

Inclusive Economic Development Principles for Integrating Central Bank Digital Currencies in BRICS

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technological and innovative cooperation of BRICS countries”

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Background

Global Economic
Slowdown intensified
Global Inequalities

Multiple intersecting
crises

Multinational Trade
Promotion measures
not having the
desired effect

Developmental
paralysis

Current financial
system is too slow,
expensive and
exclusionary



How to ensure Cross-Border Integration and a common system of protocols to facilitate increase cross border trade?

How do we centre Inclusion in the design?

Approach

- Literature Review of CBDC Integration and MCBDC Models
- Sourced from BIS, Central Banks, CBDC specialists
- Filtered recommendations focusing on the social benefits to BRICS society
- Examine applications for BRICS and Global South



Retail

Allows Peer-to-Peer
Transactions

Currency issued to the
public, not banks

Higher volume – lower
value

Wholesale

Transactions between
financial Institutions

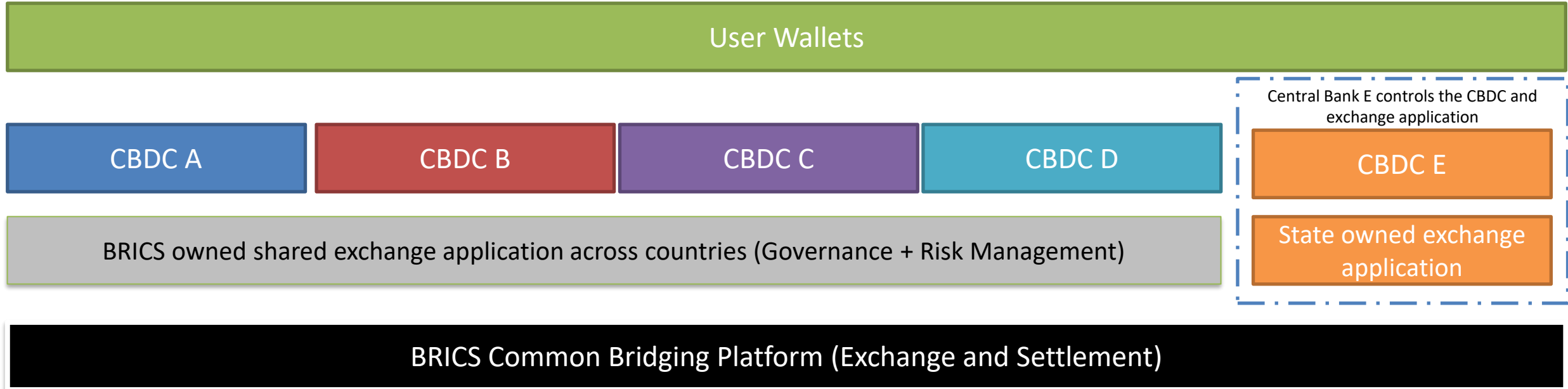
CB is the central
domestic counterparty

Lower volume – higher
value

Implementing the MCBDC Integrated Model

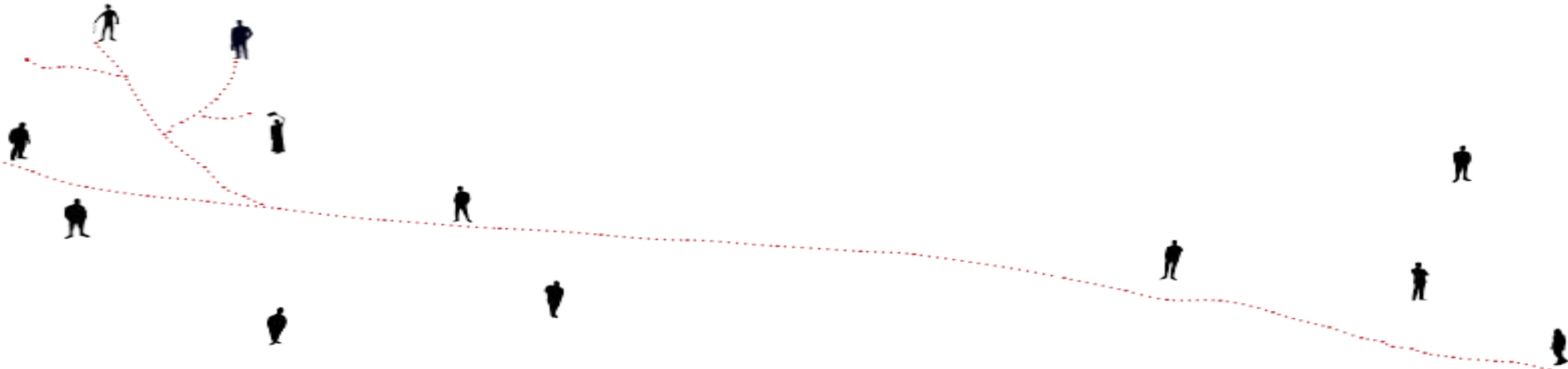
	Strength	Weakness
Compatible	<ul style="list-style-type: none">• Reduces barriers to cross-border payments.• Built on commonalities in technical standards and regulatory regimes.• With shared commonalities, it is simpler to onboard operational processes.	<ul style="list-style-type: none">• Requires a supranational framework to develop common regulatory regimes. The Single Euro Payment System follows a process of legal harmonisation, which took many years to introduce.
Interlinked	<ul style="list-style-type: none">• Introduces a shared technical interface, supported by contractual agreements allowing cross-border payments.• Introduces a shared clearing system with designated settlement accounts, allowing Central Banks to hold a balance of a foreign CBDC in its clearing account.	<ul style="list-style-type: none">• The system's complexity compounds with each new country connecting to the system, requiring each country to hold a balance of foreign currency in its clearing account.• The technical expertise needed to manage the system is high and the complexity linked to scalability becomes a risk.
Integrated	<ul style="list-style-type: none">• Based on a single multi-currency platform with several CBDCs onboarded to the model.• Participants agree to the rules of exchange and the shared underlying technical infrastructure.• Supports efficiency gains when additional currencies are onboarded.	<ul style="list-style-type: none">• There is an increase in governance and controls inherent to the system.• Participants will need to relinquish a level of control over the governance arrangements, technical infrastructure and overall system oversight, as these functions are shared by the group.

Unbundling the Technology Stack



- Any country should be able implement their own CBDC application or adopt the common exchange application
- The BRICS Common Bridging Platform is used as a clearing house

Inclusive CBDC Design Principles



Increase Payment Interoperability and Foster Financial Inclusion



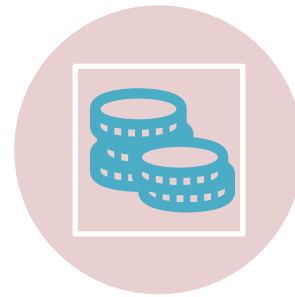
Promote access to payment and financial services.



Enable public and nonbank financial services, where private incentives are limited



Allow offline transactions



Open-source technologies can be shared across BRICS



Protect Data Privacy

Central Bank takes
responsibility for
KYC and AML
verification

Trust can be
placed in the
Central Bank

3rd Parties need
not gain access to
digital identity
data

Access and usage
of identity data
must be
transparent

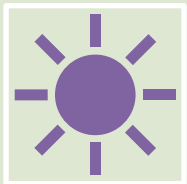




Central Banks should support a Net-Zero Financial System



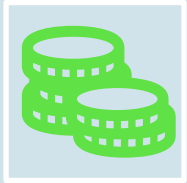
Only source power from Renewable Energies for currency exchange and verification



Early adoption of Renewable Energies will forefront the sustainable development agenda



CBDCs can be a launchpad for future innovations that accelerate global economic growth

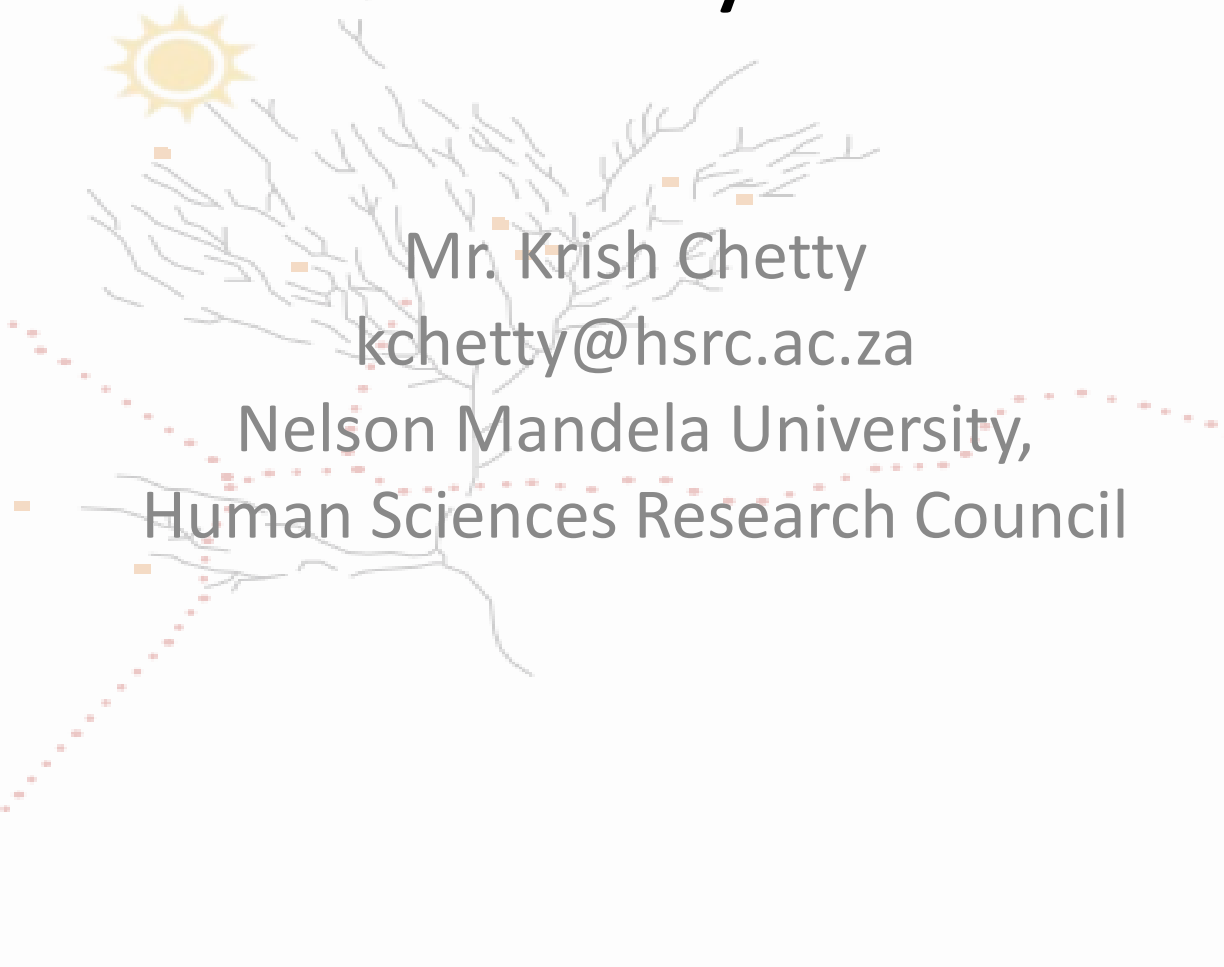


The currency could disrupt and disintermediate several industries



BRICS Central Banks must consider the social implications of new technologies and innovations

Thank you



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