

Session 4 | CCA COUNTRIES AND THE GLOBAL AGENDA ON DIGITAL PAYMENTS AND FINANCIAL SERVICES

NEW TECHNOLOGIES, FINANCIAL INCLUSION, AND MONETARY POLICY IN CCA COUNTRIES

Like in other regions, CCA countries need to prepare for the rapid development of digital payment and financial services. Support from the international community can help them benefit from these new opportunities while avoiding potential pitfalls, building on lessons from experience in other regions. The IMF, in particular, has a unique role to help its global membership in integrating these technologies into broader macro-financial policy and regulatory reforms. This closing session will draw on previous panel discussions and discuss the contours of a strengthened partnership between the IMF and CCA countries as they pursue domestic reforms and participate in the global agenda to leverage new technologies.

What visions should guide CCA central banks as they incorporate new technologies in their public policy objectives? In which direction is the global policy agenda headed as regards central banks' roles in these areas? How can the international community, and in particular the IMF, help CCA countries play a greater part in this agenda?

A discussion between **Tobias Adrian** (Director and Counsellor, Monetary and Capital Markets Department, IMF) and **Nicolas Blancher** (Division Chief, Middle East and Central Asia Department, IMF)

Key Takeaways and Quotes

- Digital payment platforms are revolutionary technologies that can raise financial inclusion in the CCA region, including through reduced costs for remittances.
- They could also expose CCA countries to larger and more volatile capital flows, and faster transmission of global financial conditions.
 - *“A key challenge is managing the side effects of integrated payment systems with digital money, and to keep control of domestic monetary and financial conditions, in particular for emerging markets subject to capital flow volatility.” Tobias Adrian*
- Weak regulatory capacity may limit the benefits from digital payments – CCA countries should address concentration, data misuse, and financial stability risks.
- Cooperation among central banks will be key to control spillovers, and CCA countries could pool resources to address these challenges, as in other regions.
- The IMF is stepping up its support to CCA countries considering the introduction of CBDCs through policy dialogue, capacity building and peer-to-peer exchange platforms, such as its new regional Technical Assistance Center (CCAMTAC).
 - *“We're talking to a number of CCA central banks on the scope for and issues posed by CBDCs, which include cybersecurity, the impact on commercial banks, cross-border money transfers, as well as AML/CFT issues.” Tobias Adrian*

Summary of discussions

This discussion tied together many themes from earlier presentations and provided a forward-looking perspective on the global agenda and the implications for CCA countries. Key points included:

- Adoption of a CBDC (or digital payment platforms more generally) can benefit CCA countries by bridging the financial inclusion gap. It can also reduce costs for cross-border payments and remittances from which many CCA countries benefit.
- However, central banks need to be prepared to address risks from the adoption of these disruptive and revolutionary new technologies. These risks include concentration risks around large players dominating services; misuse of consumer data; and financial stability ramifications.
- From a global perspective, the adoption of CBDCs and digital payments may also lead to larger and possibly more volatile capital flows, faster transmission of global financial conditions, and the possibility of more widespread currency substitution to CCA countries. Therefore, cooperation among central banks will be key to design CBDCs that allow control of spillovers and provide backstops.
- Several CCA countries have expressed interest in CBDCs. They are currently considering the implications for commercial bank deposits, cybersecurity risks, and AML-CFT issues. The IMF is providing support to these efforts through capacity building and peer-to-peer platforms.
- Weak regulatory capacity may limit the benefits realizable from digital payments technologies. Countries are encouraged to pool resources regionally to address these challenges, as shown by the experience of Gulf countries for example. They can draw on international expertise provided by the Fund and other international partners. In this regard, the launch of the IMF's new CCAMTAC Technical Assistance Center provides new opportunities for expanding capacity building in CCA countries.