



# **Digital Fiat Currency and Global Financial Governance**

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# Agenda

- The change of GFG and limitations of current CBPS
- Opportunities and challenges DC brings to CBPS
- New patterns of CBPS reconstructed by DFC
- Regulations under DFC-based GFG

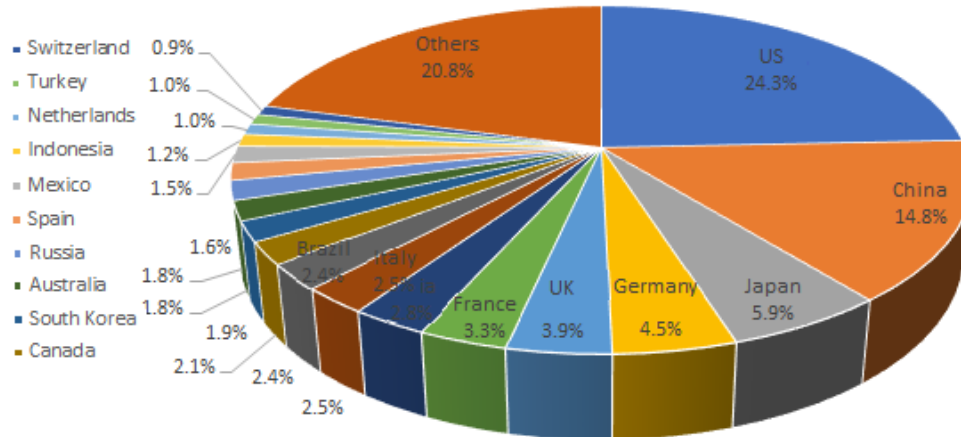
GFG: Global Financial Governance  
CBPS: Cross-border Payment System

DC: Digital Currency  
DFC: Digital Fiat Currency

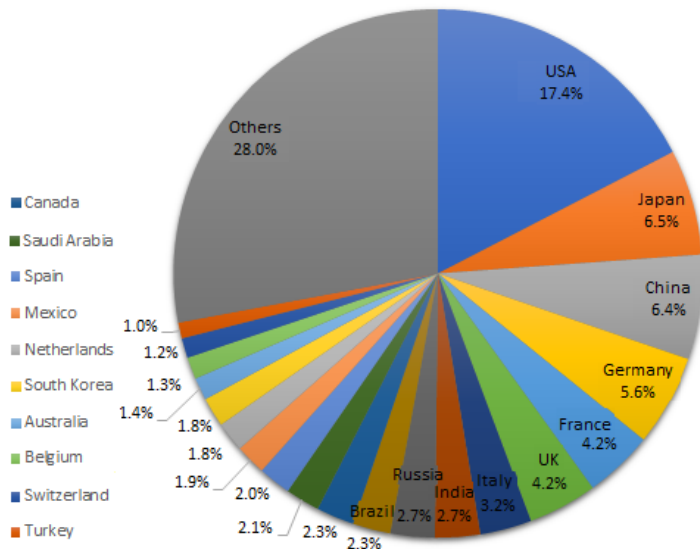


# The Change of Global Financial Governance

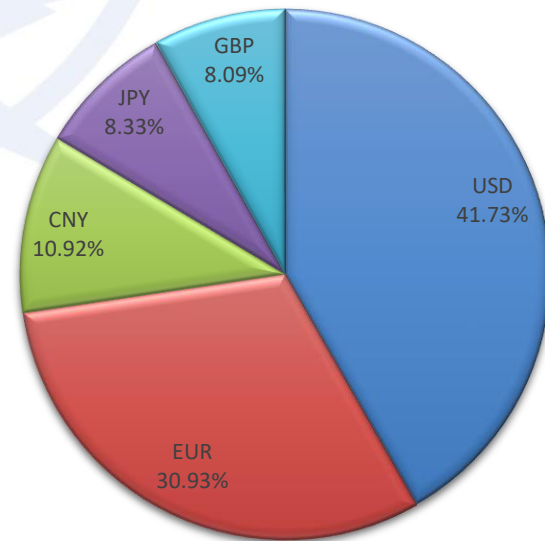
## Global Economy by GDP



## IMF Members' Quotas



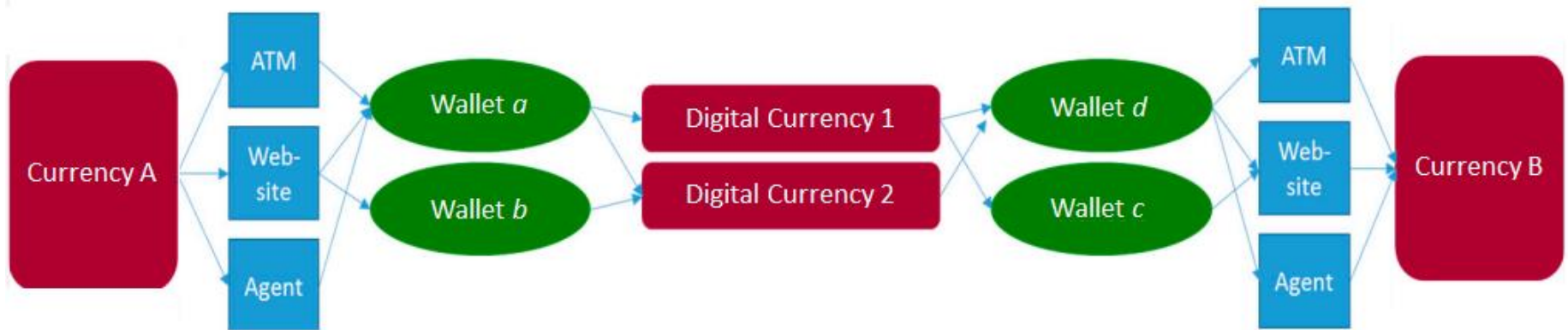
## SDR Valuation Basket



# Limitations of Current Cross-border Payment System

- Highly Centralized SWIFT & CHIPS
  - SWIFT is mainly governed by traditional developed countries.
  - CHIPS was founded by New York Clearing House Association.
- Disadvantages
  - Little competition (for service providers)
  - No choice (for users)
  - High cost: 7.7% for small remittances (IMF, 2016)
  - Long time: 3-5 days

# Opportunities that Digital Currency Brings to Cross-border Payment Systems



Source: IMF Report (2017)

- Successful Practices: Oklink (HK), Bitspark (HK), Coinpip (Singapore), Abra (US), Bitwage (US) ...
- Characteristics:
  - Decentralization (inexpensive & fast)
  - Distributed ledger (traceable & tamper-resistant)

# Challenges that Digital Currency Brings to Cross-border Payment Systems

- AML/CFT
- Consumer Protection
- Taxation
- Capital Flow Management

*So digital fiat currencies are needed to reconstruct the cross-border payment system.*

# New patterns of Cross-border Payment System Reconstructed by Digital Fiat Currency

- IMF Leading Pattern

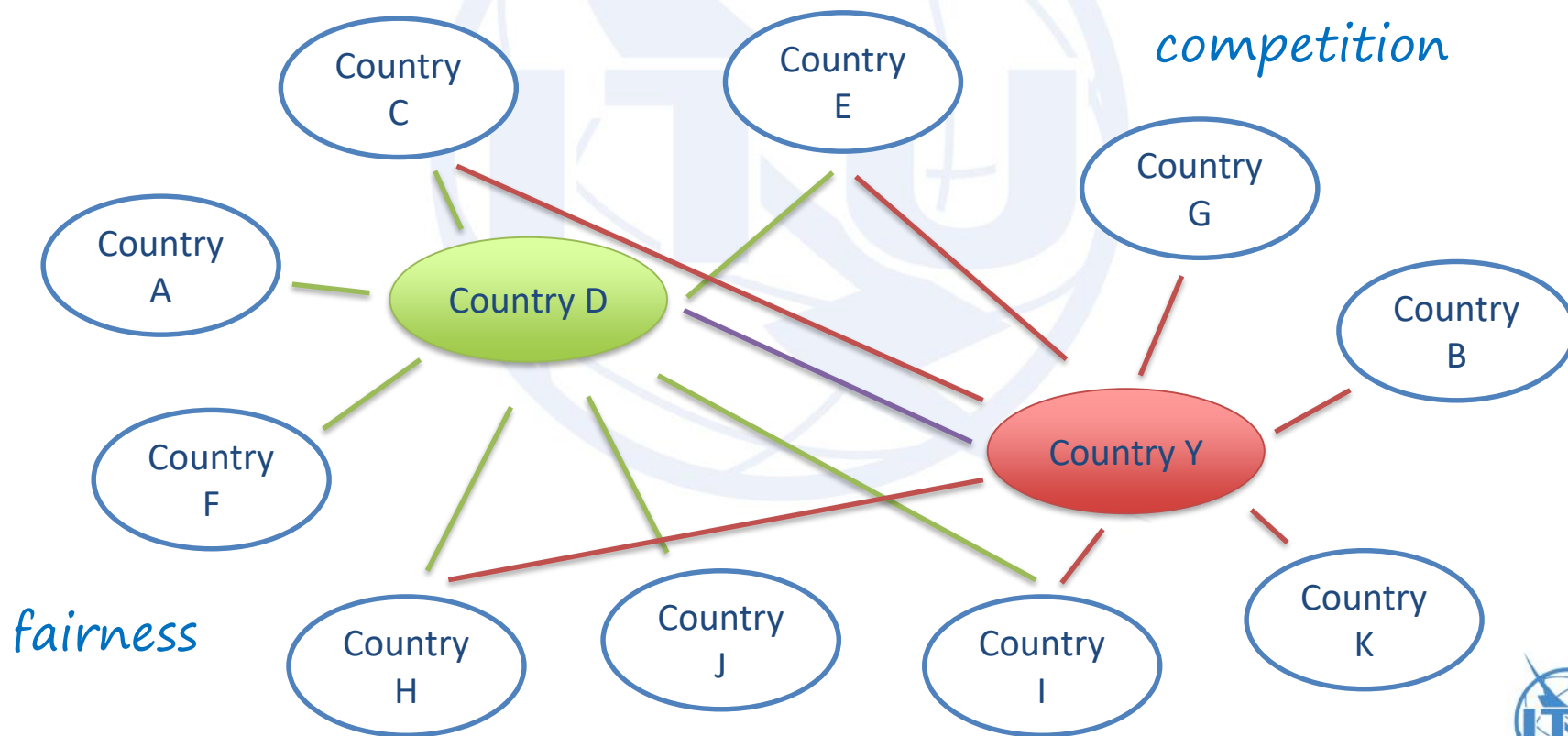


Special Drawing Right (SDR) is an important instrument of global financial governance.



# New patterns of Cross-border Payment System Reconstructed by Digital Fiat Currency

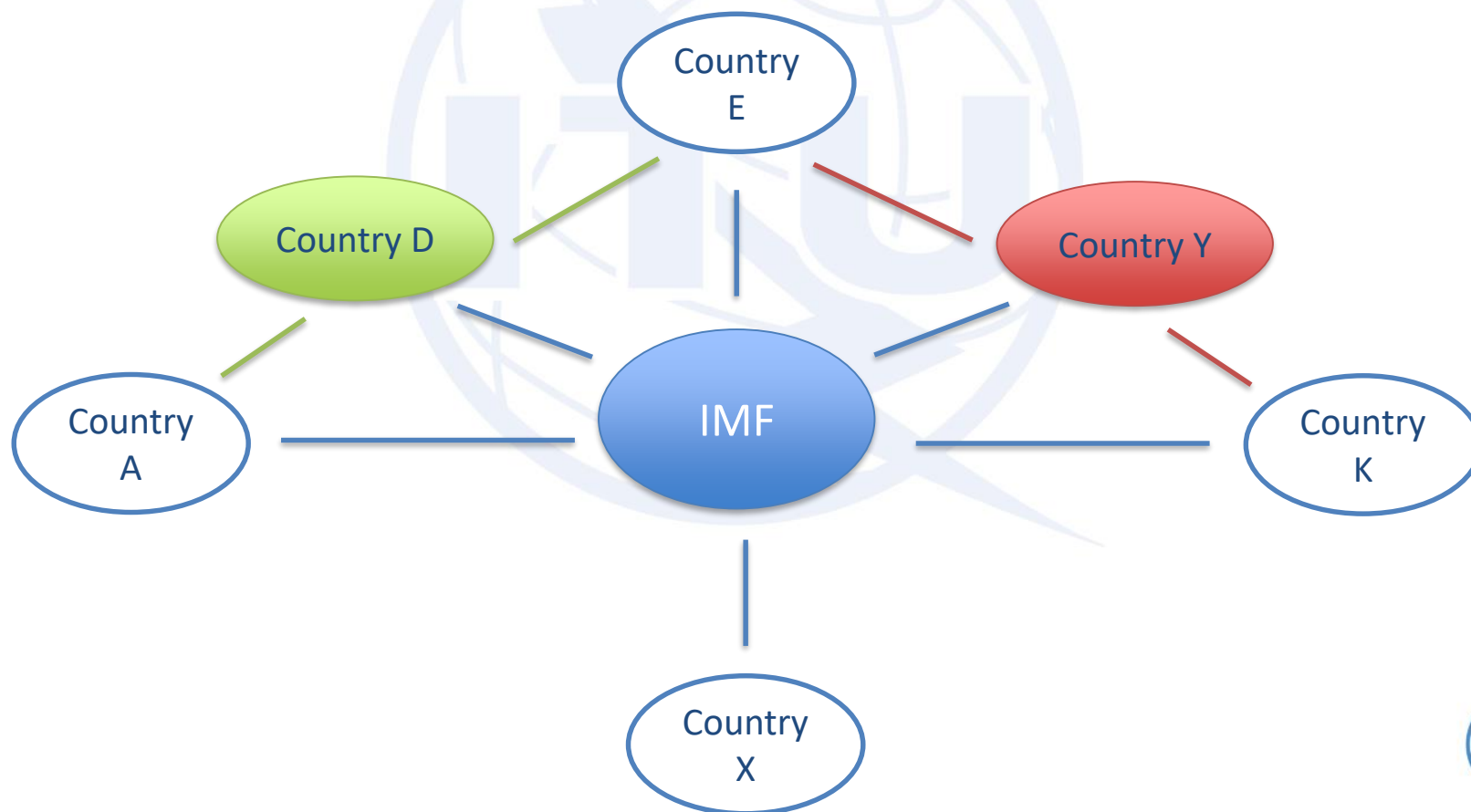
- Countries leading pattern





# New patterns of Cross-border Payment System Reconstructed by Digital Fiat Currency

- Coexisting pattern



# Regulations under Digital Fiat Currency-based Global Financial Governance

- National level
  - Extend current centralized regulation system
  - Improve licensing regimes and prudential supervision
  - Require real-name account registration (back-end database)
- International level
  - Promote multilateral regulatory cooperation on G20 platform
  - Establish common standards and regulatory principles
  - Share information and data of cross-border transactions
  - Jointly investigate and prosecute cross-border offenses



# Summary

- Emerging economies have played more important role in global economy and GFG
- DFCs have great potential in reshaping GFG, especially in the area of CBPS
- DFC-based CBPS led by IMF and individual countries should coexist
- International regulatory cooperation should be enhanced with G20 and IMF taking the lead

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*Thank you !*

