BLOCKCHAIN TECHNOLOGY IN THE POST-CDBC ERA

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DIFFERENT "CURRENCIES"
DIGITAL CURRENCY

- Encrypted/Anonymous
- Private/Nongovernmental
- No ownership/Unregulated
**BUSINESS TOKEN**

- Do not have independent exchange rate
- Can be used as an intermediate accounting unit - Settlement currency
- Settlement Provision
- Meal ticket, fitness cards/beauty card, game card, mooncake ticket
- Circulate within a certain range, reverse exchange is not allowed
CENTRAL BANK DIGITAL CURRENCY

• Issuer: Central Bank
• Feature: Legal Compensation (No rejection at anytime or anywhere)
• Regulation Requirements: Anti-money laundering, Anti-terrorist financing, foreign exchange control, taxation, Real-name system
• A tool of monetary policy
• User demand: privacy, dominance
CENTRAL BANK DIGITAL CURRENCY

When: About to come out
Proposal: digital cash

Issued by central bank

Legality

Online circulation
Once it is launched, the impact will be far-reaching: control counterfeit currency, anti-money laundering, foreign exchange control, implementing monetary policy, and helping RMB internationalization and the Belt and Road Initiative.

Guarantee the safety of bank staff.
"STABLE CURRENCY" LIBRA
### The Legal Status of Digital Currency in Mainland China

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<th>Property</th>
<th>payment</th>
<th>Exchange</th>
<th>Asset valuation</th>
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<tbody>
<tr>
<td>Digital Currency</td>
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<tr>
<td>Business Token</td>
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<td>Central Bank Digital Currency</td>
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**STABLE CURRENCY**

**Definition**
- A digital currency linked to the exchange rate of currency assets or equivalent physical assets is called a stable currency.
- Stable currency is not an independent category of digital currency.

**Classification**
- According to the linkage method: currency asset mortgage, physical asset mortgage, algorithmic mark-to-market correspondence.
- According to the leverage ratio: unleveraged, leveraged.

**Examples**
- LIBRA
- USDT
Initiated by an alliance of social media, financial institutions, e-commerce and other institutions, which is led by Facebook.

Initially determined to be linked to a basket of legal currencies including the US dollar, relying on Facebook’s 2.7 billion global users, cross-border issuance, freely convertible with legal currencies, and circulating in the Facebook business circle.

The plan is to be launched in 2020. Before the launch, Facebook has repeatedly communicated with various central banks. It is rumored that a basket of fiat currency scheme is not recognized, and probably it will be pegged to the US dollar only.

In view of the global status of the U.S. dollar, LIBRA is likely to become a tool for U.S. dollar hegemony.
FIVE DEMANDS OF LIBRA

- No border
  - Anti-money laundering
  - Coinage

- Point-to-point
  - Mobile payment
  - Infrastructure

- Programmable
  - Embed third-party business logic
  - “Open Finance”

- Zero Handling fee
  - Affecting the existing exchange system and order

- Low volatility
  - For payment
  - Not for investment
“INCLUSIVE FINANCE”

- Can’t afford mobile phones vs can’t build infrastructure
- Weak central bank VS. central bank
- Overseas Strategy of HAT
A FEW PROBLEMS

- Percentage of 2.7 billion users that accepts Libra
- Prevention of "no borders"
- The technical difficulty of conversion from "licensed" to "non-licensed"
- China: the only one capable of responding in the world
DC/EP POSITIONING: DIGITAL CASH

Not another currency, but another form of fiat currency!
DC/EP

- Issuance is important
- Within a country
- Local users
- Smart contracts are not supported

LIBRA

- Issuance and circulation are both important. Issuance can be abandoned when necessary.
- Globally
- Global users
- Support smart contracts

DC/EP HAVEN’T GOT CONFLICTS WITH LIBRA. BUT EFFECTIVE PRECAUTIONS HAVE BEEN TAKEN

——IF LIBRA DEGENERATES INTO A SINGLE-FIAT CURRENCY (USD) STABLE CURRENCY?
——IF LIBRA IS ALLOWED TO BE GLOBALIZED?
——IF LIBRA TARGES CHINESE USERS?

HOW TO GLOBALIZE DC/EP?
**DC/EP : VARIOUS DEMANDS**

<table>
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<td>Coinage &amp; execution tools of Monetary policy</td>
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<td>Foreign exchange control</td>
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<td>Interests of commercial banks</td>
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INTERESTS OF COMMERCIAL BANKS: MULTI-LEVEL ISSUANCE

- Central Bank
  - Commercial Bank
    - User
  - Commercial Bank
    - User
  - Institutions
    - User
PRIVACY PROTECTION: CENTRALIZED CCP MODE

CCP

Pay

encrypted receiving

Encrypted payment

Receive
Transfer Recordₙ₊₁ + Transfer Recordₙ₊₂ = Transfer Record₁ + … + Transfer Recordₙ
“TWO DATABASES \  THREE CENTERS”

Behavioral data
Digital Currency Registration Center
Can recognize behaviors but cannot linked to entities

Linked data
Identity Authentication Center
Can link to entities but cannot recognize behaviors

Analysis Data
Big data Center
Can link to entities as well as recognize behaviors, but is read-only
OFFLINE PAYMENT

- Offline order receiving
- Can be used after returning to the online environment
- Chain payment is not currently supported
“Chinese Public Chain” is getting started
Charge DC/EP handling fees
Alliance of "blockchain carriers"
BLOCKCHAIN TECHNOLOGY IN THE POST-CDBC ERA——BANKS

- Connecting blockchain applications with DC/EP
- Support DC/EP in more banking applications
- Exchange between DC/EP and traditional account system
BLOCKCHAIN TECHNOLOGY IN THE POST-CDBC ERA—COMPANIES

Large-scale deployment of DC/EP equipment

Connecting blockchain applications with DC/EP

DC/EP charging for pure proof-of-existence business
BLOCKCHAIN TECHNOLOGY IN THE POST-CDBC ERA——PEOPLE

Wallet

DC/EP

Digital ATM

Certificated derivatives
BLOCKCHAIN TECHNOLOGY IN THE POST-CDBC ERA—RESEARCH

- Cross-chain
- Performance
- Privacy

Verification
BLOCKCHAIN TECHNOLOGY IN THE POST-CDBC ERA—RELATED FIELD

- Standard
- Testing
- Education
- Training
- technical auditing
- Training
- Consulting
THANK YOU!
JUST FOR YOUR REFERENCE