



Toward Increased Efficiency in Payments Systems

Remarks by **Governor Cleviston Haynes**
at the Central Bank of Barbados' Central Bank Digital Currencies (CBDC) Webinar

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Toward Increased Efficiency in Payments Systems

Good morning and welcome to this webinar on central bank digital currencies, commonly known as CBDCs. We had originally planned a physical conference in early April, but then COVID-19 made its unwelcome appearance.

As a country, we have made significant strides in containing the spread and treatment of COVID-19, and we have started the process of fully reopening the economy. Despite this progress, we are certainly not out of the woods as we grapple with the challenges and uncertainties that still abound. Therefore, I am especially grateful to each of you for your commitment to participate in this important discussion over these three days.

Your presence is testament to the increasing focus on this topic globally. Within our region, the East Caribbean Central Bank (ECCB) and the Central Bank of the Bahamas are undertaking pilot projects to assess the feasibility of digital currencies in their jurisdictions. A recent survey by the Bank for International Settlements concludes that the likelihood of the issuance of a digital currency is increasing. Indeed, the COVID pandemic has raised the prospect of increased use of digital payments, including via digital currencies.

We cannot ignore these emerging trends. The Central Bank of Barbados is the sole issuer of physical notes and coins (i.e., Barbados fiat currency) in fulfilment of its statutory mandate. Our currency is widely-accessible and risk-free and it remains a secure means of making payment. It facilitates the participation of all segments of the population in economic activity. For convenience and security, there is a growing trend towards the use of digital payments, but a recent paper by the Caribbean Economic Research Team indicated that Barbados' use of currency when measured against GDP is well above the regional average.

In a financial environment characterised by increased use of digital payments and ongoing innovation in financial services activity, we need to explore the feasibility of practical, safe and low-cost payments solutions. Unfortunately, the cost of settlement of some financial transactions is higher than desired, reflecting, *inter alia*, the costs for storing and managing the use of cash as well as for financial intermediation.

Recent developments with COVID induced business closures have demonstrated to all the potential for the economy to be driven by digital transactions. Furthermore, the Government of Barbados has signalled its commitment to transform the domestic economy through use of

technology, thereby expanding our global footprint and improving our agility, productivity and competitiveness.

The Central Bank is committed to working with Government and private stakeholders to achieve these objectives. The Bank considers the payments system to be a critical element of this transformation. In this context, it has always encouraged and supported innovation and creativity to improve efficiency in the delivery of payments. Transactions need to be executed timely and accurately to maintain the confidence of consumers and investors and to preserve monetary and financial stability. Our policy agenda is focused on developing a safe, efficient and competitive payments space that is inclusive for all. In this regard,

1. The Bank, in collaboration with the Financial Services Commission, established a Regulatory Sandbox to facilitate the testing of emerging Fintech products and services within a regulatory space without undue risks to consumers and the wider financial system
2. We are engaged in active and ongoing collaboration with the Government, financial institutions and other key stakeholders to reduce the issuance of physical cheques
3. We have committed to embrace credit unions in the Automated Clearing House (ACH) and Real Time Gross Settlement (RTGS) systems. Discussions on the technical requirements for on-boarding have commenced
4. The ACH will be upgraded to facilitate real time payments (or instant payments) among intrabank patrons and interbank customers
5. After consultation with stakeholders in the local financial sector, we are on the cusp of introducing a comprehensive legislative and regulatory framework for the payments system to ensure its continued development, soundness and efficiency. This framework will create the potential for new players to join the ACH and to increase competition within the payments space

It is in this context that we host this webinar on CBDCs. The transition to a digital economy presents both opportunities and risks which may present new challenges for the Bank. It is crucial, therefore, that we not only closely monitor and understand the implications of emerging trends and practices but also actively engage with each other on an ongoing basis. By doing so, we are likely to be better positioned to implement the required adjustments to our policy framework with minimal dislocation.

As we continue our research on CBDCs, this webinar is intended to help us to better understand the various issues related to the benefits, risks and the practicalities of the design of a CBDC. Accordingly, the agenda is wide in scope, covering a range of burning issues related to CBDCs. I am especially interested in hearing about the experiences of our fellow central banks, i.e. the

ECCB, the Bahamas, and Canada. We can learn from their experiences to better inform our decision making.

We are acutely aware that there remains considerable debate on CBDCs, including whether the costs of implementation outweigh the benefits. What, in our circumstances, therefore might be the appropriate design framework for a CBDC that is capable of supporting and contributing to a more resilient, innovative, and competitive payments and settlement system? Will CBDCs prove more effective in facilitating cross-border trade and settlement? Do they present a viable solution to the correspondent banking issues that have plagued regional economies?

As we emerge from an unprecedented global public health crisis that is inflicting severe economic and social repercussions, I am reminded of the famous quote attributed to Winston Churchill, *"never waste a good crisis"*. Our circumstances challenge us to question accepted reality and to pursue truth outside the usual compass. Our participation today is testament to Churchill's exhortation.

I wish to in advance our presenters and I wish everyone productive and engaging discussions over the course of the next three days.

I thank you.