

# DIGITAL CURRENCIES: A FIRST LOOK AT POTENTIAL OPPORTUNITIES AND CHALLENGES FOR BANKS

The development of digital currencies will provide central banks, payment service providers and end users with a new tool to enable smart payments and other needs of the evolving digital economy. Digital currencies could help PSPs deliver smart payments by providing a basis for further automation of payments and connected services needed by consumers and businesses for a variety of transactions and use cases. Digital currencies could also help automate regulatory compliance and give central banks and other monetary authorities new insights into currency flows that could aid financial stability and manage risk in the digital economy.

As research and pilot projects around CBDC and stablecoins are currently a rising area of interest for central banks and other authorities, PSPs and technology providers need to start thinking about how digital currencies can help meet future challenges and enable new business models in payments and banking.

What can PSPs and technology providers do now to prepare for the opportunities and challenges of digital currencies?

- ≡ Engage with regulators and other key stakeholders in further development of CBDC and stablecoin initiatives
- ≡ Evaluate their current market position and opportunities to use smart payments to expand services in the financial value chain (possibly through collaboration with third parties)
- ≡ Determine relevance of CBDC and stablecoins for other digitisation initiatives currently being pursued (e.g. PSD2/open banking, instant payments)
- ≡ When exploring CBDC, evaluate potential in both retail payments and wholesale payments
- ≡ Review both domestic and cross-border transaction payment flows to determine relevance of CBDC and/or stablecoins in these business areas
- ≡ Understand end user demand for cryptocurrencies or products and services that can be enabled by CBDC and/or stablecoins
- ≡ Review existing compliance and liquidity management practices to help determine potential changes needed when using CBDC or stablecoins

The report of the EBA Cryptotechnologies, Smart Payments and Stablecoins Working Group gives an overview of the recent developments in digital currencies and explores how they can be integrated with the existing financial system. The report concludes with an assessment of how banks and other PSPs can take advantage of the opportunities and manage the challenges that the adoption of digital currencies will present.

EBA Members can download the full report [here](#).



FACT SHEET



### **Our mission**

The mission of the EBA is to foster dialogue and experience exchange amongst payments industry practitioners towards a pan-European vision for payments. We pursue our mission through involving member organisations and relevant stakeholders in thought leadership on innovation, helping our members to understand and implement regulation and by supporting the development of market practices.

### **Our activities**

The EBA activities cover four core areas:

- ≡ Thought Leadership & Innovation: advancing the understanding of new market trends through working groups, task forces and open fora.
- ≡ Market Practices & Regulatory Guidance: providing guidance on market regulation and implementation through practitioners' panels.
- ≡ Networking & Events: fostering pan-European practitioner exchange through EBAday and other events.
- ≡ Training & Education: providing training & educational services on relevant payments and transaction banking topics to the EBA community through summer and winter schools and e-learning.



### **Euro Banking Association (EBA)**

40 rue de Courcelles  
75008 Paris  
France

Phone: +33 1 53 67 07 00  
Fax: +33 1 53 67 07 07

[www.abe-eba.eu](http://www.abe-eba.eu)