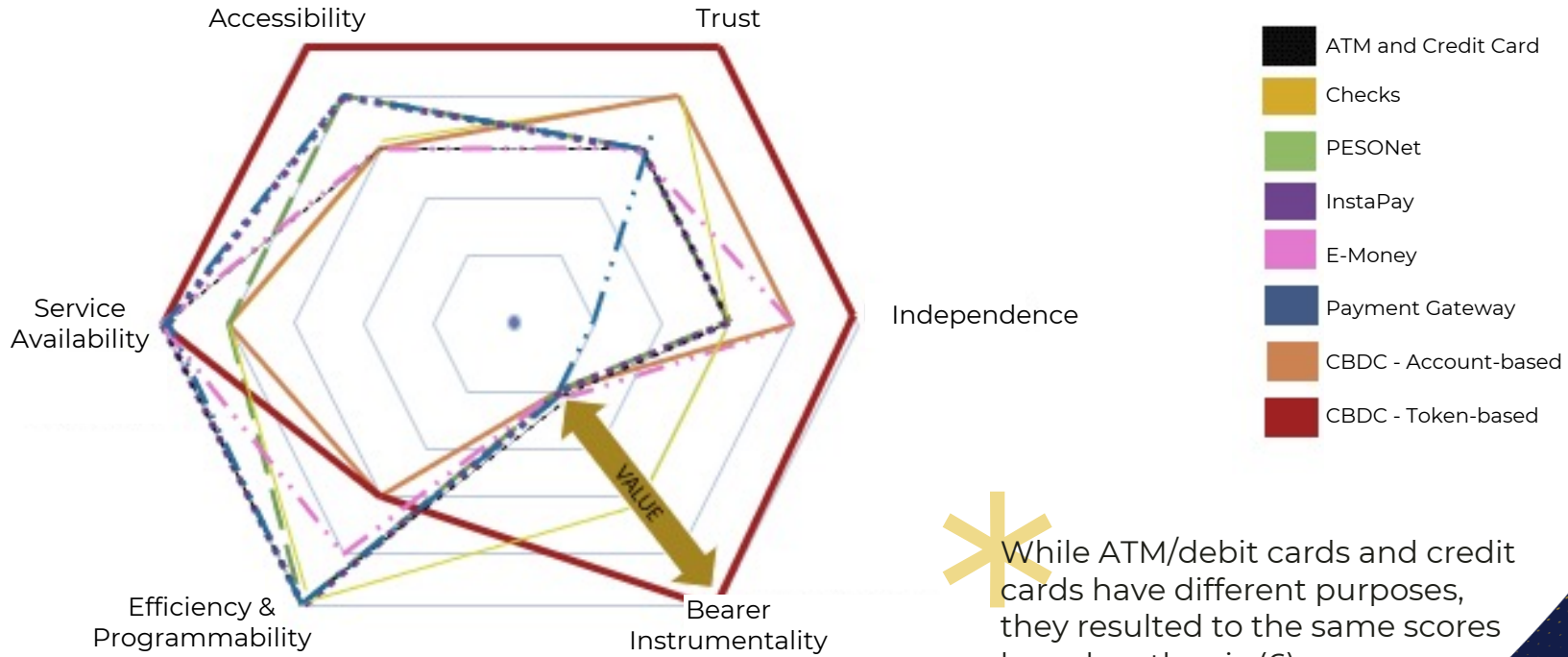
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- *Authors: Paul Wong and Jesses Leigh Maniff of Federal Reserve Bank of Kansas*
- *Presented by Jesse Leigh Maniff during the 2021 Regional Conference on Payments and Market Infrastructures*



Assessing the value of CBDC Retail Payments



* While ATM/debit cards and credit cards have different purposes, they resulted to the same scores based on the six (6) areas.



Assessing the value of CBDC

There is **minimal perceived added value** for the use of retail CBDC in the Philippines given the progress in the implementation of retail payment and financial inclusion reforms

KEY DRIVERS OF RETAIL DIGITAL PAYMENTS GROWTH



Merchant Payments

23.8%

773M Transactions



P2P Payments

27.0%

42M Transactions



G2P Salaries & Payroll

100.0%

15M Transactions

% Share of digital payments in terms of VOLUME

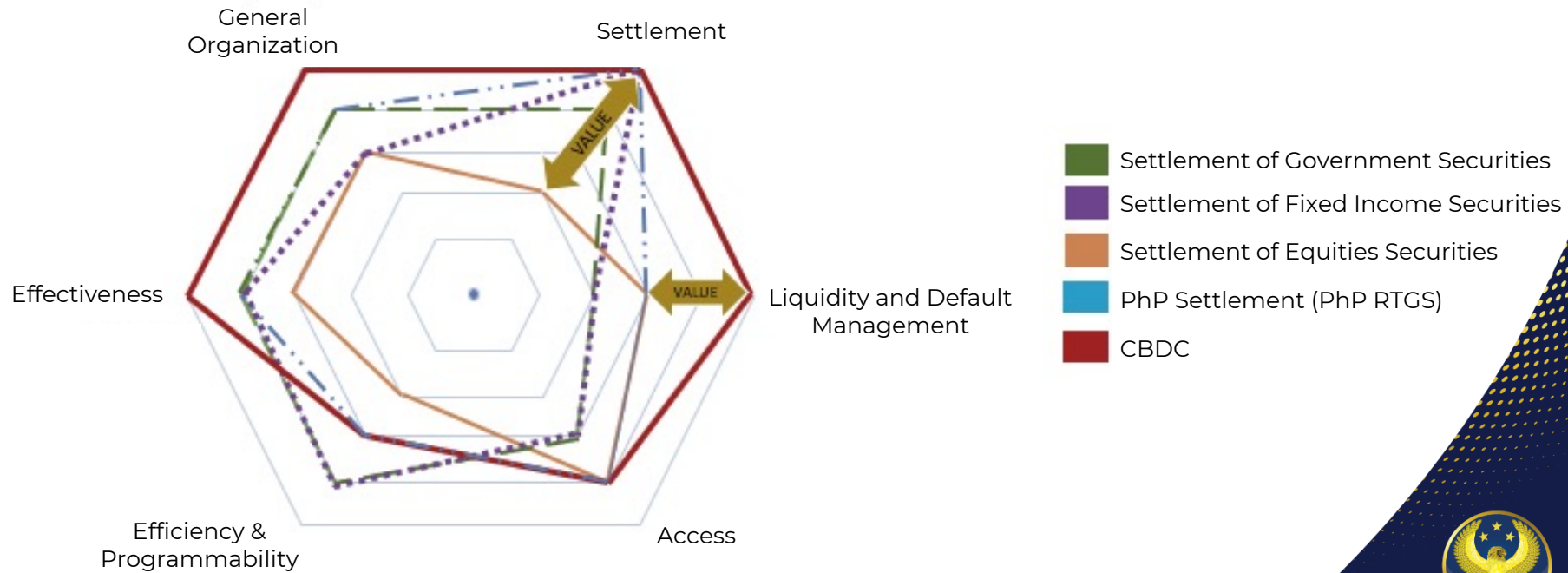
As of end-2020, about **20.1 percent of monthly retail payments volume are in digital form**, from 10 percent in 2018 and 1 percent in 2013.

Around **19 million new transaction accounts** were opened in 2020 based on the increase in basic deposit accounts and e-money accounts.

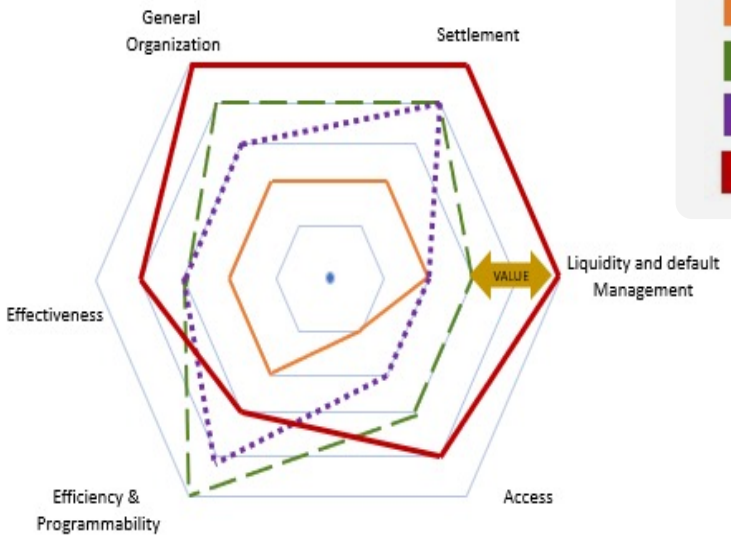
Launch Upcoming

- Multiple Batch Settlement
Launched 24 Jan 2022
- Direct Debit
- Bills Pay
- Request to Pay

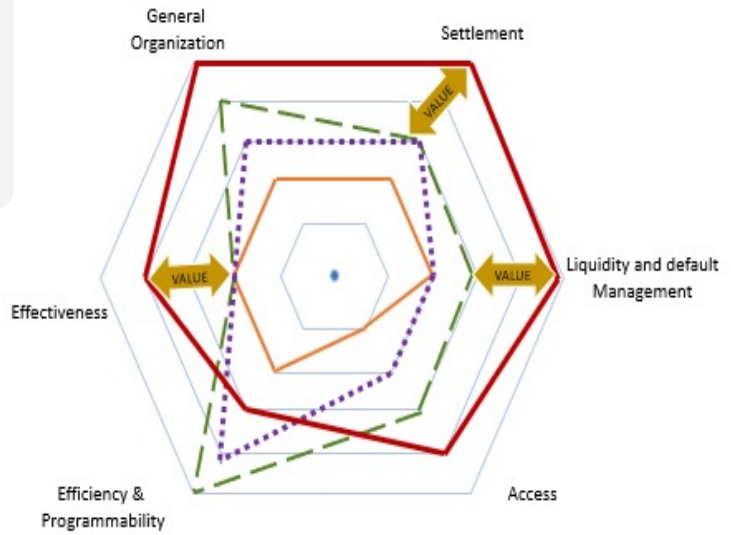
Assessing the value of CBDC Wholesale Payments



Assessing the value of CBDC Wholesale Payments



Domestic FX Transfers



Cross-border FX Transfers

Assessing the value of CBDC In Summary

Wholesale Payments



Through CBDC, the wholesale payments in the country may significantly improve in at least the following three (3) areas*:

- Cross-border payments
- Settlement of equities securities
- CBDC consistently provides additional value in terms of liquidity and default management

Retail Payments



- Account-based CBDCs may not yield much value compared to current retail payment instruments in the Philippines.
- Token-based CBDC appears promising in terms of bearer instrumentality and accessibility. However, it is only value-adding if we intend to issue cash-like CBDCs.

* These areas include settlement, liquidity and default management, and effectiveness



Potential CBDC Use Cases

Wholesale Payments



Cross-Border Payments



Settlement of Equity Securities

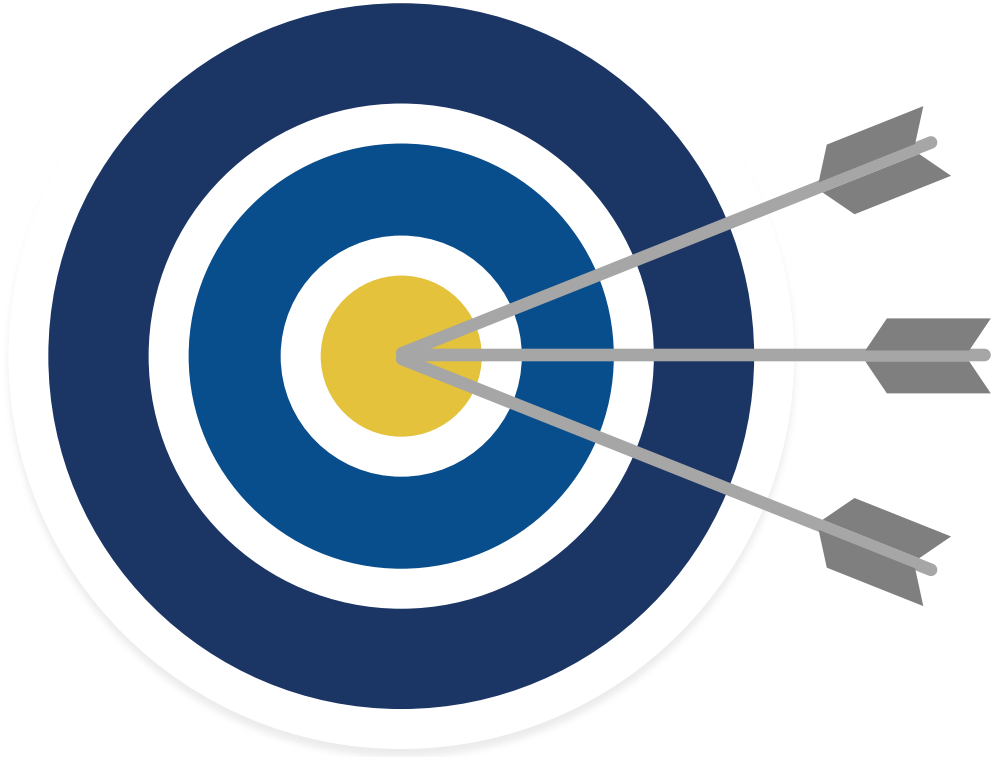


Intraday Liquidity Facility



Potential CBDC Use Cases

Policy Objectives



To **alleviate frictions in cross-border payments** in support of the growth of PH's open digital economy;



To **enhance the efficiency of securities settlement systems** in order to reinforce financial market development, promote investors' confidence in Philippine financial markets and sustain trust in the national payment system; and



To **strengthen liquidity management** in the national payment system by providing a facility that enables immediate contingent support to participants needing intraday liquidity.

BSP CBDC

Technical Working Group Recommendations

Given the potential CBDC use cases, the CBDC TWG plans to pursue these courses of actions to continue exploring CBDC feasibility for the Philippines:

Obtain comments from stakeholders on the beneficial impact and feasibility of the identified end-users.

Identify implication of identified CBDC use cases on monetary policy, financial stability, payments digitalization, AML/CFT agendas and review legal frameworks.

Coordinate with relevant technology service providers to build CBDC use cases for the identified payment streams.

Acquire technical assistance from competent organizations (i.e., IMF) in determining capacity building strategies.

Enter into collaborative arrangements with other central banks that have progressive research and pilot testing of similar CBDC use cases.

Project CBDCPh

Seen from the experiences of other central banks, they undertook the pilot projects to **understand** the design, architecture and technology, have a **greater grasp** of policy implications, and to **build capacity**. ”

TARGET USE CASE



Fund transfers across a limited number of financial institutions*

OBJECTIVES

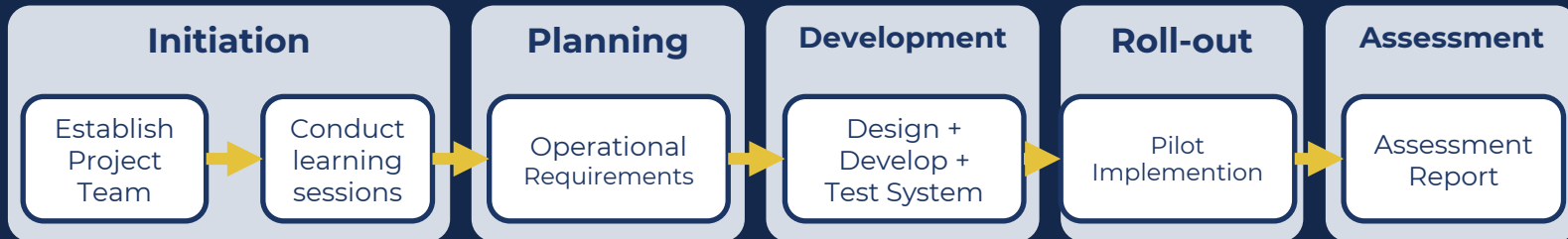


Obtain hands-on knowledge of CBDC



Establish a firm baseline in pursuit of CBDC projects that address pain points in payments

Project CBDCPh ROADMAP



Thank You!

