

FSB

FINANCIAL
STABILITY
BOARD

Work of the FSB on Crypto-assets and innovation

Alexandre Stervinou
FSB Secretariat

Alexandre.Stervinou@fsb.org

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Working Group Meeting

16 December 2019

Outline

Global Stablecoin systems

Crypto-asset monitoring

mid-2020

ongoing

Decentralised Financial Technology

*to June G20 2019
meeting*

How is FinTech affecting Market Structure?

BigTech in finance

Third-party dependencies in cloud services

*Published in
December 2019*

An overview of crypto-assets, stablecoins and CBDCs

Crypto-asset

“a type of private asset that depends primarily on cryptography and distributed ledger or similar technology as part of their perceived or inherent value” (FSB, 2019)

E.g.:

- Bitcoin (market cap: \$166 bn)
- Ether (\$20 bn)
- XRP (\$12.5 bn)
- Litecoin (\$3.9 bn)
- EOS (\$3.3 bn)
- ...

Stablecoin

“a crypto-asset designed to maintain a stable value relative to another asset (typically a unit of currency or commodity) or a basket of assets” (FSB, 2019)

E.g. Tether (\$4.1bn), USD Coin (\$460 mn), Paxos (\$245 mn), Dai (\$100 mn), JPM Coin (?), USC (0), Libra (0)

Central bank digital currency

“a digital form of central bank money that is different from balances in traditional reserve or settlement accounts” (CPMI/MC, 2018)

Wholesale vs. retail /
general purpose

E.g. e-yuan? e-krona?

SCAV Financial Innovation Network (FIN)

SRC Regulatory Issue of Stablecoins (RIS) working group

Crypto-assets

- Monitoring framework : financial stability implications of crypto-assets
- Risk scenarios of stablecoins
- Review the framework in light of the emergence of global stablecoins

Regulatory and supervisory issues of stablecoins

- Stocktake
- Identify potential gaps, esp. cross-border
- Advise on multilateral responses if needed

Oct 19 issues note to G20

Q4 2019

Dec / Feb

April 2020

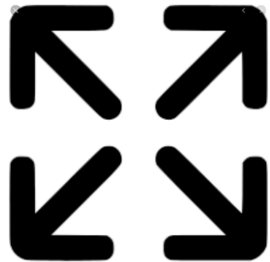
July 2020

Q4 2019

Q1 2020



Crypto-assets with a “stabilisation” mechanism,
e.g. referencing a basket of fiat currencies



**Potential scale
(distribution via
technology
platforms)**



**Linkages to the
existing financial
system**

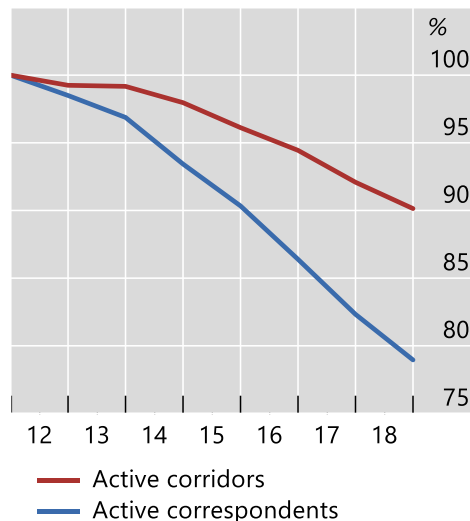


**Decentralised
(network of actors)**

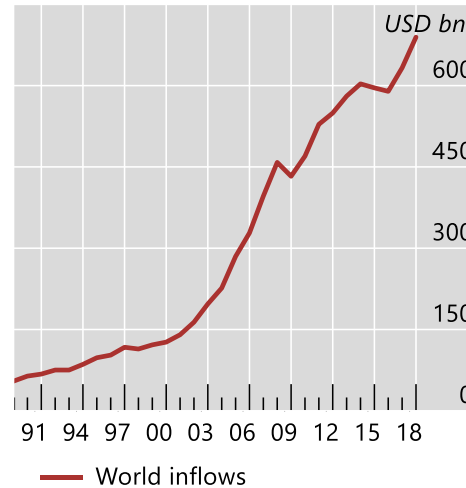
Current shortcomings in cross-border retail payments

Compared with domestic payments, cross-border retail payments remain slow, costly and opaque

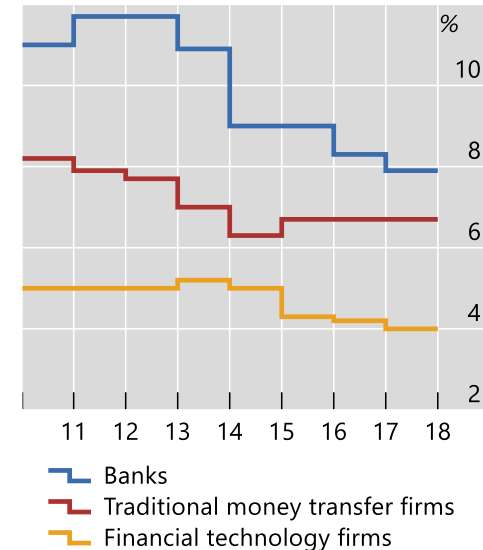
Decline in correspondent banking



Remittances volumes are rising



...at still high average costs²



¹ CPMI, Cross-border retail payments, February 2018

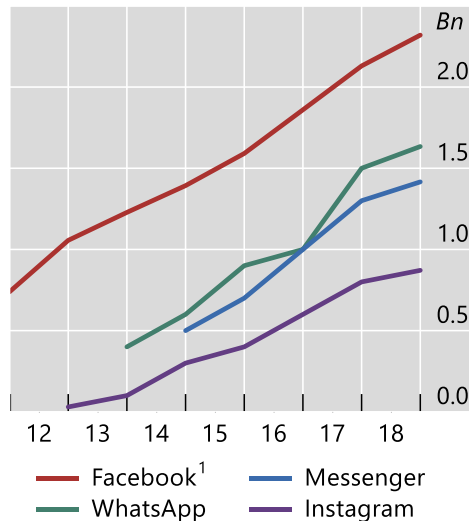
² Average total cost for sending \$200; figure adapted from *The Economist* (2019).

Sources: National Bank of Belgium; SWIFT BI Watch; *The Economist* (2019); World Bank, *Remittance Prices Worldwide*; World Bank; BIS calculations.

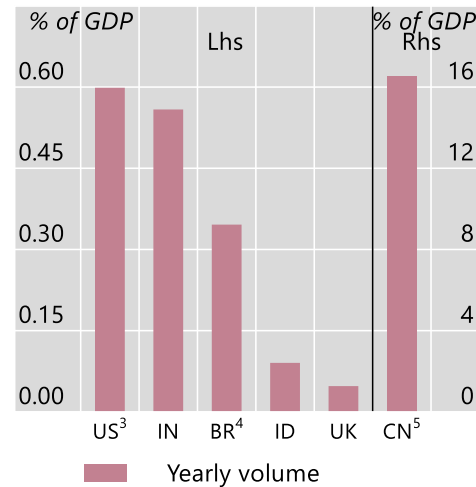
Big tech in payments could achieve global adoption...

...due to big tech's capacity for data analytics and existing network of users

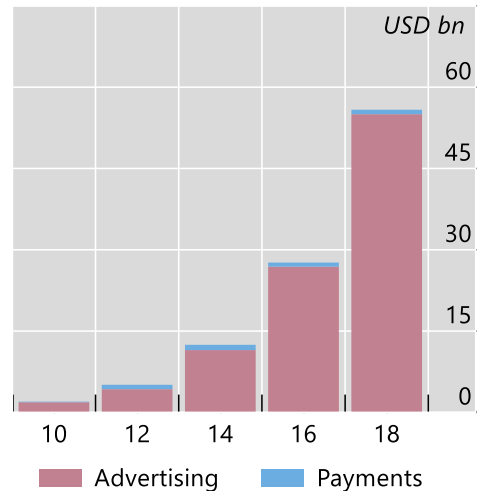
Monthly active users



Big tech mobile payment services²



Facebook's revenue



¹The numbers do not include Instagram or WhatsApp users unless they would otherwise qualify as such users. ²2017 data. ³2016 data. ⁴ Estimate based on the public data for Mercado Libre. ⁵ Only mobile payments for consumption data (ie excluding mobile payments for money transfer, credit card payments and mobile finance).

Sources: J Frost, L Gambacorta, Y Huang, H S Shin and P Zbinden, "BigTech and the changing structure of financial intermediation", BIS Working Papers, no 779, April 2019; World Bank; Forrester Research; GlobalData; iResearch; Mercado Libre; Nikkei; Worldpay; S&P Capital IQ; companies' reports and announcements; national data; BIS calculations.

Adopt a holistic approach



X-border



Regulatory arbitrage



Spillover effects



X-sector

- Legal certainty
- Financial stability
- ML-FT
- Market integrity
- Consumer protection
- Payment systems
- Data privacy
- Competition
- Monetary policy (IMF)*



Consider transmission channels

Payment / Clearing / Settlement



Exposures of financial institutions



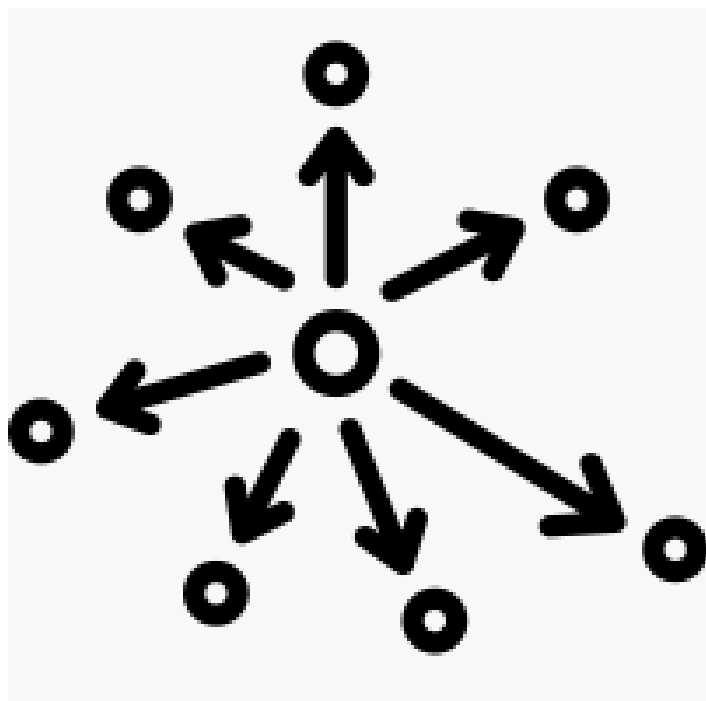
Wealth effects



Macrofinancial impacts



Confidence effects



- **Report to June 2019 G20 meetings**
- **Decentralisation** (decision making, risk-taking, record-keeping)
- **Exemplar technologies** (DLT, P2P)
- **Effect on financial services** (P&S, trade-finance, capital markets, lending)
- **Potential risks** (new concentrations, procyclicality, diffused responsibility, recovery and resolution)

BigTech in Finance: what?



Technology companies providing financial services



**Large customer
bases and name
recognition**



**Customer data
from technology
business**



**Business model
founded on cross
selling**

BigTech in Finance: risks



Profitability of incumbents



Operational risks



Procyclicality



Connection with incumbents

Cloud services: what?



A widely acknowledged type of outsourcing



Cloud services: risks



Operational



Legal



Concentration

