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# Covid-19, digitalization of payments, and the crypto assets

The outbreak of Covid-19 and subsequent lockdown of many societies have reinforced the necessity to promote digitalization in payments. Today, as of the end of March 2020, one-third of the global population is said to be under some sort of lockdowns, and any payments using physical measures are subject to significant constraints. Some retailers try to avoid touching banknotes and coins. Bank checks are subject to the delivery constraints. Furthermore, even for the electronic remittance by corporations and financial institutions, physical security measures such as token devices, or a dedicated computer terminal with an exclusive IP address, which are kept or installed in the office premises, prohibit the parties from making remittance once their employees are suddenly required to work from home. I believe that people who felt inconvenience will look for the digital solutions.

Should we consider the crypto assets, including the stable coins, in our new regime? Why not. Once such time comes, we will need to use every piece of wisdom to recover from the consequence of this pandemic. If the decentralized and digital encryption features, which are common in many crypto assets/coins, can serve the purpose of elimination of physical devices with good security, it is worth pursuing.

Having said that, I also would like to pay attention to the risks. The obvious challenges to crypto assets are the cyber security, AML checks, and the backstops when things go wrong. Also, the stableness of the stable coin may be questioned during the severe market turmoil. In fact, some of so-called stable coins experienced unusual value fluctuations in March 2020 amid the spike of the volatility in financial markets. These issues also lead to the question about the consumer protections.

Also, if we assume the wider usage of stable coins operated outside of the banking system, it may reduce the presence of the banks, then we will need to consider who will replace the functions banks are currently providing. For example, under the current crisis, in order for the financial compensations to support curtailing the social contacts, or, in later days, to support the recovery of damaged economic sectors, data to identify the most needed recipients and the swift and effective measures to remit money to them are vital. The substantial part of this financial support is expected to take the form of loans, the traditional bank products. In countries where digital neo money platforms are already in full bloom, these functions maybe supplemented by them, but I myself am not sure whether the

currently suggested stable coin frameworks will function in a similar manner.

As discussed above, I believe the current crisis will make us think more about the digitalization of payments, which may include the crypto assets, but the risks and points of governance will not change in crisis from the peaceful time. I hope that the discussion about the crypto assets, or more specifically about the embedded decentralization and digital encryption technologies will help us to improve the efficiency of the incumbent payment system as well. ●