

Terms of Reference for the Working Group on Cryptotechnologies, Smart Payments and Stablecoins

Background and context

Launched in 2016, the Cryptotechnologies Working Group has explored the use of cryptotechnologies in trade finance, international payments and regulatory compliance. In 2019, in light of the increasing significance of the Internet of Things in the financial sector, the EBA Board extended the mandate of the working group to exploring smart payments and to reflect this new focus, the working group was renamed Cryptotechnologies and Smart Payments Working Group (CSPWG). In its paper on 'The Internet of Things and Smart Payments' published in September 2019, the CSPWG looked at how the Internet of Things will impact banking infrastructures and payment services and identified key considerations for financial institutions as payments and banking become faster, more autonomous and data rich.

Technological innovation can produce great economic benefits for the financial sector, promoting competition and financial inclusion, broadening consumer choice, increasing efficiency and delivering cost savings for financial institutions and the economy at large. In 2019, the emergence of "stablecoin" initiatives has highlighted the importance of continuous improvements to payment arrangements in order to meet market and consumer expectations for convenient, fast, efficient and inexpensive payments – especially cross-border. The ECB and other central banks and national competent authorities have also recognised this trend and will explore further the ongoing digital transformation of the payment ecosystem and, in particular, the consequences of initiatives such as stablecoins. Against this background, the members of the CSPWG have expressed interest in exploring the implications of central bank digital currencies and "stablecoins."

Activities to be undertaken

By collaboratively exploring the topic of stablecoins, the EBA can make a significant contribution to thought leadership on this topic by bringing together EBA members to learn about and explore the implications of digital currencies for banks and their partners/stakeholders and the obstacles and benefits of stablecoins.

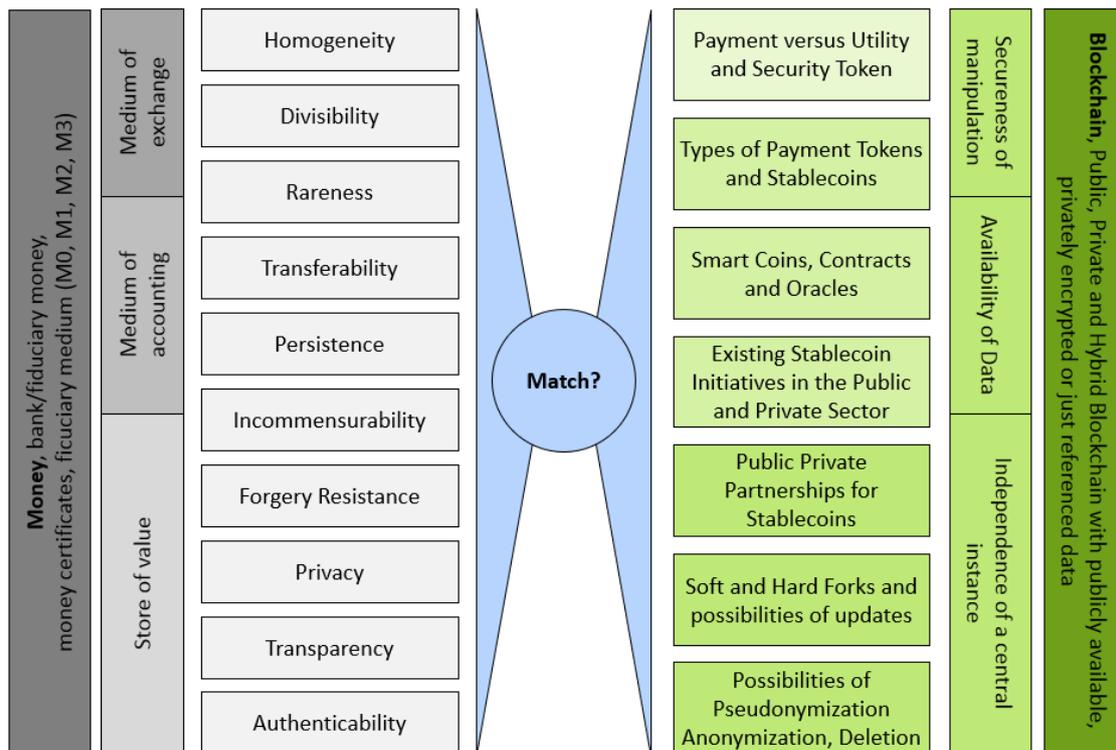
The CSPWG will contribute to learning about and exploring the emergence of stablecoins, and analyse the opportunities and implications thereof, with the objective to produce a white paper on the topic.

The scope will include the following:

- Definition and potential advantages and disadvantages of stablecoins with an analysis of pros and cons for banks and central banks. Are stablecoins a medium of exchange, just another form of payment or even more than both? Which integration potential do they have?

- How could privacy, data protection (anonymity, pseudonymity) and data security as well as the economic usage of big data, combatting crime and the wish for transparency be united without conflicts?
- Does a consistent regulatory framework for money and blockchain/digitalisation exist and how does it or should it look like?
- Short outlook on models for digital currencies

The following table gives an overview over the exploration topics about stablecoins in a structured and logical context:



Communication activities

The objective will be to help EBA members understand the opportunities and implications of stablecoins and share conclusions with a wider audience. By doing so, the CSPWG aims to significantly contribute to the wider industry discussion on stablecoins and help to develop a forward-looking approach to the topic, which can be used by financial institutions and other stakeholders in Europe and beyond.

Composition and organisation

The number of working group members should not exceed 30.

Members of the CSPWG are members designated by the Board of the EBA among existing Board members as well as representative delegates and industry experts at the level of EBA members and Associate members.

The CSPWG will be chaired by an EBA Board member and facilitated by EBA staff with the support of other resources as are required and approved by the Board.

Frequency and duration

The CSPWG will come into existence for an initial six-month period which might be extended as further deliverables are approved by the Board. The CSPWG will interact mainly through conference call facilities.