



**Blockchain
Australia**

PROMOTING
BLOCKCHAIN
INNOVATION
IN AUSTRALIA

Head of Payments Policy Department
Reserve Bank of Australia
By email: pysubmissions@rba.gov.au

Friday, January 31, 2020

Dear Sir/Madam

Review of Retail Payments Regulation: Issues Paper

Thank you for the opportunity to provide you with a submission in response to the above-mentioned Issues Paper.

Blockchain Australia is the peak industry body that represents Australian businesses and business professionals participating in the digital economy through blockchain technology.

Blockchain Australia aims to encourage the responsible adoption of blockchain technology by industry and governments across Australia as a means to drive innovation in service delivery across all sectors of the economy.

We are convinced that the use of blockchain technology will drive a wave of innovation and business process transformation that will transform markets in almost every sector of the global economy – currency and payments platforms not least among them.

Our ambition is to see an Australia that leads the world in the adoption of blockchain technology that has transformed the economy and society to achieve significantly greater competitiveness, efficiency, service quality, social engagement and employment.

Given the above our response to the Issues Paper is limited to the central bank digital currency (CBDC) and stablecoin issues raised in the Issues Paper. These do not align easily to the specific questions in the issues paper but can all broadly be regarded as a response to Question 1.

As the Issues Paper notes, a number of Central Banks and payments regulators around the world are paying serious attention to the potential for blockchain technology to be used to re-architect payments systems to provide greater speed, efficiency and regulatory transparency. This trend is bolstered by initiatives to create 'global stablecoins' – most notably the Libra project. In the view of Blockchain Australia, it is extremely likely that some of these initiatives will begin to roll out novel payments approaches in the medium term (5 to 10 years) and that it is therefore essential that Australia be an active participant in global initiatives to define the scope, functionality and regulatory framework of such initiatives. A 'wait and see' approach runs the risk of seeing Australia excluded from processes that may redefine the global payments architecture.

Blockchain Australia believes that the RBA should seek to actively engage in four potential use cases (in descending order of priority):

1. Wholesale Settlements

Blockchain Australia supports the RBA's steps to experiment with a CBDC for wholesale settlements. This is an obvious and compelling use case that could significantly reduce reconciliation costs & time and free up capital by reducing the need to hold funds in a suspense account.



2. International Business Payments

International Payments by businesses are a key area where a CBDC (or network of national CBDCs) could significantly streamline costs and enhance both regulatory transparency and data linkages. Blockchain-enabled supply chain and trade facilitation processes are already being developed and including a CBDC or global stablecoin as the native means of settlement within such systems is a natural extension of those efforts. The People's Bank of China has announced projects in this area as part of the broader Belt and Road initiative.

3. International Retail Payments

International retail payments for consumers and remittances remain expensive and slow and the associated AML/CTF processes are often cumbersome and not particularly effective. A CBDC or global stablecoin could address this gap with particular benefits for developing countries. AML/CTF data for both ends of a transaction can be securely linked to every individual transaction.

4. Domestic Retail Payments

A broader CBDC for retail payments is a lower priority – especially for a country such as Australia with a sophisticated payments infrastructure. One area that may be worthy of investigation is whether a CBDC would provide a more effective and lower cost method for conditional government payments such as welfare benefits or grants schemes.

We recognise that, with the possible exception of the Wholesale Settlements use case, these areas for research and experimentation could be regarded as “Horizon Two” innovations whereas the bulk of the focus of the RBA must necessarily be on Horizon One opportunities to enhance existing architecture.

However, Horizon Two can rapidly become Horizon One and given the potential for significantly transformative innovation and the engagement of very large economic stakeholders, it is essential that the RBA also dedicate resources to these opportunities. Australia should be a leader not a laggard in defining the future global payments architecture.

In addition to the announcements out of China, we note the following recent announcements:

- Governing the Coin: World Economic Forum Announces Global Consortium for Digital Currency Governance - <https://www.weforum.org/press/2020/01/governing-the-coin-world-economic-forum-announces-global-consortium-for-digital-currency-governance/>
- Central bank group to assess potential cases for central bank digital currencies - https://www.ecb.europa.eu/press/pr/date/2020/html/ecb.pr200121_1~e99d7946d6.en.html



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- Central Banks and the future of digital money (Consensys Whitepaper recently released at the World Economic Forum) - <https://pages.consensys.net/central-banks-and-the-future-of-digital-money>

We would be pleased to discuss any aspect of our submission with you.

Yours sincerely

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