

# Implications for the payments system

## How stablecoins are the new E-Money

Tony Craddock, Director General, The Payments Association

CBDCs conference at LSE

October 28<sup>th</sup> 2022



connecting the future



**The Association  
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UK Association of the Year (up to 500 members)

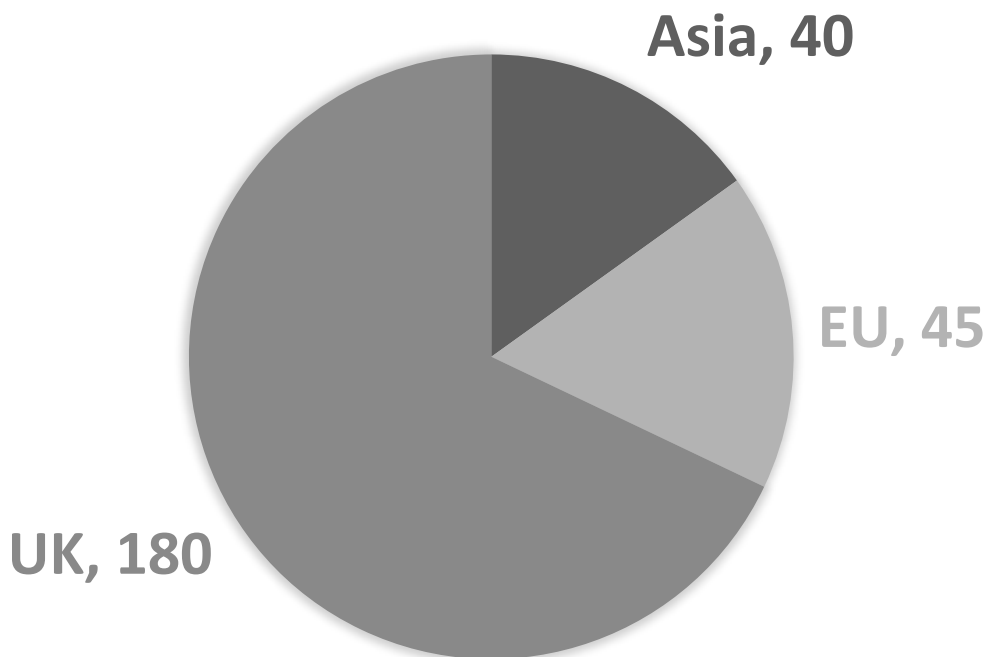
# UK Association of the Year 2022



2010

2022

## MEMBERS



With special thanks to our member, Boston Consulting Group and PayWithGlass

### Our community

- Share trading Platform
- Banks
- Issuer
- Processor
- Acquirer
- Payments Scheme
- Card Programs
- Central Banks
- Program Managers
- Card Hardware
- EMI
- E-Wallet
- Mobile Wallet
- FX Provider
- Money Transfer
- Money Services Bureau
- Third party providers
- Open Banking Software Solution
- Lenders

### Leaders

AMERICAN EXPRESS, BPC, CHOICE, CONNEXT, CURVE, Entersekt, etoro, EVERSHEDS SUTHERLAND, FIS, Hamilton, Infosys, J.P.Morgan, MARQETA, Mastercard

Natwide, paywith.glass, Santander, TRUST, Unimint, valiantys

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algebra, BFTB, BYZZ, Caribby, Balcidre Arango, beyond, Diaplo, Diaplo, DIGEST, PAYSEND, payoh, PDN, PLIM, spiniform, StarLIX, swipen, tallmoney, vlyne, DIGIDOT, eCar, FinCluster, Inpay, Griffin, PRO, nikipe, OneMiter, OZDNE

500,000 employees

10 tn transactions p.a.

# The purpose and impact of E-Money

- EMD1 set out in 2000 to:
  1. Stimulate innovation
  2. Give consumers access
  3. Encourage competition, investment
- EMD1 was updated by PSD1 (Directive 2007/64/EC), EMD2 (Directive 2009/110/EC) and PSD2 (Directive 2015/2366)
- It continues to evolve with proposed PSD3 (expected Q3 2023)
- It has been a massive success:
  - 300+ E-Money issuers in UK & Europe
  - 15 Billion+ € issued\* with approx. 7.5T transactions\*\*
  - Numerous new products and services
  - 100's of millions of satisfied consumers

\*<https://sdw.ecb.europa.eu/reports.do?node=1000003509>

\*\*<https://www.statista.com/statistics/443399/electronic-money-payment-in-european-union/>

# Stablecoins and E-Money have clear similarities



## Digital

Digital store  
of value

## Secure

Fully  
collateralised

## Pegged

1:1 pegged  
with fiat  
currency

## Flexible

Can be multi-  
currency

# And clear differences that require regulation

## Business model

Stablecoin issuers rely on yield generated on reserve and VAS vs transaction costs model of EMIs

## Distribution

New roles filled by varying parties including wallets issuers, exchanges and market makers) compared with EMIs

## Use cases

Stablecoins are not confined to payments unlike E Money, with an array of Decentralised Finance use cases

## Custody

85% of stablecoins are held in cash like non custodial wallets with direct end user ownership, unlike E Money

# The proposed EU regulation of stablecoins

## MiCA proposal

- Regulation of the European Parliament and of the Council on Markets in Crypto-assets - expected 2024

## MiCA objectives:

- To provide **legal certainty** for crypto-assets not covered by existing EU financial services legislation, for which there is currently a clear need.
- To establish **uniform rules** for crypto-asset service providers and issuers at EU level
- To **replace existing national frameworks** applicable to crypto-assets not covered by existing EU financial services legislation
- To establish specific **rules** for so-called '**stablecoins**', including when these are e-money

# The UK Digital Currencies Coordination Group

- Group of UK trade associations
- Setting out to
  - **Share** developments with their community's digital currency activities in the UK
  - **Educate** stakeholders such as parliamentarians, government bodies, public sector, banks

## MEMBERS



the payments association



## INVITED



# Conclusion: history is repeating itself

- S-Money is the new E-Money
- Significant implications
  - Market participants
  - Consumers
  - Fraud
  - Innovation in payments



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