



Press release

## The programmability of Central Bank Digital Currencies (CBDCs) to catalyse next wave of banking innovation

- *New **whitepaper on CBDCs by Standard Chartered and PwC China explores their use in commercial scenarios such as retail, and trade and supply chain finance;***
- ***The key to maximising the potential of CBDCs lies in programmability and public-private collaboration.***

**1 June 2023, Hong Kong** – **Standard Chartered** and **PwC China** have jointly launched a new whitepaper, '**Co-creating the future ecosystem of banking with Central Bank Digital Currencies (CBDCs)**', illustrating the significant opportunities that CBDCs present to deliver innovative new services for both individuals and corporates in banking and other industries. In particular, the whitepaper explores the commercial applications of CBDCs – specifically, how their programmability feature can be leveraged to transform retail, as well as trade and supply chain finance.

The feasibility of using wholesale CBDCs for cross-border payments between central banks has already been tested through pilots such as mBridge – a joint project between the Bank for International Settlements Innovation Hub and four central banks. Studies and pilots around retail CBDCs are also underway in Mainland China, Hong Kong and a number of other jurisdictions. Most recently, the Hong Kong Monetary Authority commenced its e-HKD Pilot Programme with Standard Chartered as one of the participants selected based on its proposed use case of e-HKD in offline payment scenarios.

Against this background, the whitepaper looks into the next steps for CBDC development and the value that they could bring to digital payments. In particular, Standard Chartered and PwC China have studied the application of smart contracts to CBDCs, thereby enabling innovation and transforming business models.

Currently, many loyalty schemes are restricted in their geographical scope. Complexities around technical, regulatory and tax issues across jurisdictions can hinder cross-border efficient schemes. "Standard Chartered is optimistic about the future of CBDCs and their tremendous potential for the economy of China and the wider world. The power of CBDCs to create a seamless and innovative digital economy cross-border will be especially important in the context of the Greater Bay Area (GBA). Combining trust and programmability, CBDCs will transform

ecosystems and the payments landscape for individuals and businesses across the region and beyond,” says **Anthony Lin, CEO, GBA, Standard Chartered**.

As outlined in the whitepaper, smaller businesses often struggle to create cost-efficient loyalty schemes or join established loyalty alliances. Programmed CBDCs can enable small firms or networks of niche brands to form alliances and offer compelling digital loyalty schemes, thus greatly enriching the retail space.

The whitepaper further highlights that similar benefits can apply when programmed CBDCs are used to improve accessibility to trade and supply chain finance. While widely available to buyers and suppliers with sound credit ratings, many SMEs still face barriers when seeking to access these financing solutions due to their lack of scale, collateral or credit history. “CBDCs have the potential to alleviate these pain points, provide better access to working capital for small suppliers, and enhance the resilience of the overall supply chain,” says **Ricky Kaura, Head of Transaction Banking, Asia Pacific, Africa and Middle East, Standard Chartered**.

Overall, the whitepaper emphasises that an appropriate governance model for smart contracts and data sharing can support the wider adoption of CBDCs in commercial contexts. “Greater collaboration between industry bodies and regulators across jurisdictions will be critical to validating CBDC use cases and creating a programmable banking ecosystem that fulfils the potential of CBDCs,” says **James Lee, Partner, Advisory Digital, PwC China**.

To read the full report, please visit: [A whitepaper on CBDCs in The Greater Bay Area and beyond \(sc.com\)](https://www.sc.com)

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