Workshop on Standards for Digital Fiat Currency (DFC)

Beijing, China, 12 October 2017

Overview

- Hosted by the Institute of World Economics and Politics at the Chinese Academy of Social Science

- Supported by the Institute of Digital Money, People's Bank of China, Chinese Academy of Information and Communications Technology (CAICT) and the Digital Fiat Currency Institute

- Interpretation was provided: English-Chinese

- More than 118 participants attended this workshop

- All event content is available at [here](#)

Session 1: Policy and Regulatory Landscape

Takeaways and Conclusions

1. Digital Fiat Currency (DFC) is still at an early stage.

2. Most Central Banks are still experimenting with DFC.

3. DFC and mobile money will coexist in the near future.

4. Consumer protection in DFC and quality of service issues are still not clear.

Suggestions to FG DFC

❑ Define the DFC ecosystem.

❑ Harmonize definitions of terms and terminologies used in DFC.

❑ Collect information on regulatory strategies deployed by countries.

❑ Discuss consumer protection issues for DFC and the benefits of DFC for consumers.

Session 2: Global Trends: Digital Financial Access & other Models

Takeaways and Conclusions

1. DFCs have great potential in reshaping Global Financial Governance (GFG), especially in the area of Cross Border Payment System (CBPS).

2. Countries experiences were presented:
   - China
   - Caribbean Region
   - Burundi.

3. DFCs can be implemented using various technologies not only using blockchains.

4. DFCs can be used for various use cases

Suggestions to FG DFC

- ❑ Share information about the lessons learned on DFC use cases in different pilot use cases.

- ❑ Explore how DFC will work in case of natural disasters or if the network infrastructure is down.

- ❑ Cross border payments will be included as a use case.

Session 3: DFC Reference Architecture Technology Spotlight

Takeaways and Conclusions

1. The reference architecture is composed of several layers:
   - Business Architecture – How digital currency is issued and integrated with existing payment systems.
   - Technical Architecture – implementation whether using DLT or DFC or hybrid.
   - Data Architecture – the attributes for digital currency, its denomination and whether based on account or digital wallets.
   - Application Architecture – how will functions for central bank, commercial bank, identity management etc. be assigned.
2. A number of technology options exist having their advantages and drawbacks.

Suggestions to FG DFC

❑ Investigate the various reference architecture domains for digital currency and their robustness

❑ Define the requirements for the reference architecture taking into consideration the different technological solutions available

❑ Digital Currency issued by Central Bank should have the same characteristics as paper fiat currency (i.e. it is a store of value, unit of account, medium of exchange and it is legal tender).

Session 4: The DFC Deployment Race: Who will deploy first: developing or ddeveloped economies?

Takeaways and Conclusions

1. Both developing and developed countries are considering to implement DFC, but their motivations are different.

2. Developing countries are focused on achieving financial inclusion.

3. Developed countries are more interested in achieving financial stability.

4. Who will win deploy first: Most probably developing countries because the deployment will be less complex.

Suggestions to FG DFC

❑ Consider the risks and benefits of DFC to both developed and developing countries.

❑ The economic impact of DFC should be assessed.

❑ FG DFC next meeting to take place in a country which has a pilot DFC in place.

Session 5: Security Issues in Digital Currencies

Takeaways and Conclusions

1. Security risks in the underlying technology used for implementing DFC need to be understood

2. Digital currency implementations based on DLT, have security issues that need to be addressed.

3. Cryptographic techniques used in digital currencies should be secure and prevent counterfeiting.

4. ISO is also studying security of DFC.

Suggestions to FG DFC

❑ Investigate security of digital currency based on DLT and other technological options.

❑ Develop security architecture for DFC addressing all the threats and risks.

❑ Work closely with ISO on the area of security of DFC.