

# Cutting-Edge Fintech for Cross-Border Remittance Transfers

Design Considerations for a Stablecoin Based Remittance System

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PROMOTING BLOCKCHAIN  
INNOVATION IN AUSTRALIA



## About ADCA

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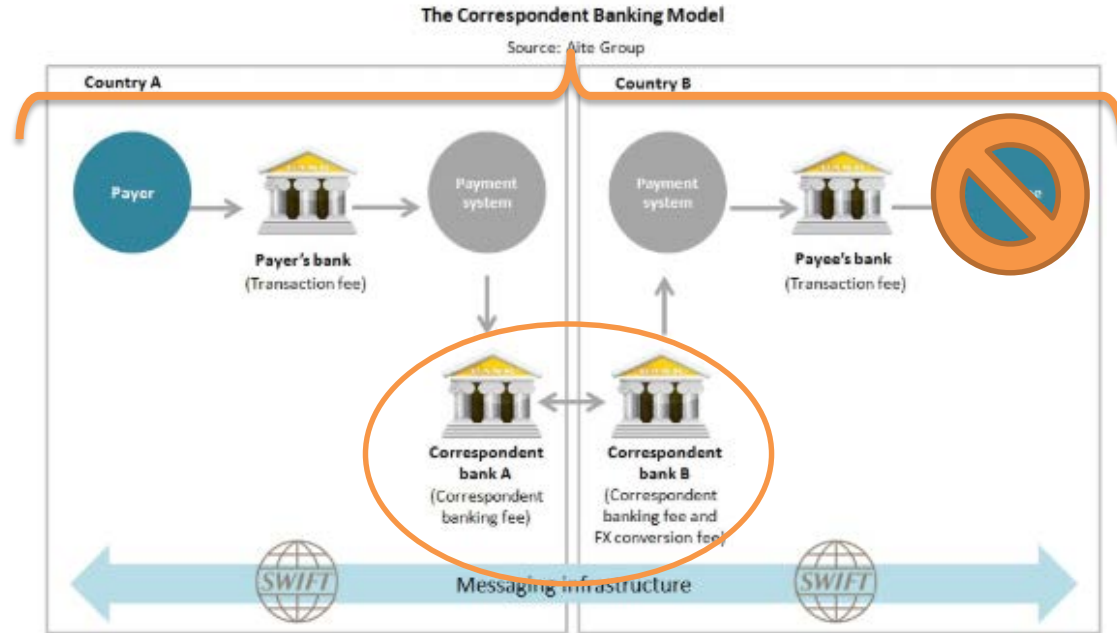
**ADCA is the industry body that represents Australian businesses participating in the digital economy through blockchain technology.**

**ADCA aims to encourage the responsible adoption of blockchain technology by industry and governments across Australia as a means to drive innovation in service delivery across all sectors of the economy.**



# The Remittance Problem in Pacific Island Countries

- Time & cost
  - Relatively small values
- Correspondent banking relationships
  - De-risking
  - KYC/AML compliance
- Financial inclusion
  - distribution
  - financial literacy / trust
  - cash economy



# Stablecoins

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*Many factors mean that Bitcoin is not suitable as a mainstream remittance mechanism – above all else, price volatility is a disqualifying factor.*



*Could a stablecoin provide the remittance efficiency benefits of blockchain while protecting against price volatility?*

# Stablecoin Variants

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Fiat-Pegged	Commodity-Pegged	Crypto-Pegged	Algorithmic

# Stablecoin Variants

Fiat-Pegged	Commodity-Pegged	Crypto-Pegged	Algorithmic
Pegged to a fiat currency or basket of fiat currencies.	Pegged to value of an exchange-traded commodity or basket.	Pegged to the value of a cryptocurrency or basket of cryptocurrencies	Supply determined by creating and destroying coins based on market demand.
Independent custodian	Independent custodian	Smart contracts maintain peg	Smart contracts maintain peg
Collateral efficient	?	Collateral inefficient	No collateral
No volatility	Potential volatility	Volatile	None / Unknown

***An algorithmic stablecoin – issued and managed by a Central Bank – may one day prove to be the most effective solution. However, this model is still in its infancy and needs careful development.***

***Today, only a fiat-backed stablecoin – issued and managed by a Central Bank – is a viable option.***



# Features of a Potential Stablecoin Remittance Solution

- **Issuance & Governance**
  - Issued by Central Bank
  - 1 to 1 peg against domestic currency
  - Transparent and strong custodianship
- **AML/KYC**
  - Formal CDD process applied to individuals in source countries
    - Sign up governed by App design and smart contracts
  - Option for community ID in destination countries
  - Smart contracts governing remittance amounts and frequency to limit ML risk
  - Regulator view of all transactions – real time



# Features of a Potential Stablecoin Remittance Solution

- **Distribution**
  - Private-public partnership to develop App
    - Collaboration between governments on App with separate back end?
  - Governments to promote to diaspora and skilled worker communities and beneficiary communities
  - App design to support straightforward process and financial literacy training
  - Key community members and/or local small-scale retailers can operate where mobile penetration insufficient
  - Local small-scale retailers included within payments ecosystem
    - encourages take up and last mile conversion point to cash
    - discounting model encourages use of digital transaction
    - business opportunity and cash flow / working capital solution
    - option for conditional payments using smart contracts







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