

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

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BRICS THINK TANK INTERNATIONAL
SYMPOSIUM

15 September 2022

Challenge

CBDCs are gaining ground worldwide

- All BRICS Nations are testing CBDC options
- Focus is on national priorities and technological development

Need broader focus on Cross-Border Integration and a common system of protocols to facilitate increase cross border trade

Bad design choices at this point will entrench current exclusionary and inefficient processes.

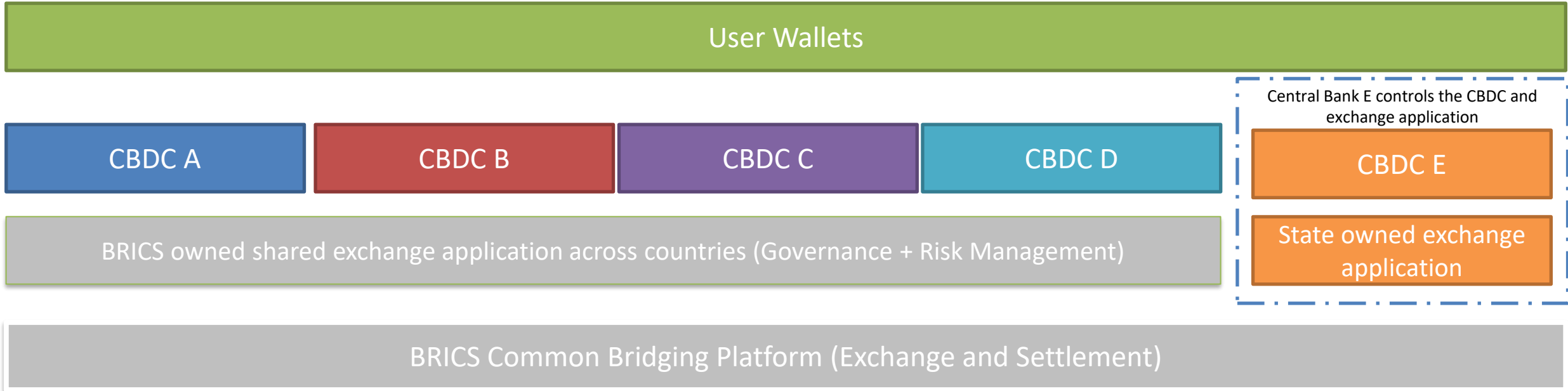
An early focus on integration will lead to substantial long-term benefits

Is a need for radical changes to break the current development paralysis impeding shared economic growth

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

BRICS Common Bridging Platform

- Clearing Centre responsible for exchange rate conversion, settlement
- Shared minimum standards for communication & exchange

Central Banks

- Issuance, exchange, redemption and circulation
- Regulate authorised operators
- Set rules for technical, business, security and operational standards

Minimise banking intermediaries

Adopting the
Retail CBDC Model
supports Peer to
Peer transactions

End User holds a
CBDC account with
the Central Bank

End user can
transact directly
without need for a
Commercial Banks

Fees increase with
increased number
of intermediaries

Protect Data Privacy

Through the CBDC, the Central Bank can take 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

Increase Payment Diversity and Foster Financial Inclusion

CBDC model must centre financial inclusion and improve access to payment and financial services.

Central Bank to offer public and nonbank financial services, where private incentives are limited

Offline Wallet capability enables transaction capability where internet access is limited

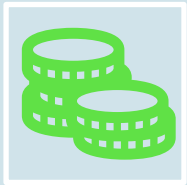
BRICS Central Banks to share knowledge any technology used for offline capabilities

Open-source technologies can be shared allowing all BRICS consumers to benefit from innovation

Centralise Social Innovation



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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