



Digitalization of Money and Payments: An Overview

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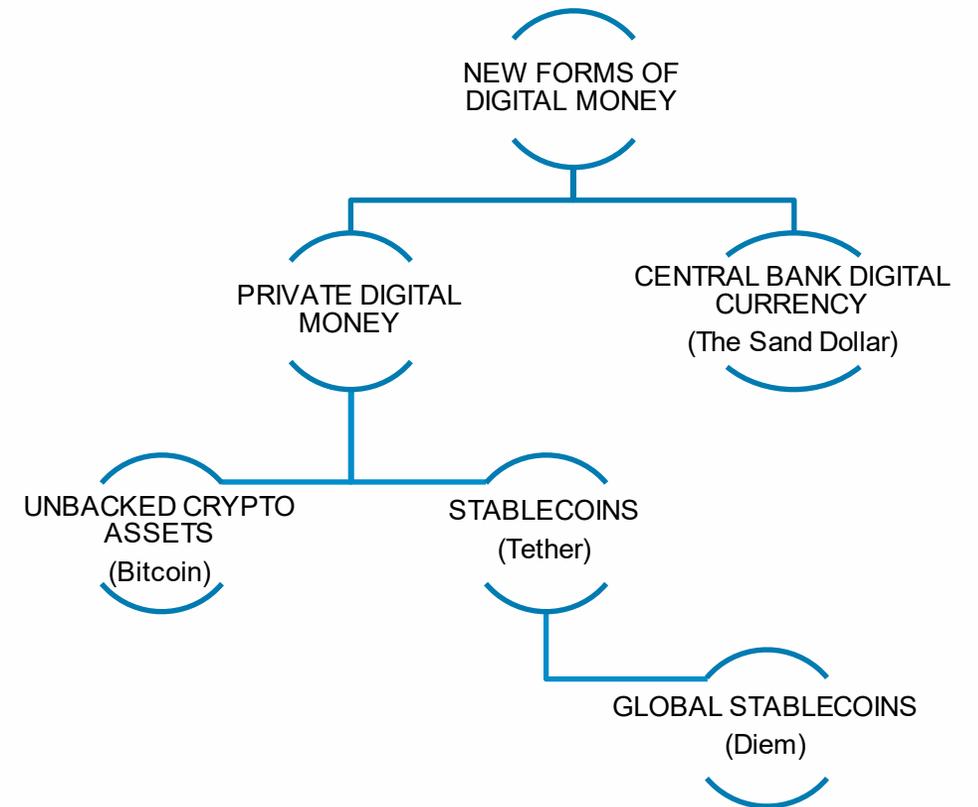
SINGAPORE TRAINING INSTITUTE WEBINAR

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Evolution of money and payments

Rapid progress in **digital technology** creates new service providers, new forms of money and payment instruments, and new infrastructures



Currency, Money, Payment Instruments and Systems

Economic perspective

Money can be anything that can serve as a **medium of exchange, unit of account, and store of value.**

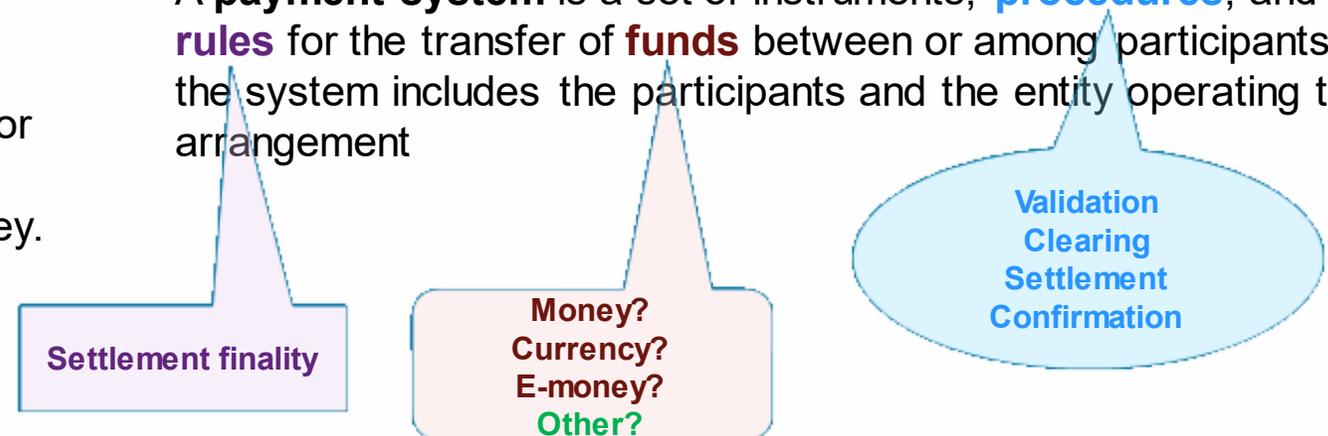
Legal perspective

Currency, mostly banknotes and coins, is the official means of payment of a State recognized as such by monetary law. It is always denominated in the official monetary unit. *Legal tender* is a key attribute: it entitles a debtor to discharge monetary obligations.

Money is broader and includes certain types of assets or instruments that are readily convertible or redeemable into currency, such as book money (credit balances on accounts) and electronic money.

Payment instruments are neither *currency* nor *money* but are used to effect payments that are ultimately settled in currency or money.

A **payment system** is a set of instruments, **procedures**, and **rules** for the transfer of **funds** between or among participants; the system includes the participants and the entity operating the arrangement



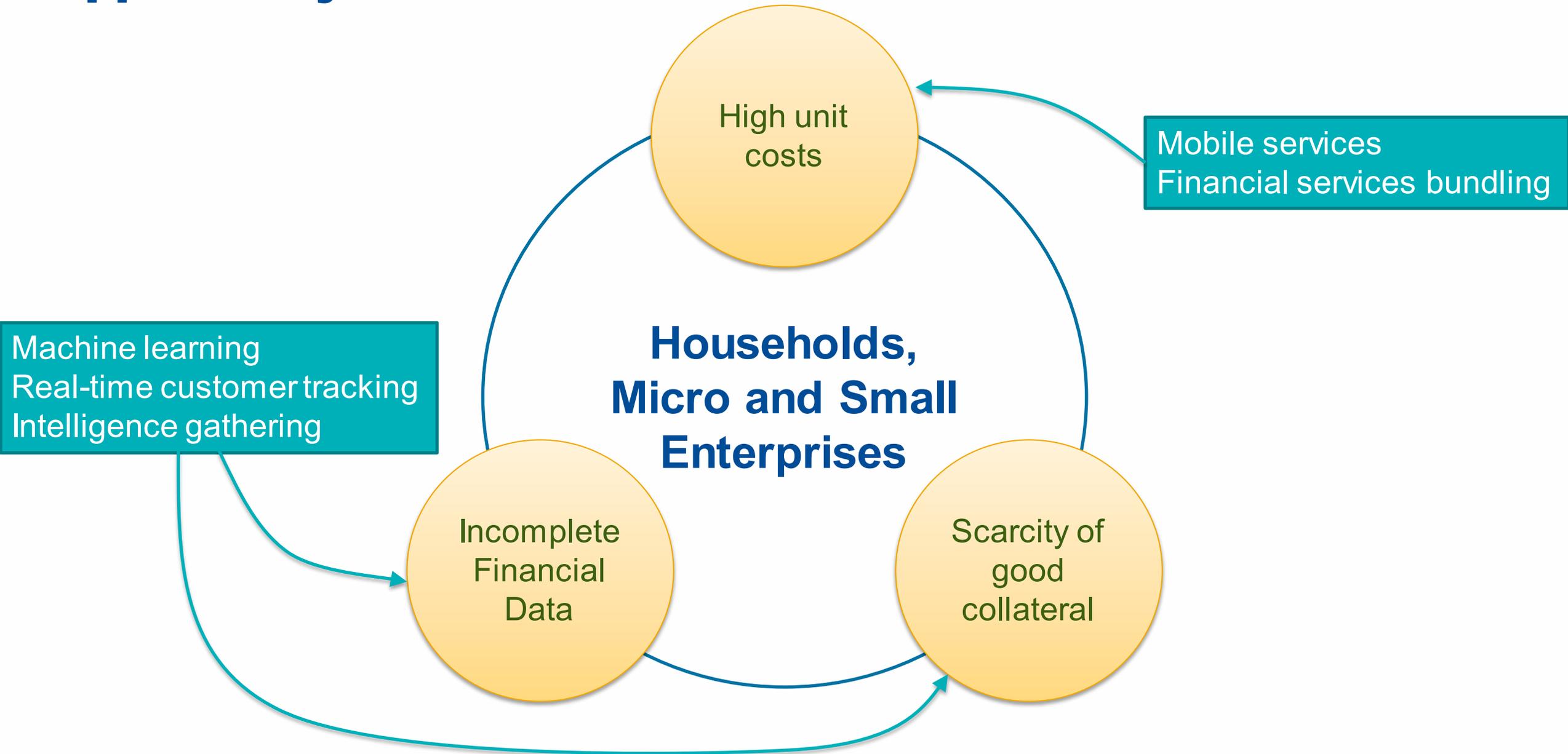
How do digital money and payments fit into the taxonomy?

	E-money	Crypto assets	Stablecoins	CBDC
Money	V	X*	?	V
Currency	X	X**	X	V
Other	Payment instrument	Payment instrument, Investment asset	Payment instrument and payment system	Payment instrument and payment system

* In some jurisdictions classified as money for VAT purpose (but not financial law)

** Except in El Salvador and Central African Republic

Opportunity: Financial Inclusion



Challenges: “Same activity, same risk, same regulation”

- Create level-playing field by bringing new service providers, new instruments, and new infrastructures under the regulatory umbrella
- However, risks could be new or shifting. Examples:
 - ❖ Tokenization of deposits could change the nature of liquidity risks of banks
 - ❖ Bigtech offering payment services, and integrate payments with other services (e.g., credit, insurance, etc.), could alter creditor-borrower relationships and reduce interoperability of money

IMF work on digital money and payments

Bilateral

Providing tailored, hands-on advice

Regional

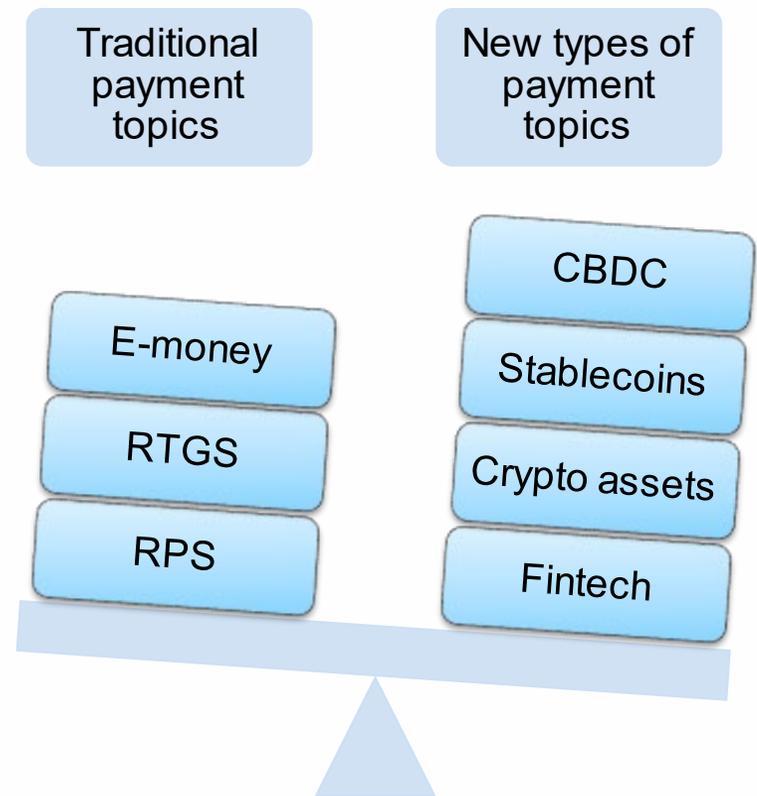
Building awareness and sharing experiences

Analytical

Providing foundations, guidance, empirical insights

Reviews

Providing independent feedback, credibility, transparency



Concluding thoughts

- Digital money and payments have the potential to allow central banks to better meet their policy objectives.
- Design choices and international cooperation are crucial to realizing the potential of digital money and payments.
- Regulatory and supervisory frameworks need to be upgraded to be fit-for-purpose in the digital age.