

Opening Remarks

By

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To be delivered at the Seminar

On

How Can Digital Currencies Improve the Efficiencies of the Civil Service

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Master of Ceremonies

Permanent Secretaries and Heads of Department,

Distinguished Guests,

Staff of the Central Banks of Barbados

Colleagues and Fellow Members of the Public Service

Ladies and Gentlemen

First, I wish to extend a very pleasant good morning to you all.

On behalf of my fellow members of the Public Service, the staff of the Ministry of Finance and Economic Affairs and the Governor and staff of the Central Bank of Barbados, it is my great pleasure to welcome you all to this very timely and important session on 'How Can Digital Currencies Improve The efficiencies of the Civil Service?'

At this stage, let me recognize the presence of the Central Bank of Barbados' Distinguished visiting Scholar, Dr. Simon Johnson, and Professor of Entrepreneurship at the MIT Sloan School of Management and Senior Fellow at the Peterson Institute. I wish to again welcome you to Barbados and hope that you are fully enjoying the warm hospitality of our people, our weather, lovely beaches and cuisine.

I wish to recall that very recently Mr. Zhou Xiaochuan, the governor of the People's Bank of China, China's central bank, held an interview with Caixin, a Chinese business magazine, in which he discussed digital currencies. In the interview, Zhou said that digital currencies will inevitably replace cash, but governments will regulate and control any digital currencies that are used as legal tender.

Indeed, ladies and gentlemen, Digital currencies have been under study for a long time. History shows that currencies evolve as technologies and economies develop. The shift from commodity money to credit money, for example, was the natural result of the development of commerce. Cash, which is the current version of currency, is low-tech. It is therefore inevitable that cash will be replaced by new products and new technologies that have greater security and production and transaction lower costs. The rapid development of the internet and global payment systems make it necessary to issue and circulate digital currency, which would improve financial infrastructure and economic quality and efficiency.

Ladies and gentlemen, there are several principles that need to be adhered to in issuing our proposed digital currency. The first is convenience and security. Second is that a balance needs to be struck between protecting privacy and maintaining social order and cracking down on

illegal activities. In particular, the digital currency should offer tools to fight money laundering and the financing of terrorism.

Third, the digital currency should facilitate the enactment of monetary policy. Fourth, the digital currency should not impact monetary sovereignty; it should be possible to convert the currency, but there should also be controls on its convertibility.

Ladies and Gentlemen, since the digital currencies constitute a legal tender, it must be issued and controlled by the country's monetary authority, with the issuance, circulation and transaction processes following the same management principles as traditional currencies.

Colleagues, since the early 1990s, successive Governments of Barbados have sought to put policies in place to facilitate a more efficient Public Service through a holistic Public Sector Reform initiative. One of these initiatives relates to the development of e-government as a tool to accelerate decision making and other transactions. The use of digital currencies can aid in this process towards making the Public Service of Barbados more operationally, fiscally and monetarily efficient. In addition, digital currencies can speed up and reduce transaction costs in the channeling of financial resources in settling payments in the Public Service. This will certainly enhance our business facilitation as a country and the ease of doing business globally, regionally and domestically. In this regard, foreign related financial transactions would be easier to undertake, thereby increasing foreign exchange reserve transactions, possibly earnings and therefore having a positive impact on our net international reserves (NIR) position. The economic impact can be also positive, as foreign direct investment and foreign financial flows would be better facilitated. Institutions within the Barbados Revenue Authority (BRA) would need to enhance their information technology infrastructure to allow for payments from digital transactions. Government's revenue intake can therefore be enhanced, leading to a reduction in total tax arrears and possibly better contributing to the reduction of Government's fiscal deficit.

Ladies and gentlemen, it is therefore instructive that the appropriate fiscal, regulatory, financial and tailored economic reforms are preconditions in setting a solid platform for the efficient ushering and operationalization of digital currencies in a small open fix exchange rate economy like Barbados. Such a platform is all together necessary to maintain currency stability, banks and financial sector soundness and to ensure that foreign inflows are balanced against outflows to protect the NIR and the exchange rate peg.

Ladies and gentlemen, government is committed to increasing banking efficiency in the interests of all customers. Encouraging greater innovation in payments will therefore provide the plumbing for the banking sector, which is central to this. Government intends to create a

world-leading environment for the development of innovative payments and financial technology.

Indeed, ladies and gentlemen, there are many payment mechanisms that are replacing cash, notably mobile wallets and contactless cards, and in many developed countries there is clear evidence that these are beginning to reduce demand for cash. However, this does not mean cash will die.

On this note, I wish you all a fruitful, productive, and free-flowing discussion today. I look forward to receiving a summary of the outcomes of these deliberations.

Thank you