

This bit of research is into a new type of currency called Stablecoin. What is that? I hear you all yell. Well, it's a form of electronic money.

In the 'alternative media', one of the ongoing theories is there will be a new type of currency, and everyone in the world will have to use it, no matter where you're from. And that the creation of it is hidden from view until they release it fully.

Well, how do people know that they will create something that is hidden? Simple, it's not. Not really. It's just not easy to find.

The majority of people online tend to have the attention span of a few minutes. Think about it. You look at a news article, skim through it, close it, and go and do some shopping. If someone was to ask you about the article, you probably won't be able to say what 100% of the page was about.

It's the same with research. If its handed to you on a plate, in a form of a video, you'll watch it but probably not take all of it in. Imagine then if it's buried away in a website somewhere.

Anyway, back to the main article.

As everyone knows, there are Central Banks. I'm not getting into the 'what are they' route, but the actual Stablecoin.

So, I'm looking at the Bank of England as a main starting point. Yep, again, everyone has heard of them, but who really has looked at their site? Not many, I can fully understand why lol.

<https://www.bankofengland.co.uk/>

What an exciting site. I could spend hours in here but then again, I could glance and go elsewhere. But I did stay, and found this:

<https://www.bankofengland.co.uk/financial-stability-report/2020/december-2020>

In Section 5 (you can click on the left to zip there quickly) is "5: In focus – Systemic stablecoins and financial stability"

I've screenshotted the main parts which explain what it's about:

Stablecoins are digital tokens that claim to maintain a stable value at all times, primarily in relation to existing national currencies. They could provide benefits to users. But they will be adopted widely and become successful as a safe and trusted means of payment only if they meet appropriate standards and confidence in their value is assured at all times. In particular, their users must be as sure of their ability to redeem their money in cash, at face value, at all times, as they are with private money — commercial bank deposits — that is in widespread circulation in the UK today.

The FPC, along with many authorities internationally, is considering how the regulatory system should adapt to ensure this, while supporting innovation, in an efficient way. It is also considering the potential effects on financial stability more broadly if stablecoins were to be adopted widely. A discussion paper on these issues will be published in due course by the Bank. That paper will also address issues that may arise in connection to the introduction of a Central Bank Digital Currency (CBDC) — an electronic form of central bank money that could be used by households and businesses to make payments.

Then there are these bits that go into it more. I've copy/pasted these bits, as its just odd sentences, but all are in Section 5 of the report:

“Stablecoins are a type of ‘crypto’ (or ‘digital’) token that claim to maintain a stable value at all times, primarily in relation to existing national currencies.”

“If attractive to users, stablecoins could become widely used by households and businesses in the UK as a means of payment.”

“But they will only be adopted widely and become successful as a safe and trusted means of payment, if they meet appropriate standards...”

“Firms in stablecoin-based systemic payment chains that are critical to their functioning should be regulated accordingly.’ To ensure this, the Bank — as the regulator of systemic payment systems with the objective of maintaining financial stability — would need to have the necessary powers over systemic payment firms that use stablecoins, including stablecoin issuers and wallets.”

“Given the need for reforms to the regulatory framework as payment technologies evolve, the FPC supports HM Treasury’s (HMT’s) Payments Landscape Review and its planned consultation on the UK regulatory approach to cryptoassets and stablecoins”

(Side note, I'll show you what the Review is about later)

“Two types of money circulate and are used for transactions in the UK today: money issued by the public sector (cash and reserves held at the central bank); and money issued by private institutions (primarily the deposits of commercial banks). In recent decades, privately issued money has become more dominant as a means of payment. Around 95% of the funds people hold that can be used to make payments are now held as bank deposits rather than cash, compared to around two thirds in the 1980s.”

“Stablecoins could be an additional type of ‘private’ money. If they are to be adopted widely then, as with bank deposits, confidence must be assured in the public’s ability to redeem their money in cash, at face value, at all times. The FPC’s second expectation addressed this: ‘Where stablecoins are used in systemic payment chains as money-like instruments, they should meet standards equivalent to those expected of commercial bank money in relation to stability of value, robustness of legal claim and the ability to redeem at par in fiat.’ Implementation of this expectation would maintain a payments landscape where users can substitute between different forms of money, without consequence for their level of protection. To ensure this remains the case in future, other forms of private money, such as e-money, would also need to meet the FPC’s expectation, were their issuers to become systemic.”

“The FPC is considering how the regulatory system can adapt to ensure this, while supporting innovation, in an efficient way”

“Another possibility would be to back systemic stablecoins with central bank money in one form or another. Such an approach exists in the UK for private issuers of physical cash in Scotland and Northern Ireland. If a stablecoin were backed only by central bank money, it would be economically similar to a CBDC. This is an electronic form of central bank money that could be used by households and businesses to make payments. The discussion paper will therefore also explore questions about the role of the private and public sector in the provision of money, building on the Bank’s March 2020 CBDC Discussion Paper.”

(Side note, I’ll look at the CBDC paper later)

“Growth of stablecoins could have implications for wider financial stability...including reinforcing existing risks of large flows of money, for example during stress.”

And if you’ve not fallen asleep, I’ll carry on. So basically it’s a form of cryptocurrency. It states that the user should be able to access the money if wanted (in the grey box I pasted); central bank would be used by households as well as businesses to make payments.

So, the last bit is very interesting. Why is the central bank looking after my payments to say, British Gas, instead of my high street bank? I’ll leave that question to float out there ☺

Now, remember this was a report released end of 2020. Was it discussed at earlier dates? We’ll look in a bit, but first, back to those ‘notes’ I added.

“Given the need for reforms to the regulatory framework as payment technologies evolve, the FPC supports HM Treasury’s (HMT’s) Payments Landscape Review and its planned consultation on the UK regulatory approach to cryptoassets and stablecoins”

So, what this is, is the Treasury put things out, as do other departments like the covid passport that is doing the rounds, so that the public can put down their thoughts. Interestingly enough, I can bet a large amount of money (if I had any) that the majority of people don’t know about this type of thing, especially the many that are in the alternative field. Moaning on a YouTube comments section is a waste of time, you need to fill these in. On a random thing, a while back, YouTube was enacting

COPPA. Again, many moaned on YT, posted videos, comments etc. But how many actually went to the website where you could add comments? Not many I can tell, as I did and there was hardly any posted. Basically, you need to remember that any change, you need to go through the channels that they allow to have the voice heard.

Anyway, back on track.

<https://www.gov.uk/government/consultations/payments-landscape-review-call-for-evidence>

It was from July to October 2020. You can still view the proposals:

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/904140/2020_template_PLR_CfE_27072020_final.pdf

The landscape review was announced in June 2019. What were most people looking at on the news in 2019? I can guess the answer.

I've read it and here are the salient points, but please do read it if you're curious (its 41 pages long, starts on page 7 really).

"The government setting up the world's first economic regulator for payment systems – the Payment Systems Regulator (PSR) and bringing UK payment systems under formal regulation"

(side note, may take a look at the PSR later)

"the PSR overseeing a change in the way the main UK retail payment systems are owned and governed, opening up access, enabling greater competition and innovation in payment services and ensuring the needs of end users are taken into account when decisions are made"

"the government capping interchange fees and banning surcharging to reduce costs for consumers and businesses"

"the government legislating to enable a cheque imaging system to be developed in the UK to speed up cheque processing and eliminate the need to physically transport two and a half million cheques per year by road"

(I never knew that they transport this amount yearly)

"the Competition and Markets Authority (CMA) driving forward Open Banking to offer the opportunity for consumers to pay for goods and services in shops and online directly from their accounts, rather than using a debit or credit card"

"A major step forward in how UK consumers and businesses pay for things is on the horizon through Open Banking, enabling account-to-account payments through third party Payment Initiation Services using Open Banking Application Programming Interfaces (APIs). If account-to-account payments were to take off in the UK this could lead to a significant change in how people pay for things in a country where debit and credit cards still account for most of the payments made by consumers in shops and online"

(say goodbye to your plastic, hence high-street banks)

"Cryptoassets, including stablecoins is another important area of innovation. In its March 2020 Budget, the government set out two commitments relating to cryptoassets; firstly, consulting on bringing the promotion of cryptoasset activities into regulation and secondly, consulting on the regulatory approach to global stablecoins. The government also set out its intention to continue to take a leading role in exploring central bank digital currencies (CBDC)"

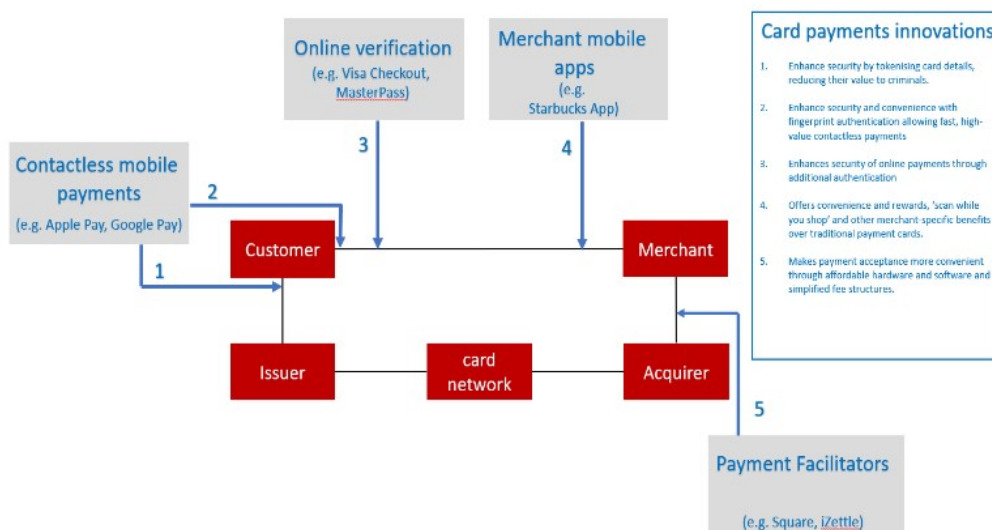
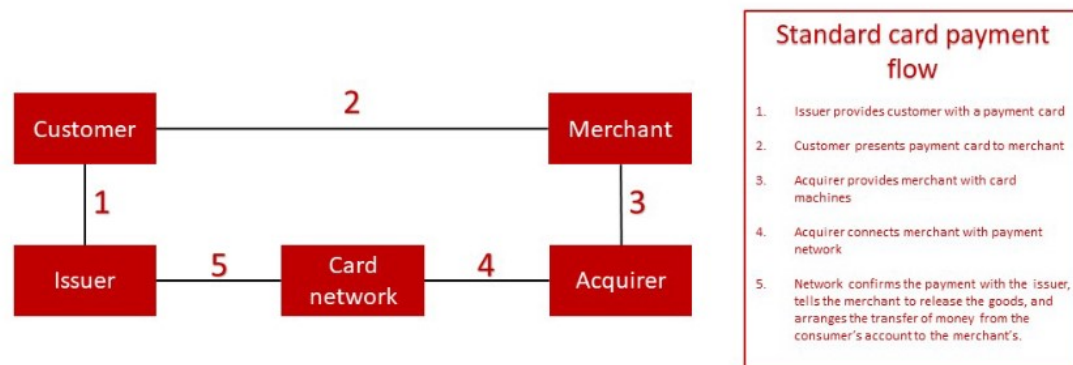
(said before, will look at CBDC later, but cryptoassets will be regulated. Is that BitCoin?)

One thing it mentions many times (and I'm up to page 16 so far) is a company called Pay.UK. This is a single payment system operator that is overseen by the PSR, to consolidate Faster Payments, Bacs, Cheque and Credit. I'll look at them later, like other things.

This will be built into the ISO 20022 standard, which is the global standard for payments messaging, which again, I may glance at.

Now, this is also using cheque imaging. What is that? Well, as many will probably know, when you go to your local high street bank with a cheque that someone sent you, you scan it in, get a printed receipt. Well, instead of the banks moving the physical piece of paper, they can use the image to process a lot quicker, and safer.

Now I have finally reached the new payment system (on page 18).



If you can't read that, the Red is as follows:

Issuer provides customer with a payment card

Customer presents payment card to merchant

Acquirer provides merchant with card machines

Acquirer connects merchant with payment network

Network confirms the payment with the issuer, tells the merchant to release the goods, and arranges the transfer of money from the consumer's account to the merchants.

Blue:

Enhance security by tokenising card details, reducing their value to criminals

Enhance security and convenience with fingerprint authentication allowing fast, high value contactless payments

Enhances security of online payments through additional authentication

Offers convenience and awards, 'scan while you shop', and other merchant specific benefits over traditional payment cards

Makes payment acceptance more convenient through affordable hardware and software and simplified fee structures.

So, seems all great, but what happens in the worst case scenario if you burn that finger that has the fingerprint? What was wrong with the old 'PIN' or even the touchless that we have currently?

Back to the text. It also mentions digital wallets. These are the Apple, Google, Samsung Pay etc. Apparently, 10 million in the UK alone have these. Another fact, that I think most are probably aware, but in 2019, half of UK payments we made using cards, and debit cards accounted for 42% of all payments.

PayPal have also entered the market in providing electronic access to your money, which a vast majority use PayPal to pay for goods.

I've stopped there (for that pdf) as it's very long winded, and if you want to read it, please do. I could be here for ages.

Onto the next bit: Bank's March 2020 CBDC Discussion Paper."

So, it's here:

<https://www.bankofengland.co.uk/-/media/boe/files/paper/2020/central-bank-digital-currency-opportunities-challenges-and-design.pdf>

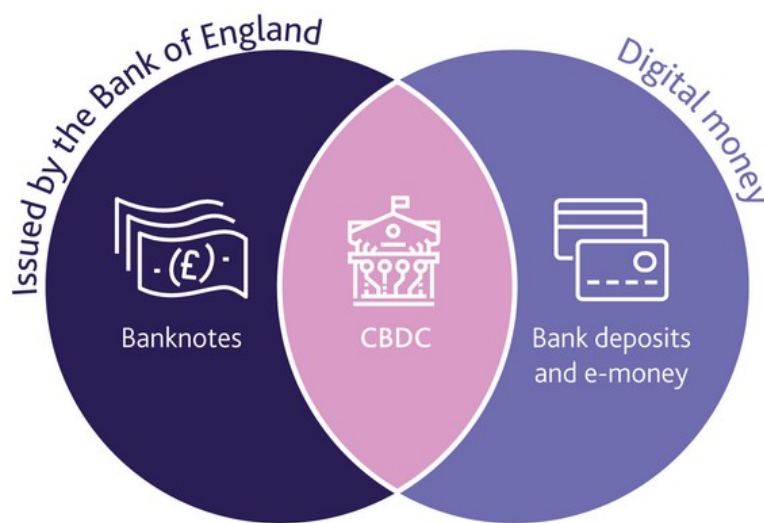
But to be honest, its 57 pages. Luckily, they created a summary:

<https://www.bankofengland.co.uk/paper/2020/central-bank-digital-currency-opportunities-challenges-and-design-discussion-paper>

And as they say, a picture is worth a 1000 words, so here they are ☺

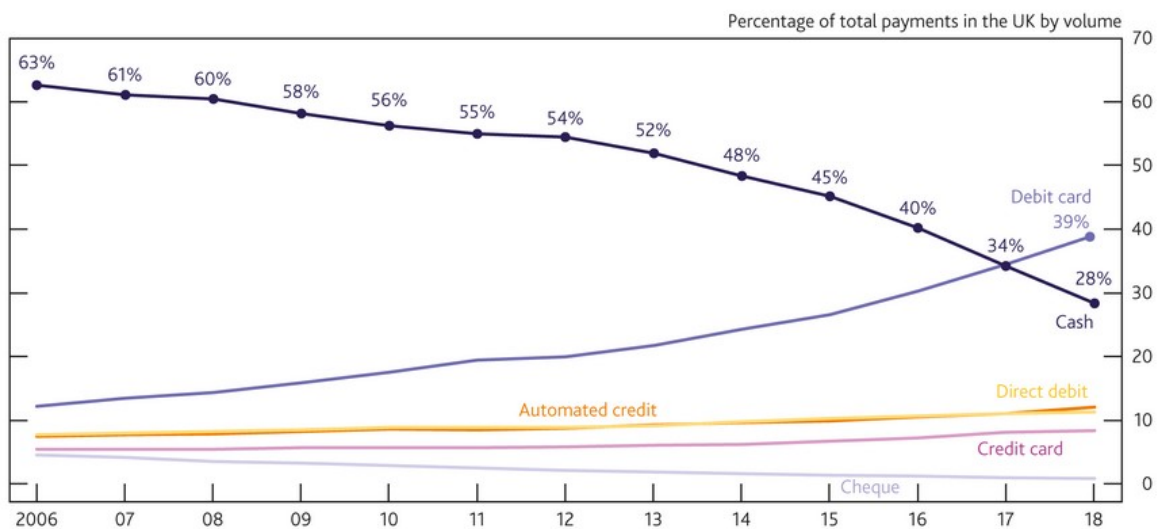
An electronic form of central bank money

A Central Bank Digital Currency (CBDC) would be an electronic form of central bank money that could be used by households and businesses to make payments. The Bank has not yet made a decision on whether to introduce CBDC, and intends to engage widely with stakeholders on the benefits, risks and practicalities of doing so.



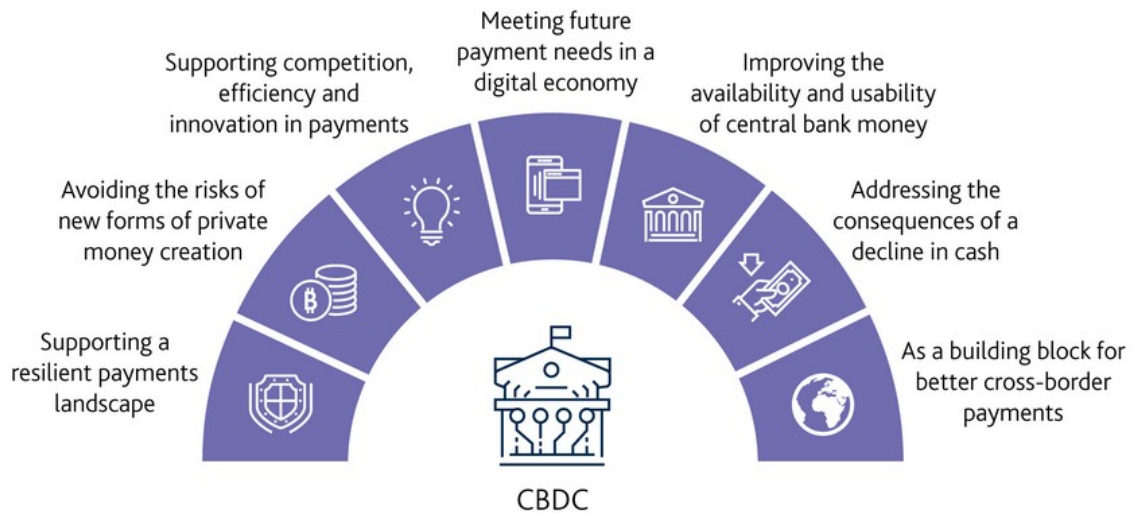
Money and payments are changing

We're interested in CBDC because this is a period of significant change in money and payments.



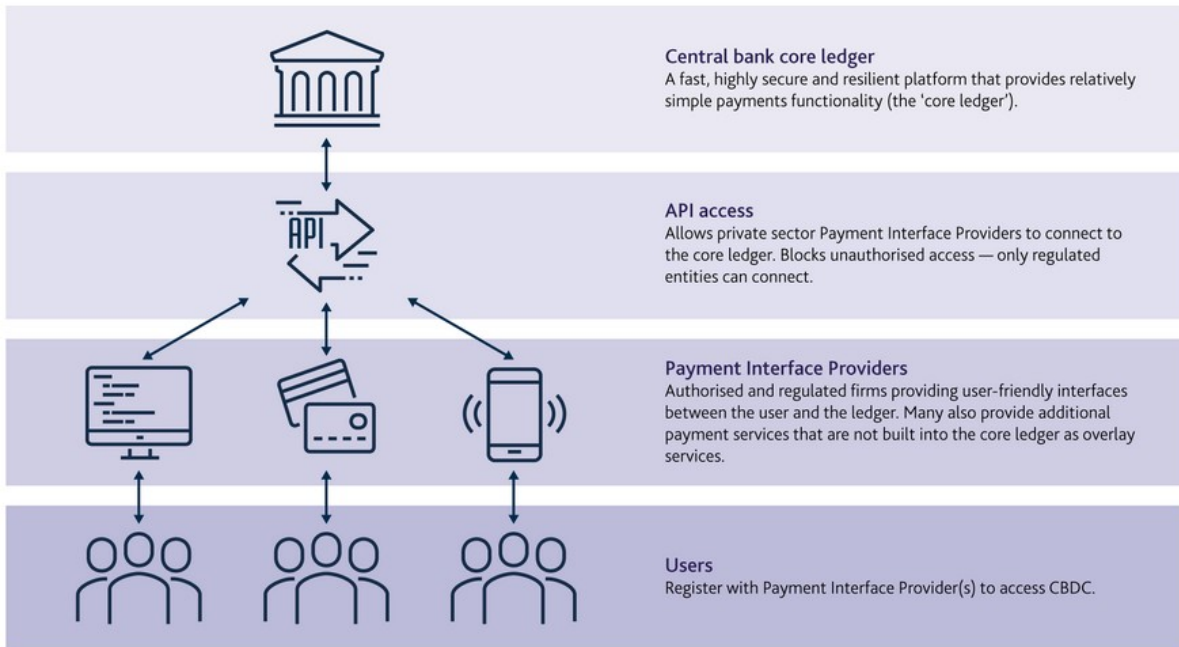
Opportunities for the Bank's objectives

CBDC could present a number of opportunities for the way that the Bank of England achieves its objectives of maintaining monetary and financial stability.



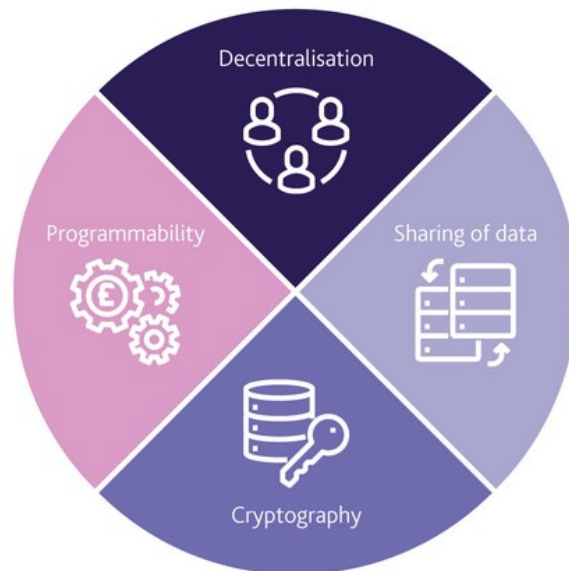
Designing a CBDC

The discussion paper outlines an illustrative model of CBDC designed to store value and enable UK payments by households and businesses.



What technology could CBDC use?

Choices around the technology used for CBDC are important as they would have a significant impact on the extent to which CBDC meets our overall objectives.



On another side note, looking at the Bank of England website, they had a meeting in October 2020, where many central banks got together to discuss the CBDC.

<https://www.bankofengland.co.uk/news/2020/october/central-banks-and-bis-publish-first-cbdc-report-laying-out-key-requirements>

Well worth a look, its only 8 pages. Again, some pictures:

1

Do no harm to wider policy objectives

New forms of money supplied by the central bank should continue supporting the fulfilment of public policy objectives and should not interfere with or impede a central bank's ability to carry out its mandate for monetary and financial stability.

2

Ensure coexistence and complementarity of public and private forms of money

Central banks have a mandate for stability and proceed cautiously in new territory. Different types of central bank money – new (CBDC) and existing (banknotes, reserve or settlement accounts) – should complement one another. In addition, they should coexist in a wider payment ecosystem that supports public policy objectives and will include and support robust private money (eg commercial bank accounts).

3

Promote innovation and efficiency

Without continued innovation and competition to drive efficiency and effectiveness of a jurisdiction's payment system, users may adopt other, less safe instruments or currencies, leading to less reliable payments, economic and consumer harm, and the potential erosion of monetary and financial stability. The payment ecosystem is comprised of public authorities (in particular the central bank) and private agents (eg commercial banks and payment service providers), both of which have roles to play in ensuring a high level of innovation.

Instrument features

Convertible: To maintain singleness of the currency, a CBDC should exchange at par with cash and private money.

Convenient: CBDC payments should be as easy as using cash, tapping with a card or scanning a mobile phone to encourage adoption and accessibility.

Accepted and available: A CBDC should be usable in many of the same types of transactions as cash, including point of sale and person-to-person. This will include some ability to make offline transactions (possibly for limited periods and thresholds).

Low cost: CBDC payments should be at very low or no cost to end users, who should also face minimal requirements for technological investment.

System features

Secure: The CBDC system should be extremely resistant to cyber attacks and other threats. This should also include ensuring effective protection from counterfeiting.

Instant: The system should offer instant or near-instant finality of settlement of transactions.

Resilient: The system should be extremely resilient to operational failure or disruption.

Available: The system should be available 24/7/365 for use by the end user.

Throughput: The system should be able to process a very high number of transactions per second.

Scalable: The system should be able to expand to process potentially much larger additional volumes in the future.

Interoperable: The system should offer sufficient interaction mechanisms with private sector digital payment systems and arrangements to allow easy flow of funds between systems.

Flexible and adaptable: Every effort should be made to make the CBDC system flexible and adaptable to changing conditions and policy imperatives.

Institutional features

Clear and robust legal framework: The central bank should have clear authority underpinning its issuance of a CBDC.

Standards: The CBDC system and participating entities should conform to the appropriate regulatory standards.

Back to this topic again lol. The Payment Systems Regulator (PSR) is here:

<https://www.psr.org.uk/>


And this is what they basically do:

Our statutory objectives underpin everything we do. In summary these are:

- ▶ to ensure that payment systems are operated and developed in a way that considers and promotes the interests of all the businesses and consumers that use them
- ▶ to promote effective competition in the markets for payment systems and services – between operators, PSPs and infrastructure providers
- ▶ to promote the development of and innovation in payment systems, in particular the infrastructure used to operate those systems

Interestingly enough, I was looking at their News page, and found this:

<https://www.psr.org.uk/news-updates/latest-news/news/payment-systems-regulator-publishes-annual-plan-and-budget-for-2021-22/>

Ensuring the successful renewal of the UK's interbank payment systems by Pay.UK will be a key focus. [The New Payments Architecture](#)  has the potential to support greater competition in the payments market which will give people and businesses more choice to use payment services and systems that work for them.

One way to offer increased choice is through new payment methods. The regulator will consider what barriers there might be to bank-to-bank payments playing a greater role in everyday payments, offering alternatives to card or cash payments. Part of that work will explore what levels of protection are in place for people making payments this way and consider whether more are needed. The PSR also plans to finalise work on its future strategy, as well as assessing emerging innovations like cryptoassets and what its role might be in their regulation.

Effective engagement and prioritisation are central to the regulator's plans for keeping pace with the demands of an ever-evolving landscape and realising its objectives. But the PSR will also step in and use a range of formal powers to effect change and secure compliance where necessary.

In the summer, the regulator will publish its annual report on how it has performed against its plans for 2020/21.

And a factsheet:

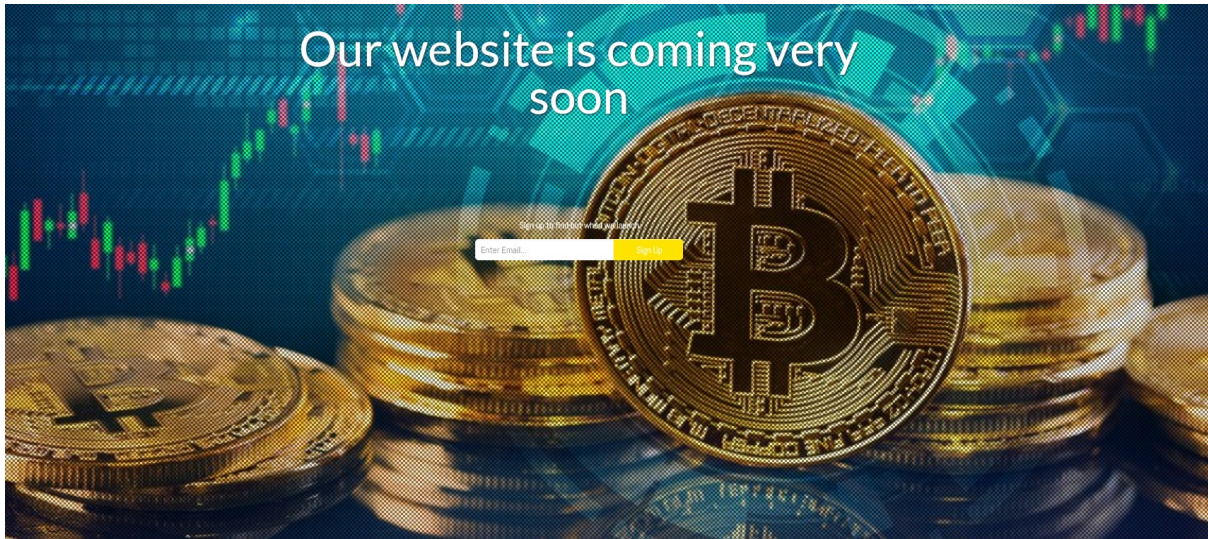
https://www.psr.org.uk/media/v52hvnwy/psr-ap-2021_22-factsheet_v5.pdf

Well, I may just look out for the annual report, and see what its doing in regards to the above.

So, the PSR and Bank of England all point to this site:

<https://pay.co.uk/>

The website is still in progress, but check out this image:



Why use a BitCoin as an image? I know its going to be Crypto, but is that because all know this image?

So, I'm about to wrap this all up, but let me just remind you why I was looking at this. Remember I said that in the 'alternative' world, many have said there will be a new currency, and people wonder why they're talking about it, and where from? Well, this is a subtle clue:

The Economist

9-15 January 1988 UK£1.20 USA\$3.00 FRF1.30 FF18 DM6.00 Lit6,000 FL6.50
SF107 Lnz2 Nz20 Sk21 ASch42 SF6.00 Ps250 Drs300 FM15 Esc375 Nam12

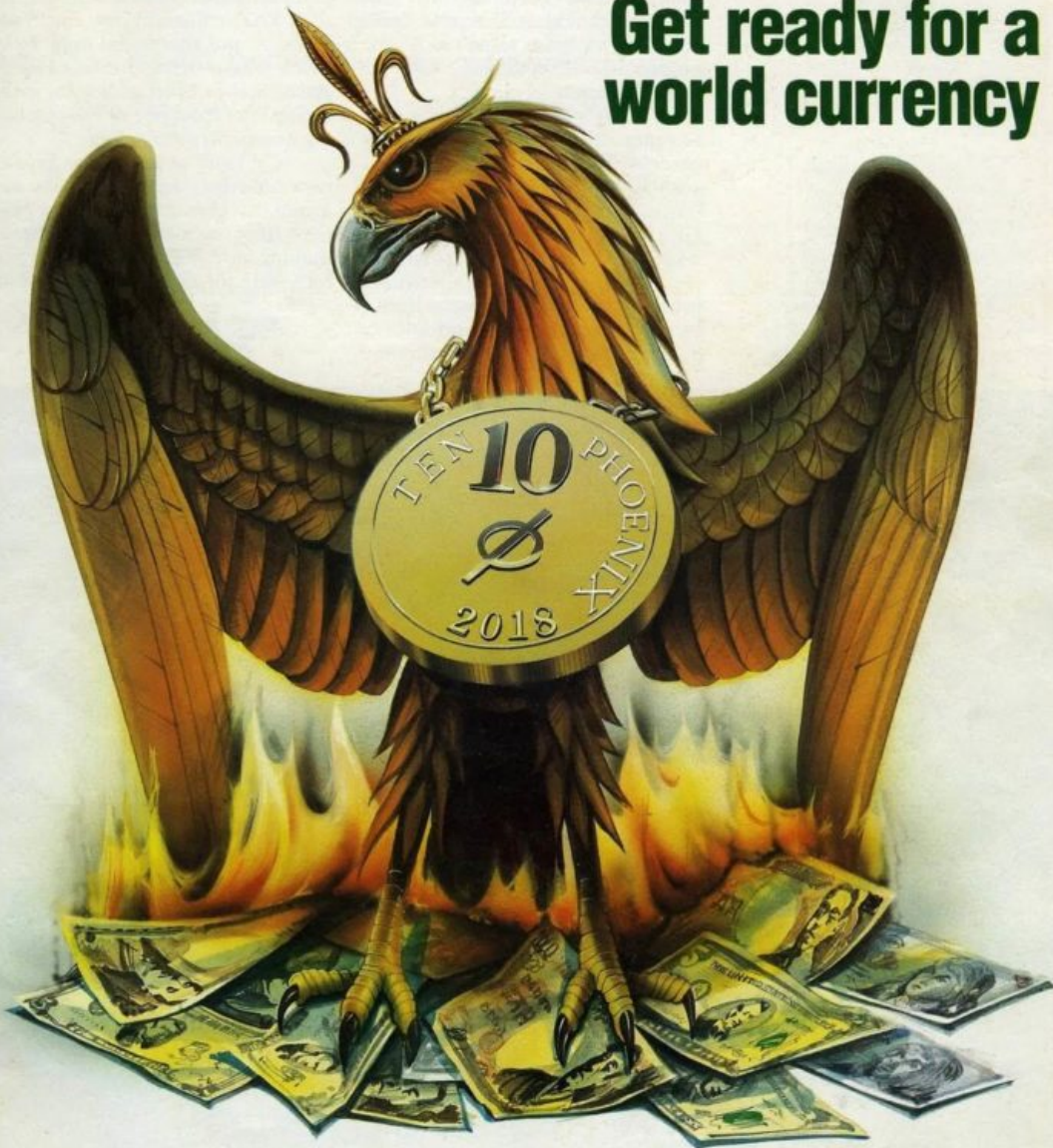
CAN BRITAIN KEEP BOOMING? page 10

TAKESHITA COMES TO TOWN pages 17-20

INVESTMENT BANKS PULL BACK page 12

PERESTROIKA'S FIRST TEST page 35

Get ready for a world currency



This was actually from 1988. I found this article (recent one) that goes into depth about it:

<https://goldbroker.com/news/the-economist-get-ready-for-a-world-currency-by-2018-1179>

And in that image, you can see that it states '2018'. Well, crypto is already out there, but could this be why or how people are discussing it? Also, check it out, its an actual coin. Not a bank note, but just like crypto (or bitcoin).

Anyway, I'll stop there. Hopefully I've not bored you completely, but it's all useful in my eyes. As I said before, it's not all hidden, most people don't have the time or energy to go looking under stones.

As always, than you for reading this article 😊