Digital Fiat Currency (DFC) - and its impact on Financial Inclusion

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Digital Fiat Currency (DFC)

**DFC is**

- Central Bank Issued
- Fiat Currency
- Legal Tender
- Sovereign denomination
- True to the three tests of currency:
  - medium of exchange
  - store of value
  - Unit of account

**DFC is not**

- Cryptocurrency (BITCOIN)
- Private Digital Currency (CitiCoin or SettleCoin)
- Supra National Currency (Ripple XRP)
- Virtual Currency

RegTech
An eCurrency unit is a unique, security construct (crypto-complex) that contains information about the specific unit, to distinctly identify itself and the value of the denomination it represents.

It will mitigate the ever-present risk of electronic counterfeiting.
Distribution of a DFC is similar to distribution of notes and coins.

Currency Distribution:
- Central Bank
  - Commercial banks
  - Merchant
  - Public

DFC Distribution:
- Central Bank
  - Commercial banks
  - E-MONEY | ECD's
  - Public

Note: The diagram is a flowchart illustrating the distribution processes. The terms 'Commercial banks', 'Merchant', and 'Public' are used to represent various stages in the distribution of currency and DFCs.
DFC = Interoperability and trust

Electronic Malaysian Ringgit
- Issued by Bank Negara Malaysia
- Legal tender in electronic form
- Interoperable

True interoperability with common unit of account issued by the central bank

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What problems are we solving with a DFC?

• Governance and regulatory compliance
  – Enables Central banks to sustainably perform core regulatory and monetary policy roles
  – Improves transparency and monitoring capabilities in economy and financial system

• Interoperability
  – Universally accepted and interoperable digital payment instrument
  – Enables instant settlement and eliminates counterparty- & settlement risk

• Security and trust
  – Infuses trust in all digital transactions
  – Reduces cyber security and fraud risks

• Efficiency and innovation
  – Cost efficiency vs. physical currency freeing up monetary resources
  – A trusted standardized DFC helps accelerate innovation in Digital Financial Services leading to Financial Inclusion

Enhanced Economic Growth