HIGH-LEVEL SUMMARY TECHNICAL ASSISTANCE REPORT

PHILIPPINES

Stakeholder Engagement and Roadmap for Wholesale Central Bank Digital Currency

June 2025

Prepared By

Tansaya Kunaratskul (Mission Chief), Nicolas Xuan-Yi Zhang (both MCM),
Ashley Lannquist (ITD), Lariza Galindo Hernandez, and Miguel Vieira Toro (both CSF)

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High-Level Summary Technical Assistance Report
Monetary and Capital Markets Department

Philippines: Stakeholder Engagement and Roadmap for Wholesale Central Bank Digital Currency

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The *High-Level Summary Technical Assistance Report* series provides high-level summaries of the assistance provided to IMF capacity development recipients, describing the high-level objectives, findings, and recommendations.

ABSTRACT: The IMF conducted a technical assistance (TA) mission to the BSP to explore potential use cases of a wholesale Central Bank Digital Currency (wCBDC) in addressing challenges within the Philippines' wholesale payment landscape. The mission facilitated stakeholder engagement and developed a preliminary roadmap for wCBDC exploration. Key findings from the stakeholder engagement identified inefficiencies in securities settlement and cross-border payments as exploratory areas for potential wCBDC use cases. Building on the identified use cases, the mission facilitated the development of a preliminary roadmap for wCBDC exploration. Consequently, the mission provided recommendations to ensure that BSP's wCBDC roadmap could effectively address challenges in the financial system and promote economic development. Key recommendations include allocating project management resources effectively, identifying and analyzing economic impact of wCBDC, engaging stakeholders continuously, and establishing a robust legal framework for wCBDC experimentation and potential issuance.

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International Monetary Fund, IMF Publications
P.O. Box 92780, Washington, DC 20090, U.S.A.
T. +(1) 202.623.7430 • F. +(1) 202.623.7201
publications@IMF.org
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Background

The Bangko Sentral ng Pilipinas (BSP) has been exploring wCBDC since 2022. The BSP has recently completed a sandbox testing and was finalizing assessments of the wCBDC prototype, focusing on extended operation hours for interbank fund transfers using distributed ledger technology (DLT) under Project Agila. The IMF has provided multi-phased TA to the BSP to support its CBDC journey at various stages: Phase 1 (June 2022)–virtual educational presentations on CBDCs; Phase 2 (December 2022)–initial onsite evaluation of the suitability of wCBDC for certain market segments; and Phase 3 (November 2023)–onsite technology and policy guidance for the new Project Agila's prototype.

In this fourth mission, the IMF assisted the BSP in stakeholder engagement to validate wCBDC use cases for addressing challenges within the Philippines' wholesale payment systems, as well as to develop a roadmap for wCBDC exploration. The onsite mission was conducted from November 26 to December 4, 2024. Additionally, the mission provided a desk review on Project Agila's outcome reports.

The mission included two main components: facilitating stakeholder engagement through a design-thinking workshop and developing a preliminary roadmap for wCBDC exploration. The workshops included BSP staff from relevant departments as well as representatives from financial institutions, regulators, agencies, and industry associations.

Summary of Findings

During the stakeholder engagement workshops, the participants identified key pain points in the wholesale payment landscape, including inefficiencies in securities settlement processes, a lack of interoperability among existing payment systems, and inefficiencies in cross-border payments. The discussions prioritized two potential use cases for wCBDC: the settlement of tokenized government bonds and the enhancement of cross-border payments. While not able to fully resolve all these challenges, wCBDC offers a potential way to partially address them.

The use of wCBDC for tokenized government bond settlement could enhance access for individual retail investors and improve the efficiency of secondary trading and settlement processes. The workshop participants emphasized the importance of supporting the Bureau of Treasury's experimentation with government bond tokenization. By enabling simultaneous and conditional delivery-versus-payment (DvP) settlement of tokenized government bonds in central bank money, wCBDC could lower principal, liquidity, credit, and settlement risks compared to the use of commercial bank money. Additionally, smart contracts could automate bond transactions and allow for flexible fractionalization, lowering investment minimums for individual investors and potentially improving liquidity and supporting trades across different platforms.

The use of wCBDC for cross-border payments could enable instant cross-currency settlements through simultaneous and conditional payment-versus-payment (PvP) settlements, potentially reducing transaction time and the roles of correspondent banks. Increased speed and lower costs could enhance cash flow and liquidity for businesses in international trade, allowing for innovative applications such as payments for tokenized letters of credit or invoices. Successful implementation would require collaboration with partner countries and careful attention to regulatory complexities in different jurisdictions.

Building upon the two prioritized wCBDC use cases, the mission facilitated the development of a preliminary roadmap for exploring wCBDC, structured according to the IMF's 5P methodology. This roadmap is organized into three distinct workstreams. The first workstream focuses on key foundational actions necessary for enabling wCBDC use cases. Key action items include effective resource allocation, policy goal alignment, continuous stakeholder engagement, and suitability assessments. The second and third workstreams focus on the two identified use cases. These workstreams would initially conduct thorough research to lay the groundwork and establish suitability of wCBDC, followed by a progression to more complex and resource-intensive explorations, such as developing proof-of-concepts.

Summary of Recommendations

To ensure the successful implementation of the wCBDC roadmap, the mission team recommended several strategies for capacity improvement. First, the BSP should allocate resources effectively and engage multidisciplinary expertise within dedicated working teams to enable informed decision-making and foster collaboration across different departments and stakeholders. Also, the BSP should identify overlapping action items for the identified use cases in the roadmap to optimize efforts and streamline processes. Additionally, the BSP should examine the dependencies of these action items and establish a timeline for their completion to ensure effective coordination and progress.

Second, the BSP should set clear policy goals, conduct further research on the causes of pain points and challenges, and formulate testable hypotheses. For example, one hypothesis could investigate how wCBDC could potentially reduce settlement times of government bond transactions, while another could assess whether it could enhance retail investor access. These hypotheses should be subjected to empirical analysis to evaluate wCBDC’s economic impact. To facilitate the process, the BSP could adopt the IMF’s 5P methodology to develop key performance indicators (KPIs), go/no-go decision points, and success metrics for each wCBDC use case. This framework will help the BSP evaluate wCBDC's impact and decide on whether to proceed to a more advanced technical development or adjust initiatives. Additionally, the BSP should involve stakeholders in the collaborative design of wCBDC is essential to ensure it delivers value and practical applications for users.

Third, ongoing engagement and communication with stakeholders are crucial to clarify the value propositions of wCBDC and gain buy-in for roadmap implementation. The BSP should develop a joint communication strategy with key potential partners, in order to ensure consistent messaging and stakeholder alignment.

Fourth, to ensure alignment in technology design and effective management of digital risks, the BSP could consider collaborative technology research for wCBDC and tokenization with the partners involved in the use case experimentation. Additionally, the BSP should continue its commendable work in researching and managing digital risks like cybersecurity, as part of its ongoing Project Agila efforts. Against this backdrop, the BSP should ensure a proper legal framework is in place to support wCBDC’s experimentations and potential issuance, as relevant.

Finally, the BSP should refine the preliminary roadmap continuously, drawing on feedback from stakeholders and adapting to evolving market conditions. This iterative approach will help ensure that wCBDC, if suitable, could effectively address the challenges in the Philippines’ wholesale payment landscape.