



# HARNESSING THE PHILIPPINES' DIGITAL CURRENCY

Insights into the BSP's CBDC Journey



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PIDS 10<sup>th</sup> Annual Public Policy Conference  
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# Presentation Outline

- I. Project Agila Objectives
- II. Result of First Run of Tests
- III. Benefits and Opportunities for the National Payment System
- IV. Project Updates
- V. Conclusion and Way Forward



# CBDC

## Central Bank Digital Currency



“A form of digital money, denominated in the national unit of account which is a direct liability of the central bank.”

CBDCs can be designed for use either among financial intermediaries only (i.e., **wholesale CBDCs**), or by the wider economy (i.e., **retail CBDCs**).

## Reasons for Exploring CBDC

**Cost Savings and  
Payments Efficiency**

**Enhance Payment System  
Safety and Resilience**

**Promote financial  
inclusion**

**Reduce the adoption of  
privately issued currencies**

**Enhance monetary policy  
transmission**

# The BSP views that a CBDC has the potential to enhance the Philippine national payment system.

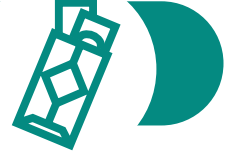
## Wholesale Payments



Through CBDC, the wholesale payments in the country may significantly improve in the following areas\*:

- Cross-border payments
- Settlement of financial securities
- Liquidity Management

## Retail Payments



- Account-based CBDCs may not yield much value compared to current retail payment instruments in the Philippines.
- Broader payments digitalization and financial inclusion are being achieved by the National Retail Payment System, similar to the expected benefits of a retail CBDC.
- Other potential rCBDC applications include: offline payments, 24/7 payments
- Potential legal concern on retail CBDC issuance

\* These areas include settlement, liquidity and default management, and effectiveness



**Project Agila aims to orient the BSP and the payment system participants on the potential merits of blockchain and tokenization to enhance the national payment system.**

# Project Agila



## TARGET USE CASE

24/7 wholesale fund transfers across a limited number of financial institutions

## OBJECTIVES



Obtain hands-on knowledge of CBDC



Establish a firm baseline in pursuit of CBDC projects that address pain points in payments

The project started its two-phase run in Dec 2022:

PHASE ONE

1

**System Selection\***  
*(activities completed in July 2023)*



PHASE TWO

2

**Proof-of-Concept**  
First Run completed in July 2024  
Second Run completed on 10 Sept 2024



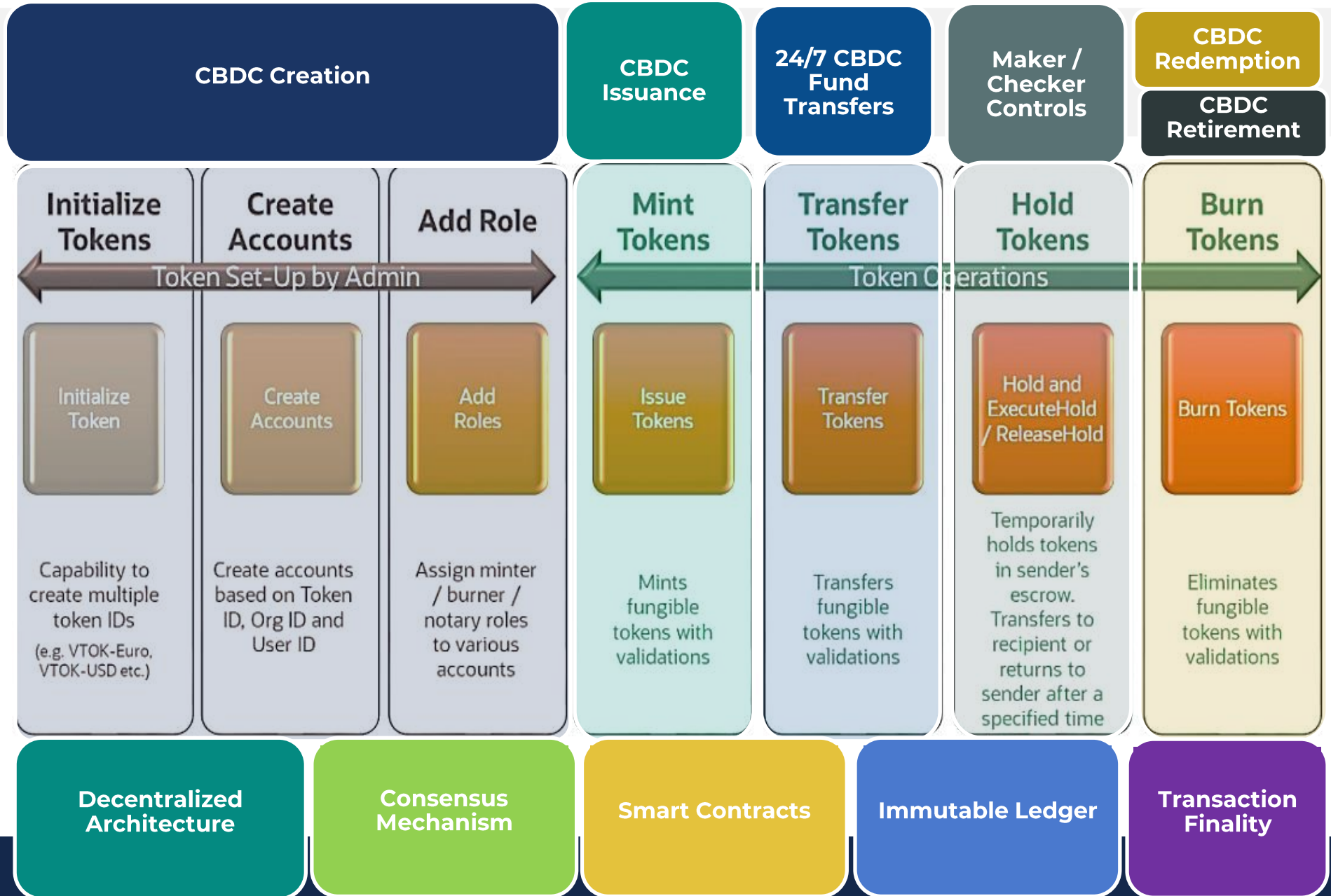
**Participating FIs: BDO Unibank, China Bank, Land Bank, RCBC, Union Bank, Maya Philippines**

**Observing FIs: Citibank Manila, China Bank Savings, SEA Bank, Wealth Development Bank**



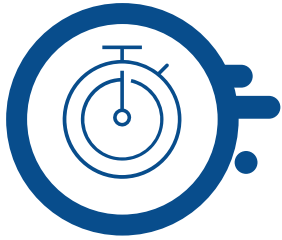
# Tokenization in Oracle's Blockchain Platform enabled the CBDC lifecycle processes.

## CBDC Lifecycle

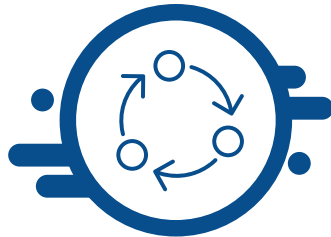


# Wholesale CBDC implementation offers significant benefits and opportunities to enhance the national payment system.

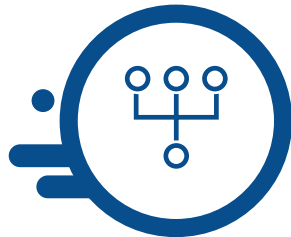
## POTENTIAL BENEFITS



**24/7 payments** for FIs and their corporate and government customers

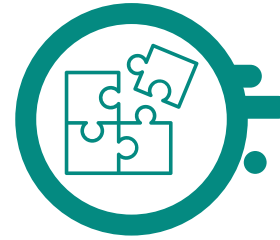


**Mitigate settlement risks** and help **smoothen flow of liquidity** in the financial system



**Bolster national payment system resilience** upon secured integration with RTGS

## OPPORTUNITIES



**Propel innovations** in financial services that use blockchain and tokenization



**Precursor for exploration** of more compelling wCBDC use cases



**Enhance competition** in the national payment system





## Project Agila Progress Timeline

May 2024

- MB Approval of Supplemental MOA under MB Res No. 580;
- Start of the First Run of Tests

June to July 2024

- Submission of Signed Supplemental MOAs from FIs
- Completion of First Run of Tests
- Preparation of Initial Assessment Report

August to September 2024

- Submission of Initial Report to Project Advisers and Governor
- Completion of Second Run of Tests
- Signing of Supplemental MOA by OIC Fonacier

October 2024 to January 2025

- Preparation and Finalization of Assessment Report
- Publication of Final Assessment Report
- Drafting of BSP CBDC Roadmap

 Completed

 Ongoing





## Test Conclusions and Way Forward

Exploring innovations such as CBDC, blockchain and tokenization technologies could help build potential solutions which could enhance the efficiency and resilience of the national payment system.

**1**

Further assessments on programmability and resilience

**2**

Final Assessment Report by end-2024

**3**

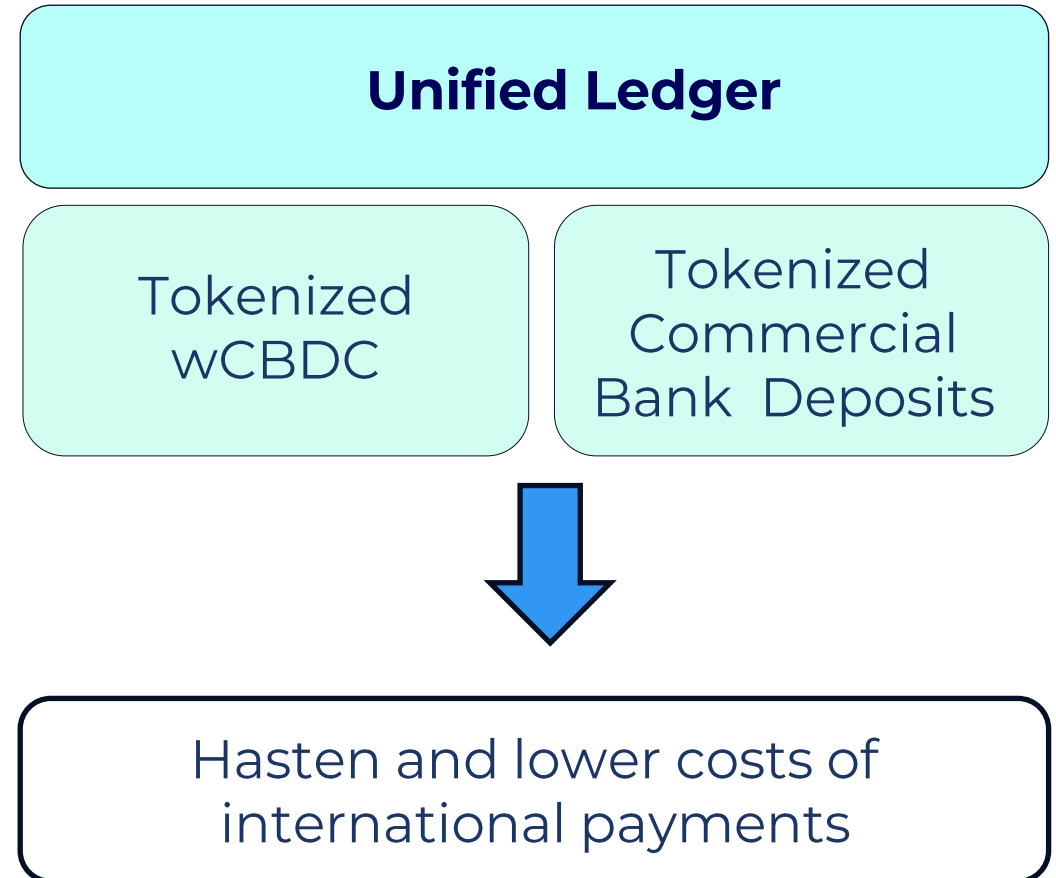
The Assessments will be critical inputs to the crafting of the BSP CBDC Roadmap by early 2025

**By harnessing the transformative potential of tokenization to enhance financial system efficiency, the BSP is gradually building the foundation of the future of the Philippine monetary system.**

Project Agorá: central banks and banking sector embark on major project to explore tokenisation of cross-border payments



Source: BIS





**The success of our CBDC initiatives relies on forging stronger alliances and leveraging on the innovative spirit of both public and private stakeholders in the national payment system.**

**With the support of our institutional partners, we embark on the Philippines' transformative journey on CBDC and jointly shape the future of our country's digital finance landscape in order to create a stronger, more resilient and digitally empowered economy.**





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