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Delivering on consumers' payment needs in the digital age

Central Bank Digital Currencies (CBDCs) and stablecoins backed 1:1 by fiat currencies, are an evolution of money brought about by changes in commerce and technology. Both of these financial instruments have the potential to be used for global commerce, much like other fiat currencies, and can help minimize the inefficiencies in dealing with cash and cross-border retail payments. They can also foster financial inclusion for people that do not have bank accounts, or are underbanked, or access to a currency that is stable.

For new forms of digital money such as stablecoins to be widely used for retail payments, convertibility into fiat currency and maintain a stable value is essential to ensure consumer trust. Conversely, crypto-assets like Bitcoin are predominantly held as assets, and given their volatility are not used for retail payments in a significant way.

While stablecoins and CBDCs raise questions about future forms and underlying technology of digital money, we know that the future of payments is digital and mobile. However, we should not only think about the future of money, but we should equally remain focused on what consumers want and need when they pay in a digital age.
Above all consumers have come to expect trust and security with payments. That requires advanced risk management capabilities and investments in fraud prevention and anti-money laundering control mechanisms by any issuer of digital currencies. In case of a CBDC, consumer expectations will be no different, and the solution should be to work with private intermediaries that have expertise in this area and can help manage security of transactions.
Security also means that consumers know what happens when something goes wrong with a retail payment. Stablecoins and CBDCs should have an equivalent consumer protection standard as e-money if used for retail payment purposes, following the principle of same service, same rules. This will also ensure consumers can use them with confidence.

When considering the potential benefits of new technologies in a retail payment context, it is important to consider what resilience looks like in a digital age. For retail payment transactions it means the ability to securely process and authorise tens of thousands transactions in milli-seconds. It also means payment network uptime, and that is why we continue to make significant investments in resilience of our network to achieve 6 9s or higher availability, or differently put no more than 32 seconds of downtime per year.

Regulators must continue to promote the use of international standards to enable technical interoperability, whereas international alignment around regulatory principles for stablecoins or CBDCs will allow systems to connect across different jurisdictions. More broadly, we believe that open and interoperable payment networks can enhance both innovation and resilience across payment flows.

Finally, stablecoins and CBDCs will form part of a broader digital retail payment mix with multiple payment networks and payment service providers continuously looking to address consumer needs. We believe that making good use digital currencies can contribute to the development of new forms of commerce and popularize digital payments.

Above all, it has a chance to create greater consumer choice for paying and accepting payments.