

# Central Bank Digital Currencies: Building Better Monetary and Payment Systems

Douglas W. Arner

Kerry Holdings Professor in Law

RGC Senior Fellow in Digital Finance &  
Sustainable Development

Associate Director, HKU-Standard Chartered  
Foundation FinTech Academy

University of Hong Kong

[Douglas.arnier@hku.hk](mailto:Douglas.arnier@hku.hk)

# Central Bank Digital Currencies

- Technological revolution in money and payment: decentralised / centralised
- Money, payments, finance and the technological horizon
- RTGS / mobile money / FPS
- Bitcoin
- Blockchain
- Libra
- Covid19
- eCNY

# CBDCs: Structure – Legal and Regulatory Aspects

- Money vs payment
- Public / private / public-private / independent
- Structure: account / token / blockchain?
- Access: Retail / wholesale, domestic / foreign
- Interoperability? Cashless? Interaction with cash, other currencies etc
- Governance
- Liabilities?
- Finality
- Security
- Privacy
- Competition
- International / regional context

# Central Bank Functions and Evolution

- Monetary policy / stability
- Financial stability (positive / negative)
- Payments
- Supervision
- Development / inclusion (SDGs / innovation)
- Central banks as technology

# eCNY Rationale

- Financial stability
- Monetary, financial and economic policy
- Financial inclusion
- Financial integrity
- Technology and innovation
- External interactions

# Looking forward

- Technology
- Structure: money, payment, hybrid
  
- Rationale:
- Major currencies / economies: China, EU, US
- Others – individual circumstances
  - International financial centres: UK, Switzerland, Singapore, HKSAR – wholesale / xbrd focus
  - Other developed economies: Sweden, Canada etc
  - Emerging / Developing economies: Cambodia, Nigeria, Bahamas etc – inclusion / payments / substitution
- Most: payment focus
- International / regional systems
- [Sovereign Digital Currencies: Reshaping the Design of Money and Payments Systems by Ross P. Buckley, Douglas W. Arner, Dirk A. Zetsche, Anton N. Didenko, Lucien van Romburg :: SSRN](#)

# A framework of contextual analysis

- The key is to analyse your own context. I suggest looking at 7 different aspects, derived from AFI FinTech4FI strategy, of which the level of development of the commercial banking system is only one:
- 1. Digital inclusion? Mobile penetration? Smart phone penetration? Geography? Excluded population characteristics?
- 2. Money and payments: how widely used is cash? Payments systems: RTGS / FPS / mobile payments? Interoperability?
- 3. Banking system? financial inclusion: bank accounts, other accounts?
- 4. National ID / digital ID / KYC/ekyc framework?
- 5. Economic context: trade linkages? remittances? tourism? etc
- 6. Legal context: does the central bank have payment systems supervision / authorisation? does the currency issuance / monetary stability authority extend to digital?
- 7. Capacity: internal in the central bank? public digital awareness? business?
  
- Framework summary: <https://nextbillion.net/economic-fintech-innovation-financial-inclusion-covid19/>
- Detailed FT4FI strategy: [https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=3387359](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3387359)

# International Money and Payment Arrangements

- Cross-border payments: G20 / CPMI / Libra / SWIFT etc
- International arrangements?



# Future of the

## International Monetary System

- New dominant currency (eCNY, bitcoin etc)
- New international monetary / payment system (eSDR, new SWIFT etc)
- Reinforce USD via DigDollar
- Multipolarity
- [Ukraine, Sanctions and Central Bank Digital Currencies: The Weaponization of Digital Finance and the End of Global Monetary Hegemony? by Ross P. Buckley, Douglas W. Arner, Anton N. Didenko, Dirk A. Zetsche :: SSRN](#)

# Thank you!

Introduction to FinTech – on edX:

<https://www.edx.org/course/introduction-to-fintech>