

CBDC debate in LAC region

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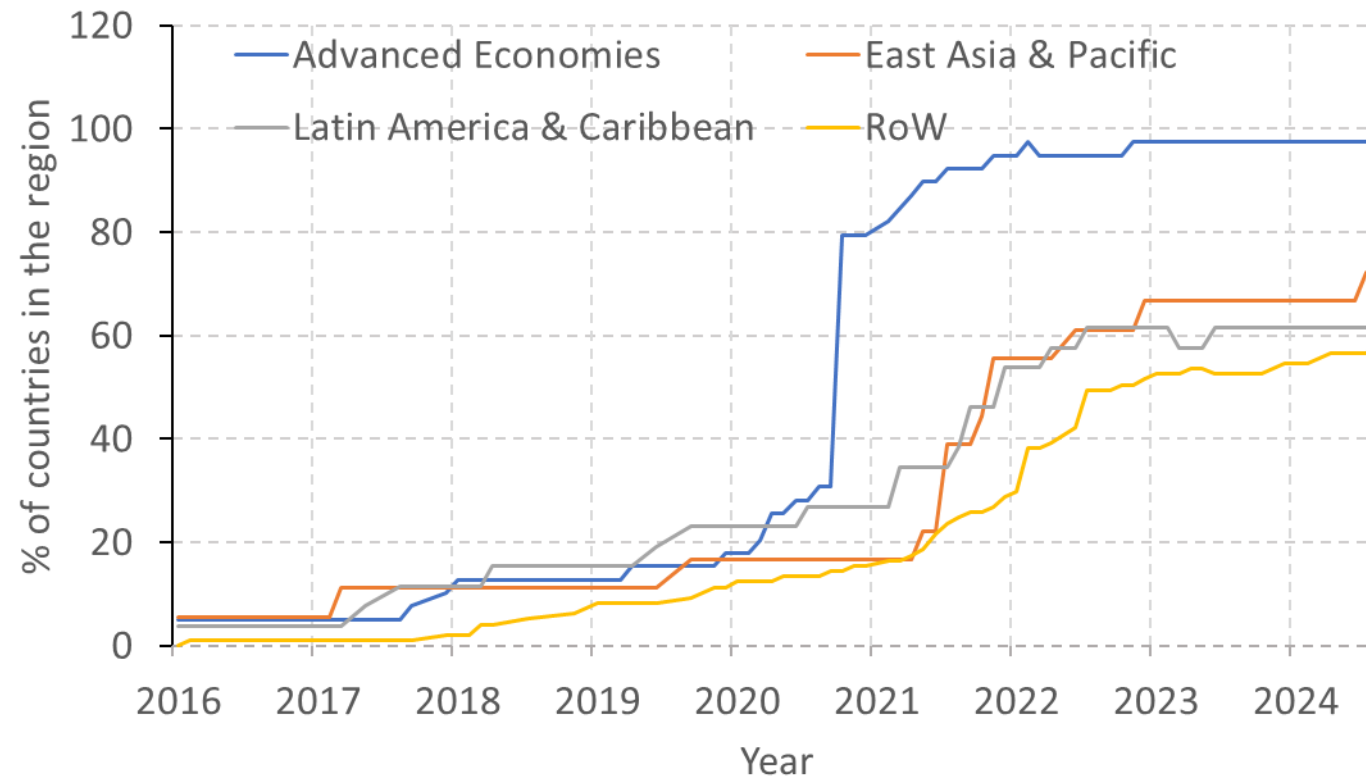
Thursday, September 12, 2024 | CBDC Conference, Istanbul, Turkey

Disclaimer: The views expressed here are my own and not necessarily those of other members of the Board or the staff of the Central Bank of Chile.

The role of CBDC in the payment system is an important part of the debates in most CBs



Percentage of countries by region exploring CBDC

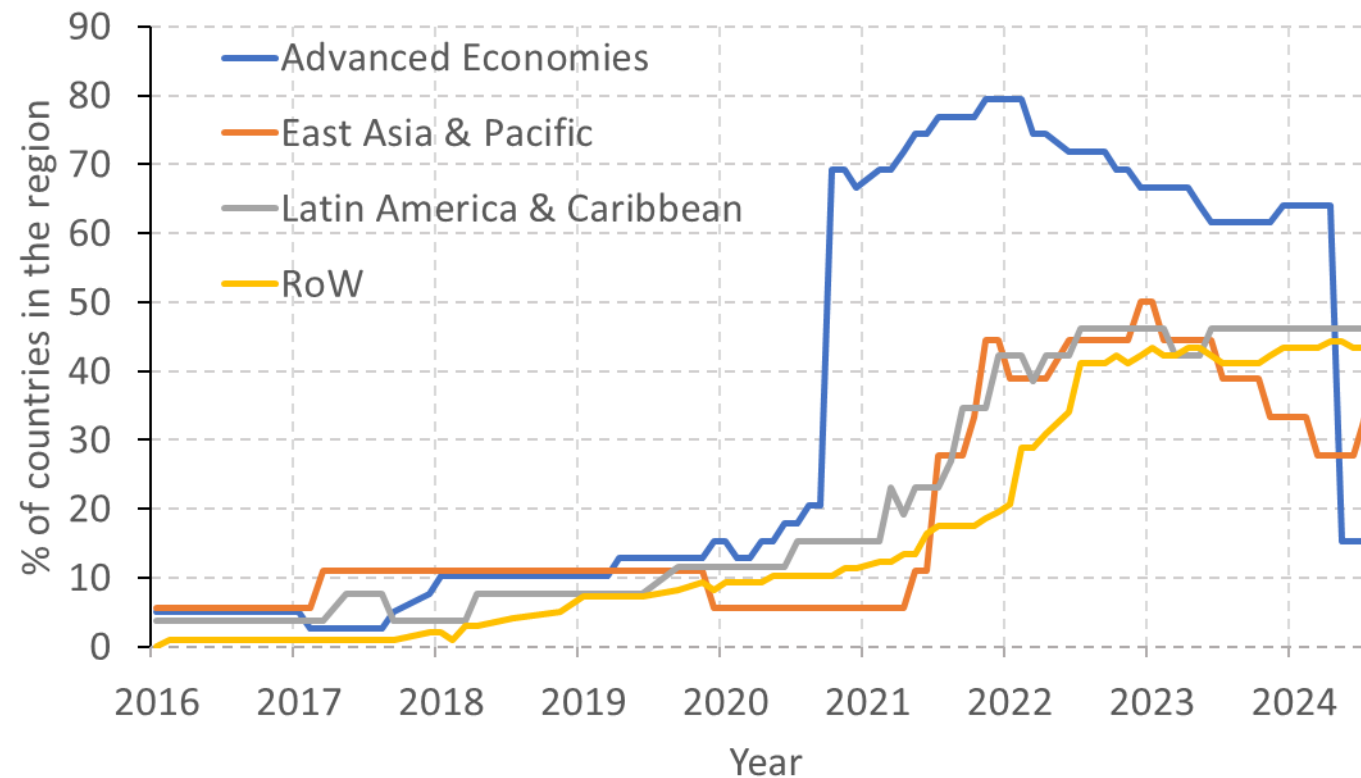


Only countries with more than 500,000 inhabitants. Groups based on IMF and WB classification.
Source: Author's calculations based on CBDC Tracker data.

Latin America is stuck in conceptual research stages



Percentage of countries by region doing non apply research on CBDC

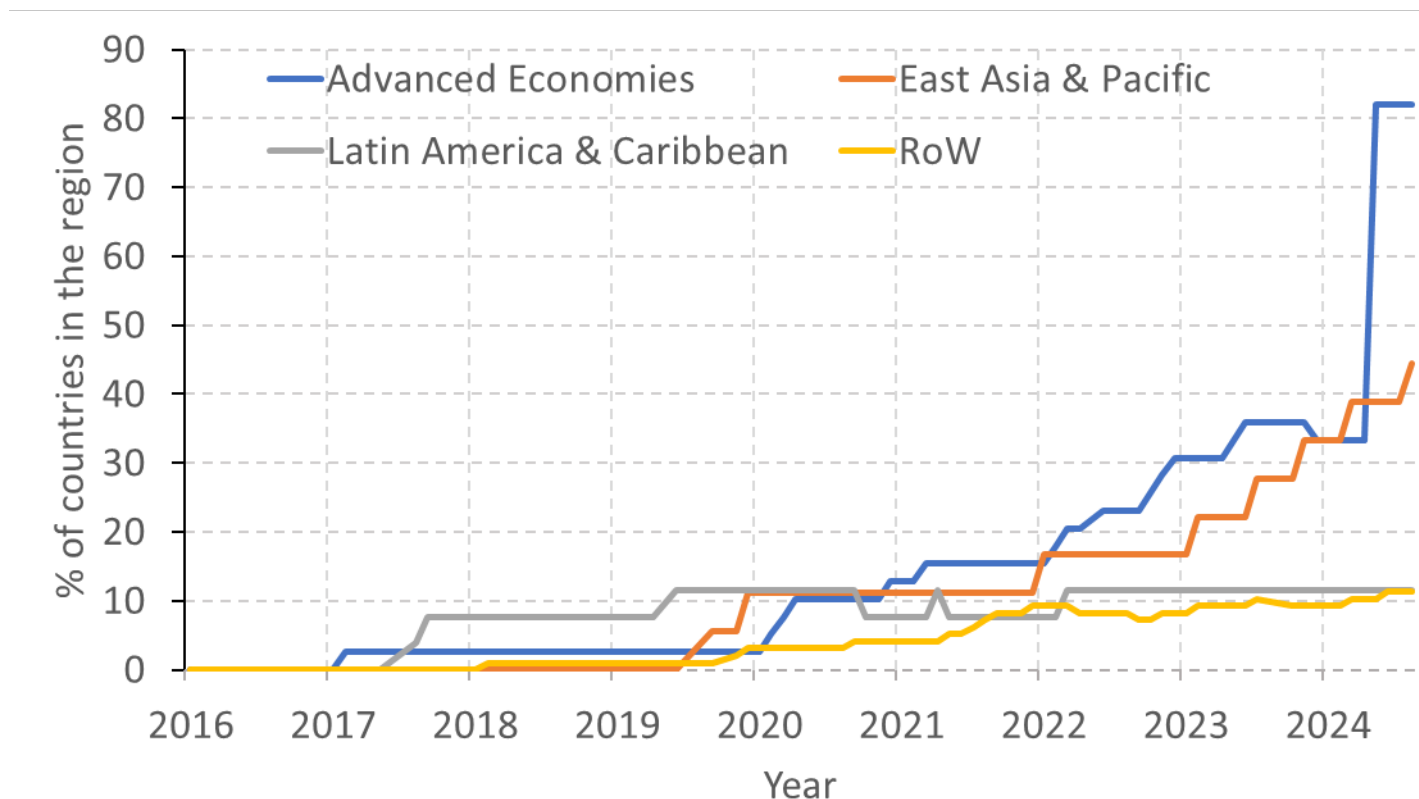


Only countries with more than 500,000 inhabitants. Groups based on IMF and WB classification.
Source: Author's calculations based on CBDC Tracker data.

Very different from advanced countries and South Asia and the Pacific.



Percentage of countries by region doing proof of concept or pilots on CBDC



Only countries with more than 500,000 inhabitants. Groups based on IMF and WB classification.
Source: Author's calculations based on CBDC Tracker data.

We surveyed* a large group of Latin American countries that reflects the diverse realities of the countries in the region



- 18 jurisdictions participated in the survey, representing 94,4% of Latin America and the Caribbean GDP and 90,7% of its population.
- The survey covered three main topics:
 - CBDC exploration activities carried out
 - Key motivations for exploring CBDCs.
 - Evaluation of the country's payment systems.

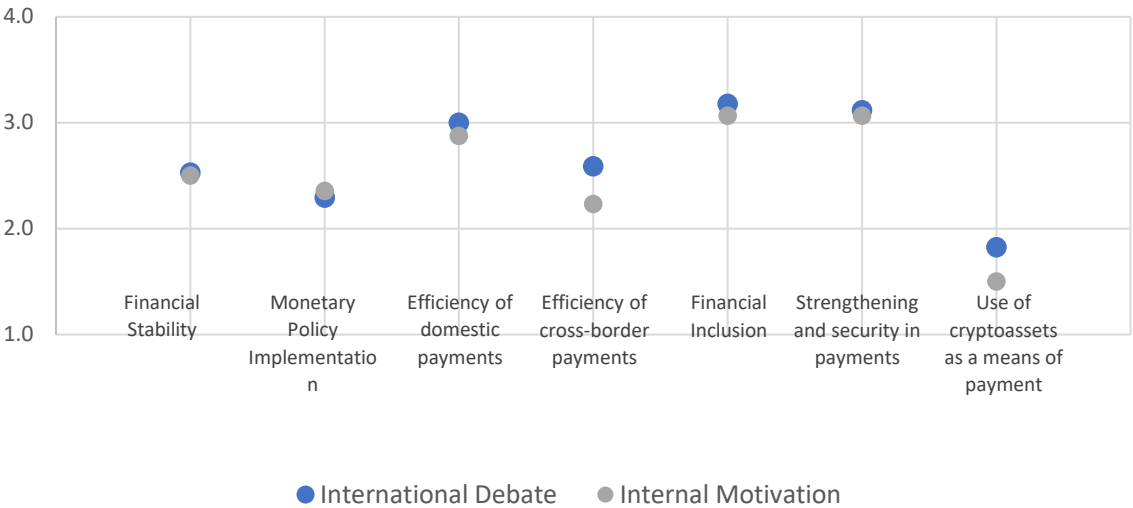


* This survey is part of a broader project with Alvaro Merino: *"Evaluation of Progress in Central Bank Digital Currencies Exploration in Latin America and the Caribbean"*.

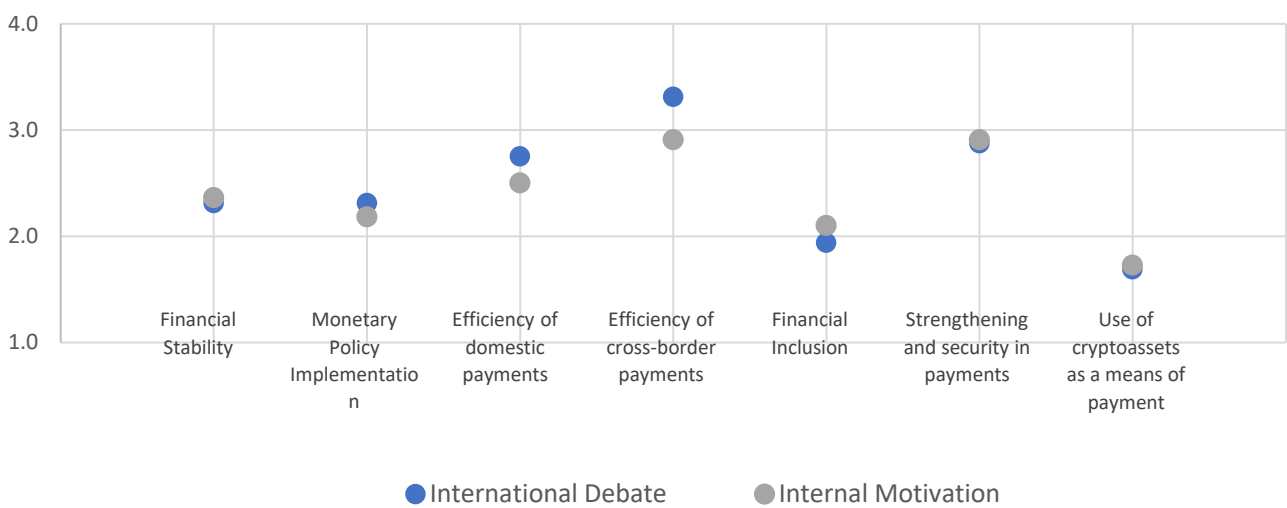
LAC is not different from the rest of the world in its exploration motivations



Motivations for rCBDC exploration (*)



Motivations for wCBDC exploration (*)

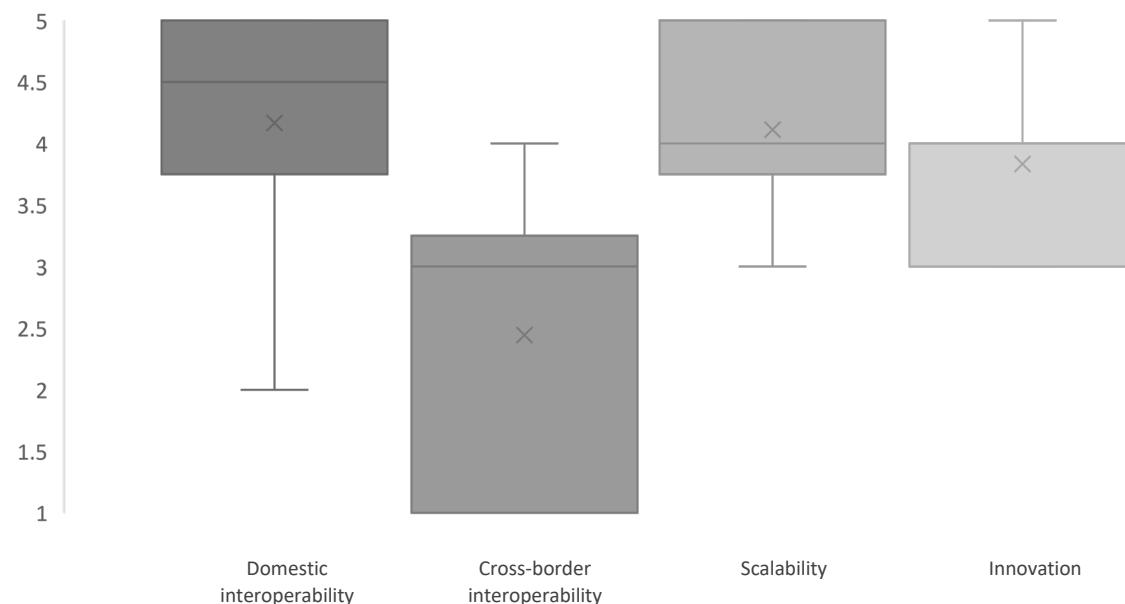


(*) Results of “Evaluation of Progress in Central Bank Digital Currencies Exploration in Latin America and the Caribbean” survey. Motivations rated on a scale from 1 to 4. 1: Not very important – 4: Very important.

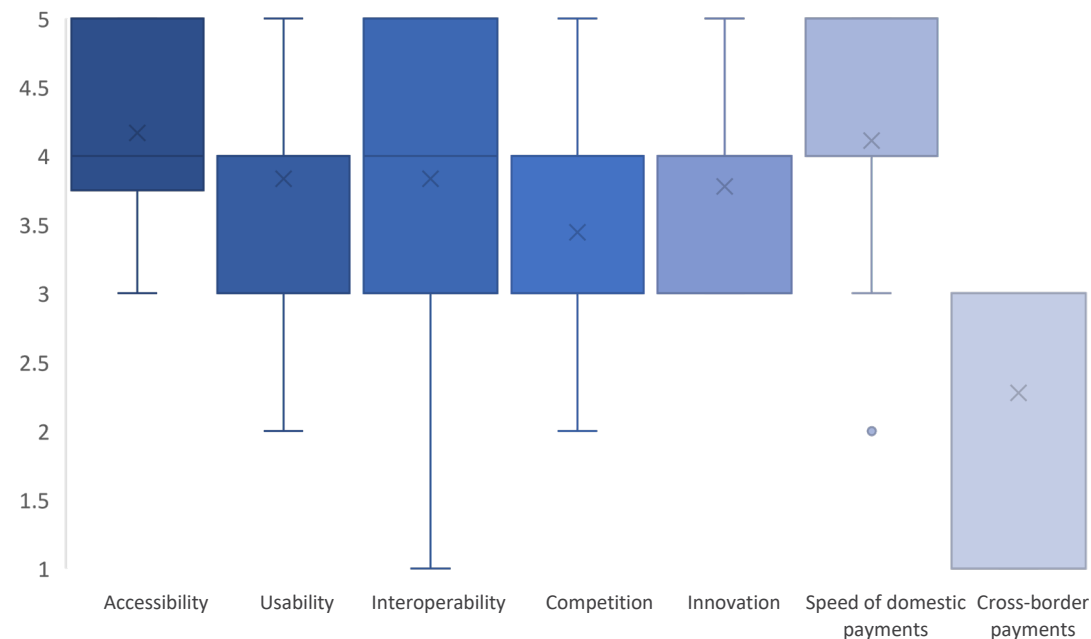
Payment systems are assessed as adequate, with room for improvement in cross-border payments



Assessment of Wholesale Payment Systems (*)



Assessment of Retail Payment Systems (*)

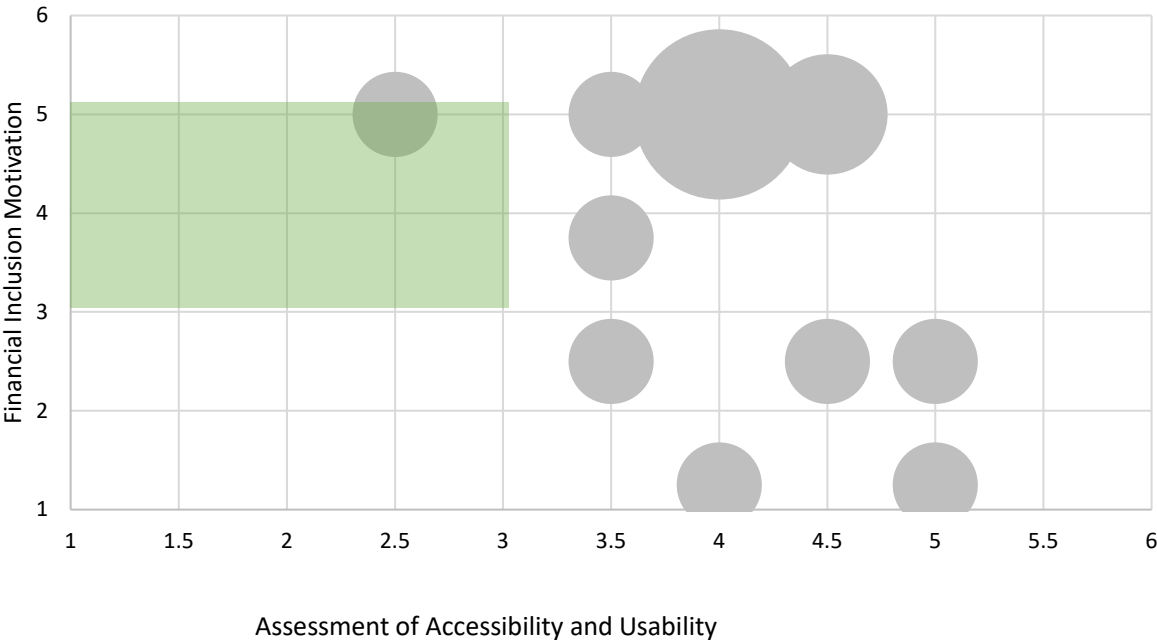


(*) Results of "Evaluation of Progress in Central Bank Digital Currencies Exploration in Latin America and the Caribbean" survey. Attributes rated on a scale from 1 to 5.

FinFinancial inclusion: a not so big problem, but a relevant concernancial inclusion: a relatively small



Relationship between financial inclusion (motivation) and Accessibility – Usability (development level) (*)



(*) Results of “Evaluation of Progress in Central Bank Digital Currencies Exploration in Latin America and the Caribbean” survey. Attributes and motivations rated on a scale from 1 to 5. The green quadrant shows potential areas of relationship between exploration motivation and the assessed payment system attribute.

Cross-border payments: a gap that needs to be resolved



Relationship between efficiency of cross-border payments (motivation) and cross-border interoperability(development level) (*)



(*) Results of “Evaluation of Progress in Central Bank Digital Currencies Exploration in Latin America and the Caribbean” survey. Attributes and motivations rated on a scale from 1 to 5.

The green quadrant shows potential areas of relationship between exploration motivation and the assessed payment system attribute.

Concluding remarks



1. The region is showing interest in exploring CBDC, but countries remain cautious about advancing to more practical exploration phases.
2. Some possible reasons:
 - (Retail CBDC) The assessment of payment systems in LAC is positive and a lot of effort has been put into improving certain aspects that were lagging behind.
 - (Retail CBDC) The risks associated with central banks' involvement in retail payments markets are relevant.
 - (Retail CBDC) Financial inclusion is a relevant concern, but perhaps not enough.
 - (Wholesale CBDC) It is not clear what the standard will be (fragmentation of the global financial system)
 - (Wholesale CBDC) Low intra-regional trade and financial connections (very different from East Asia)
 - (Wholesale CBDC) Most of the remittances come from the US, where the discussion on CBDC is not as developed as in other advanced economies.



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