Rules to power a stablecoin driven economy

Panel Summary from Singapore Fintech Festival in Partnership with Elevandi

KPMG Services Pvt. Ltd.

January 2023

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ABOUT KPMG

KPMG is a global organization of independent professional services firms providing Audit, Tax and Advisory services. Our multi-disciplinary approach and deep, practical industry knowledge help clients meet challenges and respond to opportunities. KPMG firms operate in 144 countries and territories with more than 236,000 partners and employees working in member firms around the world.

ABOUT ELEVANDI

Elevandi is set up by the Monetary Authority of Singapore to foster an open dialogue between the public and private sectors to advance FinTech in the digital economy. Elevandi works closely with governments, founders, investors, and corporate leaders to drive collaboration, education, and new sources of value at the industry and national levels. Elevandi's initiatives have convened over 300,000 people to drive the growth of FinTech through events, closed-door roundtables, investor programmes, educational initiatives, and research. A flagship product is the Singapore FinTech Festival alongside fast-rising platforms, including the World FinTech Festival, Point Zero Forum, and the recently launched Elevandi Insights Forum.

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1 Introduction

The future of money remains uncertain, but there's no mistaking the intense focus that stablecoins and Central Bank Digital Currencies (CBDCs) are attracting among the world's central banks, governments, and businesses. The rapid emergence of Bitcoin, other decentralised cryptocurrencies and stablecoins continue to fuel the global debate over digital money. And as more countries explore the promise of 'programmable money', central banks are sharpening their focus on CBDCs and stablecoins and their ability to co-exist in economies.

The Singapore Fintech Festival saw a wide array of insights and discussions on the future of Fintech, emerging trends and a focus on the Web3 arena. The Elevandi panel roundtable, "Rules to Power a Stablecoin Driven Economy", saw 20 global leaders and experts in digital currencies – with broad representation across both public and private sectors, including regulators, public organisations, digital currency issuers and exchanges, as well as leading financial institutions – met to discuss the future of digital currencies. The dialogue explored the possibility of CBDCs and stablecoins co-existing, evaluated the value proposition of different forms of digital currencies for the underserved, and the key regulatory actions happening in the market. Participants also dived into the mass adoption of stablecoins and how nation-states can work towards a digital currency economy.

Jo Yeo, Head of Payments Development & Data Connectivity of the MAS, moderated the plenary.

This roundtable aimed to bring together thought leaders from different industries and regulators to share their insights on digital currencies, which can provide greater clarity on the capabilities, risks, policy objectives and technology considerations in this rapidly evolving space. This would consequently help promote and coordinate sound policy and technological developments to advance the application of digital technology to monetary infrastructure.

2 Key Takeaways

Participants of the roundtable discussed the coexistence of CBDCs, stablecoins, and tokenised deposits, with a consensus that while all three types of digital currencies can coexist and bring substantial benefits to financial systems. There is still much to be addressed in terms of regulations, risk management, and industry collaboration to drive greater trust and adoption.

The potential for digital currencies to improve financial inclusion and deliver humanitarian aid was also a topic of discussion, with the recognition of the benefits that digital currencies bring in reducing inefficiencies and costs in remittances and hedging against currency devaluations especially for countries under economic/social distress.

The participants agreed that establishing trust in digital currencies will require a consistent and standardised approach to operations, collaboration with reputable partners, and a focus on cybersecurity and privacy.

The regulatory framework for stablecoins was a key topic, with a focus on consumer protection, anti-money laundering/know-your-customer requirements, and the need for a stable and transparent backing from a trusted issuer.

The roundtable concluded that the future of digital currencies will be shaped by their design and marketing, as well as the implementation of policies that encourage trust and innovation. The roundtable emphasized the importance of collaboration and education in pushing the boundaries of the digital currency sector.

3 The Future of Digital Currencies – Can CBDCs, Stablecoins and Tokenised Deposits co-exist?

Digital currencies have gained significant ground over the past few years, with rapid advancements in technology capabilities, available products, and investors' attitudes towards digital cash initiatives. They have attracted billions of dollars of investor money and have generally been accepted by regulators and industry players as here to stay. The rapidly evolving digital payments landscape has also heightened the attention of financial authorities to opportunities and challenges posed by new forms of money, which include cryptocurrencies, stablecoins, as well as CBDCs. Crypto asset growth has been volatile nonetheless. The market value of crypto assets reached almost US$3 trillion in November 2021 before falling to less than US$1 trillion in July 2022. This crash in value, coupled with the collapse of the stablecoin Terra, the bankruptcies of crypto hedge fund Three Arrows Capital, crypto lending firm Celsius and crypto exchange FTX – is fuelling concerns about the risks that digital assets pose to consumers, investors, and financial systems.

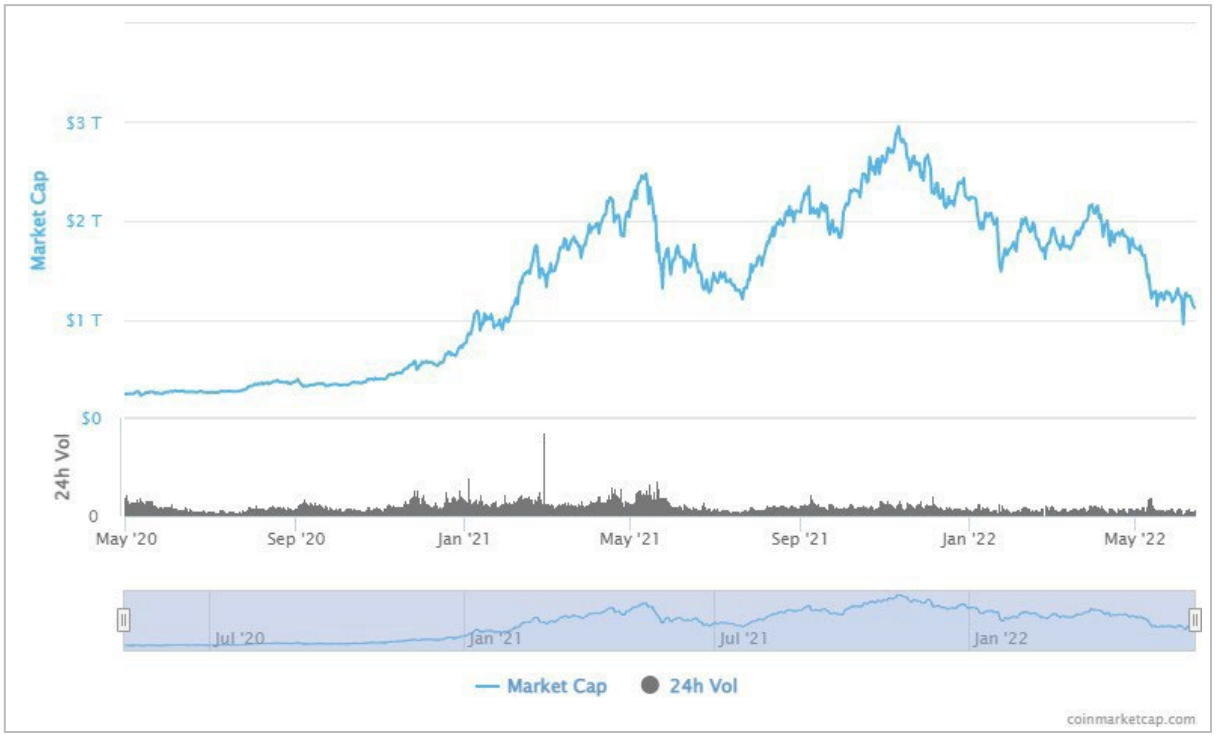


Figure 1: Crypto Market Cap dipped below USD 1 trillion in May 2022, Source: CoinDesk

One industry participant introduced the perceived notion that if innovation in digital assets grows too big, it will become systemic and uncontrollable, eroding national banks' sovereignty and subjecting consumers to risk and fraud.

The roundtable discussed this point but concurred that digital currencies are not necessarily competing with traditional financial systems. On the contrary, they can increase innovation and digital trust, as the underlying blockchain technology can help address massive limitations in the current banking system. The roundtable agreed that "it is not a "competition" but a "co-movement" in which potentially everyone would win."

> **It is not a "competition" but a "co-movement" in which potentially everyone would win.**

The roundtable also highlighted that the digital asset industry is at a pivotal moment within the current wave of digital transformation of financial services. Although the concept of a digital asset has been firmly established and accepted, the mechanisms surrounding it have room for development. Bitcoin, for example, is innovative, but the economic philosophy of a digitally scarce asset with only 21 million tokens effectively negated its utility as a payment instrument, resulting in buyer's and spender's remorse. Nonetheless, the roundtable suggested that the appetite for digital currencies is still growing, adding that "there's a hunger for blockchain technology to accelerate innovation within the digital currency sector."

> **There's a hunger for blockchain technology to accelerate innovation within the digital currency sector.**

3.1 Stablecoins, CBDCs and Tokenised Deposits

One industry participant expressed that although stablecoins bring economic parity to an underlying digital asset, trust remains an issue, as witnessed by the failure of Facebook's Libra project. This suggested that people believed in the underlying innovation but didn't trust the company: Facebook (currently known as Meta). The contributor added that the lack of trust was largely attributed to the possibility that such innovations could reach the population at scale and enable companies to gain considerable influence over the financial system. This notion was further supported by the view that companies were increasingly interested in issuing stablecoins for their own purposes, particularly for customer retention and marketing, which undermined the purported benefits of stablecoins.

Libra

Libra was a stablecoin launched by Facebook backed by a mix of bank deposits and short-term government securities. It was later renamed to Diem and managed by Diem Association. The project generated backlash from government regulators in the European Union, the USA, other countries, and among the general public over monetary sovereignty, financial stability, privacy, and antitrust concerns which ultimately helped kill the project.[1]

CBDCs

The roundtable updated that 95% of the world's central banks are contemplating CBDCs; the digital Yuan, for example, piloted by The People's Bank of China (PBOC) has reached some degree of scale. One industry participant, however, noted that the monetary interactions across the stakeholder ecosystem consisting of the central bank, the banking system, the wallet, and the user can be further optimised. It was also pointed out that there are substantial benefits to CBDCs and stablecoins alone may not suffice. Furthermore, CBDCs could facilitate interoperability and offer alternative features.

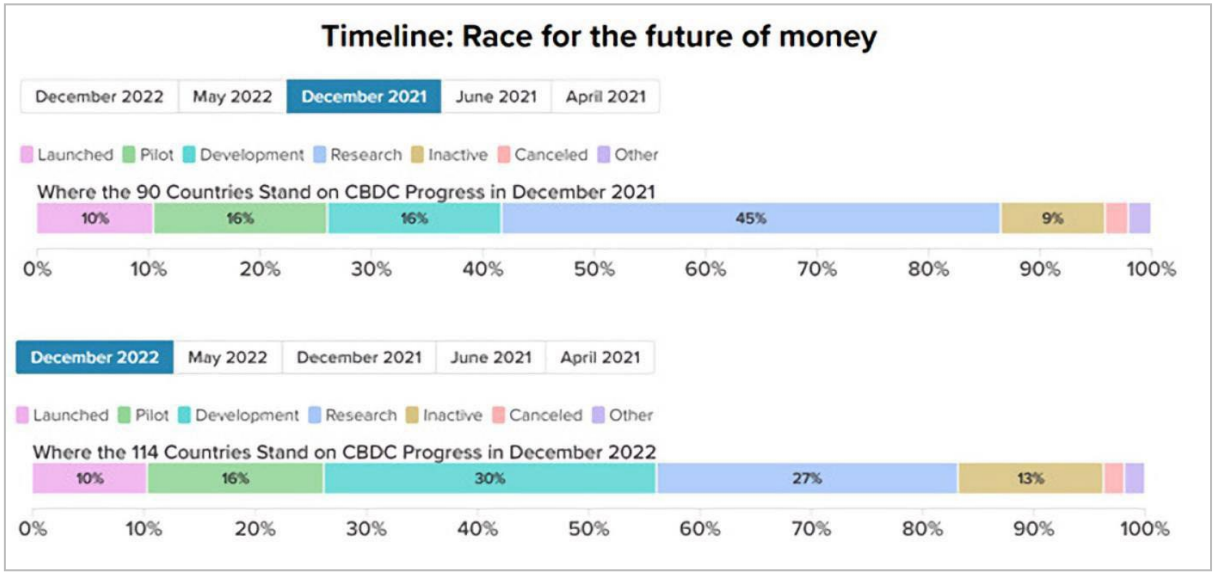


Figure 2: The number of countries who have begun development of CBDCs has doubled in the last 12 months, Source: Atlantic Council

The roundtable also shared that key regulators are experimenting on various CBDC use cases, such as the MAS's exploration of purpose-bound digital SGD through Project Orchid. One industry participant suggested that central banks may hold an advantage on gaining public trust in CBDCs as a digital currency. This was supported by the results of a global poll conducted by the Official Monetary and Financial Institutions Forum (OMFIF) in 2020, which reported that more than half of the potential users surveyed in 13 countries preferred a digital currency issued by their central bank, while private digital currencies issued by tech companies were deemed less trustworthy.[2]

On the topic of wholesale vs retail CBDCs, one industry participant cautioned against the use of retail CBDCs for two reasons. The first being that central banks would have to make a 100-year technology bet and commitment to this technology. The second being that retail CBDCs would subject consumers to significant risk if it didn't have the same safeguards as the traditional banking system. The contributor noted that the CBDC industry would need to have standardised rule-based competition, as seen in the banking sector, for like-for-like activities to ensure a competitive level playing field.

Tokenised Deposits

The roundtable highlighted that tokenised deposits are increasing and are a viable alternative to stablecoins. They added that although stablecoins were developed for Web3 purposes, when more tokenised assets are brought onto the blockchain and material transaction values (i.e. worth millions and billions of dollars) are achieved, other forms of money such as tokenised deposits will play a crucial part.

Tokenised Deposits

Tokenised Deposits refer to an existing bank deposit which is held as a liability against an insured depository institution.[3] Tokenised deposits are not designed to be purchased at exchanges, but function as an infrastructure layer to make bank payments more efficient.[4]

The Future of Digital Currencies

One participant regulator highlighted that CBDCs, stablecoins and tokenised deposits carry different levels of credit risks. While CBDCs have no credit risk, tokenised deposits have bank credit risk and stablecoins have issuer credit risk as well as regulatory and market risks. Additionally, Central Banks

can enforce interest rates on the banks, but private companies may not have the same latitude to adjust interest rates. Hence, when someone exchanges from CBDC which carries the minimum risk, to a stablecoin, which carries the maximum risk compared to the other two types of digital currencies, the exchanger would like to be compensated as per risk-reward ratio. A contributor noted that with different credit risks, attention needs to be given on the interoperability of digital assets across the board to create a standard with equal competition for like-for-like activities.

Most industry participants agreed that the digital currencies market will accelerate as greater legal and regulatory clarity is obtained over operating expectations. To this end, it was pointed out that the intent isn't to erode the trust of the national banks or make banks less relevant but to give people access to more forms of money.

The future of digital currencies lies in both the hands of tech companies and legacy banks. One industry participant suggested that collaboration is needed to set standards for interoperability and fungibility for like-for-like trusted device-centric forms of commerce and payments. Systemically important stablecoins should be of the same safety standards as commercial banking money. Therefore, more progress must be made concerning trust and regulation to enable stablecoins to flourish.

The roundtable also concluded that for digital currencies to be successful, there must be good business use cases to build on, particularly in the areas of how digital currencies can boost financial and economic efficiency and aid financial inclusion and social mobility.

4 Use of digital currencies for financial inclusion and humanitarian aid – hype or reality?

The current financial system has brought tremendous benefits to large sections of the population. However, over 1.7 billion adults worldwide are currently excluded from the formal financial system.[5] There is a need and opportunity for innovative companies along with new technologies to address this issue. Financial inclusion and humanitarian aid have long been mooted as important exemplifications of the benefits of digital currencies. The question was raised whether this is hype or reality.

The roundtable discussed how digital currencies like CBDCs and stablecoins can help increase financial inclusion by lowering financial access barriers, particularly in emerging economies, politically unstable regimes, or markets with hyperinflation. Expanding access to financial services can drive down poverty, encourage upward mobility and increase economic growth. However, one industry participant also warned that CBDCs could potentially give rise to trust and privacy issues and anti-democratic tendencies, given the potential of government encroachment of digital wallets and funds.

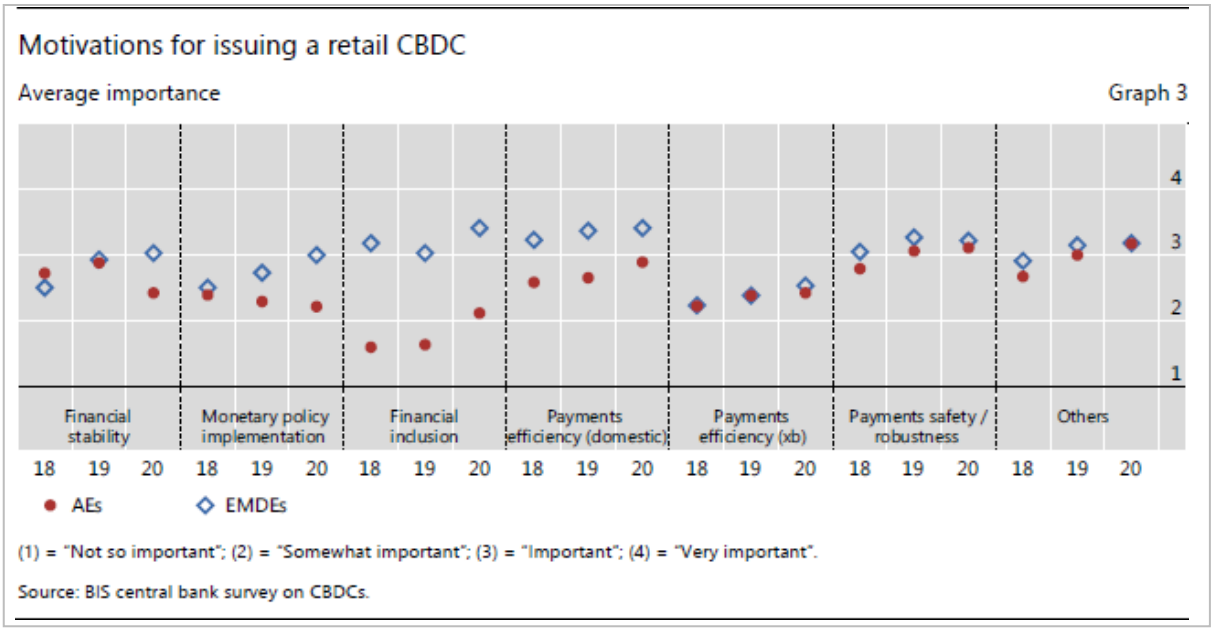


Figure 3: In a 2021 report by BIS interviewing over 21 Central Banks, it was found that financial inclusion was one of the most important use cases for introducing CBDCs, Source: BIS Report

4.1 Use of NFTs and digital currencies for good

As blockchain technology becomes more widely adopted, it will enable the building of digital assets such as cryptocurrencies and non-fungible tokens (NFTs). These advancements will usher in a new era of financial autonomy for individuals. Seen for their potential to revolutionise the financial sector and create an open global financial system, one industry participant outlined the benefits of digital currencies in reducing friction, inefficiencies and costs within today's global financial system; hedging against currency devaluation and hyperinflation; providing access to the unbanked; and offering a peer-to-peer exchange/trading capability that widens the investment opportunities for a larger population.

The contributor also noted that people are gaining empowerment over access and control of their money, data, and identity through digital currencies.

One industry participant highlighted that the crypto community has been influential in marshalling social support and raising funds for different projects and start-ups, such as for financial inclusion and humanitarian aid. For example, cryptocurrency exchange Crypto.com teamed up with the Red Cross in March 2022 to raise money for the Ukraine crisis. It used its advertisement time during the 94th Academy Awards to launch its initiative and committed to match up to US$1 million in donations. Crypto.com has also done fundraising initiatives with Visa and a K-drama Production company involving NFTs.

On NFTs, the contributor highlighted that as the NFT resell market gains momentum, it can bring lasting and increasing benefits to emerging artists or developers as they reap better revenues and share in the value of their creations. Royalties generated from the NFT resell market could also become a useful tool for philanthropic activities, enabling charitable foundations and collaborations to become a big success.

The contributor also shared that humanitarian aid can be delivered more quickly and cheaply through digital currencies, be it in the aftermath of a natural disaster, during an ongoing conflict, or in response to economic turmoil. Direct funding will reach the end-users in need without the need for third-party intermediaries such as banks or financial services companies; this being particularly useful for cross-border transactions. The contributor added that digital currencies also have the potential to provide P2P payment options for the unbanked population, potentially proving very useful for emerging and developing countries with low financial inclusion.

The roundtable discussed the function of digital assets in providing a reliable store of value and medium of exchange. It was suggested that people turned to crypto for solutions when sovereign monetary policies fail. One industry participant pointed to Argentina as an example, elaborating that when Argentina suffered severe hyperinflation over the years, some people used crypto to protect their capital and as a means of payment.

On privacy issues with CBDCs and stablecoins, it was presented that several technologies, such as Zero-Knowledge Proofs (ZKPs) and decentralised identity, could help validate user information and establish trust between parties in a financial transaction without sacrificing the privacy of sensitive data.

The examples outlined in this segment show that progress is being made to improve financial inclusion using digital currencies; in particular how digital currencies are being adopted within emerging countries where the trust in the existing financial system is lacking. The utility of stablecoins increase dramatically when the trust in the system is low. This view was summarized by an industry participant as follows: “emerging countries have low trust in their financial system, hence there is greater applicability and use cases for stablecoins.”

> Emerging countries have low trust, more applicability and more use cases for stablecoin.

5 How can Web3 companies bolster trust in digital currencies?

Trust is one of the biggest hurdles to the broader adoption of digital currencies. This includes trust in crypto service providers, issuers, and regulators.

Crypto Service Providers

One industry participant suggested that trust can be stimulated by committing to long-term consistency to operational processes within the organisation, such as by remaining compliant with user agreements, reserve-backing policies, regulations or corporate structures. Collaboration with strong partners or reputable companies is also highlighted as another powerful tool to bolster trust.

Issuers

The roundtable highlighted that stablecoins aren't just a technology business but are akin to traditional banking businesses as their process involves taking deposits from investors and lending/investing in high liquid assets. Thus, there is a need for operational rigor and safeguards to mitigate risks relating to delayed withdrawals, fund freezes, and limits on transactions. Creating such a solid and transparent operational foundation is fundamental to building consumer trust and essential to catalysing stablecoins' acceptance as a trusted form of digital currency.

One industry participant suggested continuous and open communication with customers as another way to build trust in stablecoins. For instance, disclosures and education about products can go a long way in boosting consumer trust and adoption. The contributor added that disclosures on basic product information, what stablecoins are, the different types of coins, risks of the stablecoin issuer going insolvent and associated ramifications will help build rapport and reassurance with the consumer.

Cyber crime was highlighted as another factor that erodes trust in digital assets. It was suggested that more attention should be paid to blockchain-based smart contracts as they become more prevalent. Analysts have reported a sharp rise in cryptocurrency hacks amounting to around $2 billion worth of funds in 2022, most of which were stolen from DeFi protocols. To combat the mistrust arising from these events, it was advised that regular audits on smart contracts (e.g. every 3–6 months) will help enhance transparency and trust in the industry.

One industry participant commented that Web3 companies' adherence to industry standards and rules is essential to building trust. There is a need, however, for a more relevant usage model.

Regulators

It was envisioned that trust will become the backbone of digital currency's future if scaled to an institutional level, and the roundtable pointed out that trust anchors can include both the central banks and commercial banks. It was noted that governments and regulators are ramping up efforts to address systemic risks and close regulatory gaps while harnessing the potential benefits of innovative technology. One of the participants also pointed out that although regulation is critical to ensure guardrails for consumer protection, there should be enough flexibility for innovation to shape-up into viable business models before the regulations tighten up, otherwise there wouldn't be any innovative business left to regulate.

Given the increasing scrutiny and desire to develop a clear regulatory framework for stablecoins, one industry participant recommended that Web3 companies carefully analyse their strategy and pipeline of products to ensure close alignment with broader regulatory development efforts and ensure their business models are compliant in the future.

Driving Success and Confidence in Digital Currencies

In summary, most industry participants agreed that the success of crypto assets and their markets will depend on addressing key challenges such as regulatory compliance, price volatility, liquidity, and security. Institutional participation by banks, broker-dealers, exchanges, payment services,

fintech and other players in today's financial ecosystem will also inspire confidence in these emerging products and markets. It was also highlighted that as crypto assets become increasingly mainstream among financial institutions, dedicated crypto services and products will continue to emerge, ultimately enhancing opportunities to manage crypto assets across both cohorts whilst raising awareness of their potential benefits among investors and the public. To this end, institutional-grade infrastructure and services will be necessary for crypto assets to fully deliver on their potential.

6 Regulatory framework landscape for stablecoins

While the promise of crypto assets to redefine the global financial ecosystem is becoming clear, so are the associated significant challenges with achieving this transformation. A global regulatory framework for crypto assets has yet to emerge amid today's patchwork of regulatory guidelines. Regulators are focusing on establishing essential requirements for participants in the digital currencies domain.

6.1 Key trends among regulators

The current regulatory focus for digital currencies is on anti-money laundering (AML), know-your-customer (KYC) requirements and regulatory permissions regimes. As such, KYC considerations are a high priority, given that crypto asset owners are 'identified' using cryptographic addresses which pose barriers to establishing clarity over the initiation and receipt, ownership and traceability in today's crypto ecosystem. One industry participant highlighted that establishing a KYC program that can verify customers and risk profiles, monitor transactions and help ensure AML capabilities will be crucial.

One industry participant shared three key global trends and regulatory developments in digital assets in 2022:

Trend 1: Increase in Regulatory Oversight

The continuous turmoil in the crypto assets market has brought regulators from many countries to focus on crypto regulations. Of note, the Financial Stability Board (FSB), an international body that monitors and makes recommendations about the global financial system, has issued a proposed framework for "International Regulation on Crypto asset Activity". The FSB is of the view that the turmoil in the market indicates various structural vulnerabilities accentuated by poor governance and inadequate consumer protection, specifically for stablecoins; and hence proposed regulations that are related to stabilisation mechanisms for various stablecoins that rely on algorithmic protocols. The FSB is calling on local regulators to put in place robust requirements for the composition of assets in reserve. There are also upcoming regulations on digital assets in different parts of the world, such as the EU, UK, UAE, Singapore, and Hong Kong. The focus will be on licensing, financial crime risk and consumer investor protection.

Trend 2: Impact of Regulations Across Countries

Due to the global nature of crypto assets, policymakers are enhancing cross-border coordination to minimise the risks of regulatory arbitrage – where companies flee stricter jurisdictions for nations with more lax regulations – and ensure adequate supervision and enforcement. However, there are still cases where national rulings may make it difficult for industry players to navigate cross-border regimes. For example, the US SEC declared that Ethereum comes under the jurisdiction of the US Government and SEC because most of the validator nodes that secure the network are based in the US. In such cases, international cooperation will be key to prevent inconsistencies in the application of laws and regulations.

Trend 3: Consumer Protection

Consumer protection regulations are paramount to safeguard consumer interests and ensure transparent and fair dealing standards. Regulators are reviewing consumer protection laws for existing financial products and services to apply to cryptocurrencies. For instance, Virtual Asset Service Providers (VASPs) like a crypto custodian should have the same responsibilities as a traditional custodian for other financial instruments in safeguarding customer assets. As a case in point, the UK Law Commission has published a 549-page consultation paper to ensure that the law recognises and protects digital assets ownership in a digitised world.

6.2 Focus areas for making strong stablecoin

One industry participant highlighted that building a stablecoin requires both good use cases and good regulations. While the proper functioning of stablecoins as a means of payment cements trust and confidence in its utility, sound regulations will be fundamental to drive greater adoption.

The contributor laid out four key elements that regulators must examine to ensure the foundations are strong:

Firstly, deciding how the stablecoin is backed. Experts advise one-to-one reserve backing of cash or cash equivalents, such as high-quality liquid assets. One participant regulator highlighted that Japan has already passed legislation to regulate fiat-backed stablecoin with a one-to-one peg. Under Japan's regulatory framework, three types of fiat-backed stablecoin issuers are recognized, namely, banks, fund transfer service providers, and trust companies. Meanwhile, other countries are exploring different regulatory approaches to regulating stablecoins and the options for their backing assets. For instance, another participant regulator highlighted that UK has issued a public consultation on four potential models:

1. The bank model, where the stablecoin will be subjected to bank requirements
2. The central bank reserves-backed model, which would reduce the operational risks to the consumers
3. The deposit-backed model, where the liabilities are backed by commercial bank money
4. The High Quality Liquid Assets (HQLA) model, which institutions would hold liquid assets while being exposed to market and liquidity risks.

Secondly, there's a need for a capital buffer for operational risks like cyber hacks. Implementation of these capital requirements can generally be segmented into two approaches:

1. As a percentage of operating cost – as set out in MAS' consultation paper on "Proposed Regulatory Approach for Stablecoin-related Activities"
2. A non-risk weighted approach like a bank's leverage ratio – as suggested in the EU's proposal for a system stablecoin with 3% capital coin.

However, a contributor highlighted that there are several issues to be considered for each approach. For example, the first approach incentivises the company to run down its operational cost, which can introduce operational risk. The second approach raises the question of whether 2-3% of the capital coin is too high for the industry to function. It would be necessary to define whether the capital coin would be addressing the market risk or the credit risk, which in turn will define the quantum of the risk.

Thirdly, there must be complete and transparent disclosure on the reserve backing that is independently verified. There should be serious considerations about the type of disclosure and regulatory standards on the reporting frequency.

Fourthly, there is a need for robust risk controls, governance and KYC processes to be mandatorily implemented by the Web3 companies.

Additionally, most industry participants also shared that there are several risks that regulators need to consider in their policymaking. First, reserve risks should remain in focus, whichever model is adopted. If the reserve of stablecoins drops below the defined peg, it would pose a threat to consumers. Equally important are the risks that surround redemption risk. It is crucial that issuers honour the investment commitments to their consumers. Finally, as stablecoin opens up innovation and financial inclusion, crypto exchanges should serve as gatekeepers to ensure customers' assets are kept safe and not used for illicit activities.

On the topic of algorithmically pegged stablecoins, one industry participant commented that the focus should not be to ban such stablecoins but to have clear rules or guidelines for qualifying which stablecoins can be used as a means of payments and which stablecoins cannot be used. This would allow algorithmically pegged stablecoins to still exist and find its utility in other use cases. However, the contributor also highlighted that irrespective of the utility of the specific stablecoin type, all should operate within the regulated parameter.

7 The Next Steps for digital currencies

Two main aspects will define how digital currencies will continue to grow over the next decade.

First, the acceptability of digital currencies will depend on how they're designed and marketed. This will include effective distribution channels, e-wallet configurations and additional features that will see technology boundaries being expanded by innovative thinking, thereby accelerating digital currencies to the next level. To enable this, there needs to be a concerted collaboration of governments, private companies and legacy institutions to work on a road map for the future digital currency sector.

Secondly, the implementation of regulatory policies, particularly in regards to providing greater legal and regulatory clarity on operational matters, will help encourage trust and innovation within the digital currency domain. Regulatory guidelines and expectations will be the backbone of the whole industry, which will determine the robust functioning and adoption of the digital currencies.

The roundtable was concluded with the thought that opportunities are abound in the digital currency industry, but it will require effective dialogue, education and collaborative experimentation to push the boundaries to enable this industry to flourish.

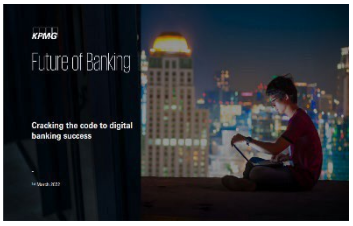
For more information on KPMG's extensive work on fintech and blockchain, refer to the selection of publications below.

Pulse of Fintech: H2'22

The breadth of fintech solutions attracting investment continued to expand and grow, with surging interest in cryptocurrencies and blockchain, wealthtech, and cybersecurity. Entering 2022, the optimism for fintech investment globally is very strong, with different subsectors well-positioned to keep evolving and new ones expected to emerge and flourish.

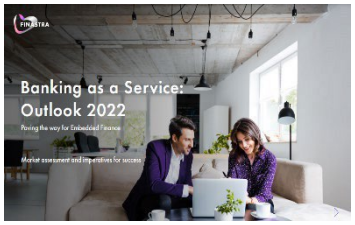
Fintech Wire: A spotlight into the insurtech investment ecosystem

The integration of technology with financial services, widely characterized as 'Fintech' has emerged as a key disruptor requiring financial services companies to rethink their business and operating models. Given this scenario, it is important for industry leaders to be aware of the fintech ecosystem and its nuances to drive meaningful conversation with clients.



Future Banking: Cracking the code to digital banking success

The digital bank of the future will help customers achieve their goals by connecting their finances through the various digital providers. In this way, customers can see a more holistic and seamless progress of achieving their various goals. We foresee the Digital Bank as the engine for a fully customer-centric, data-driven business model, "connecting" the front, middle and back office.



Banking as a Service: Outlook 2022

Banking as a Service (BaaS) has become one of the most important strategic agenda items for chief executives across numerous industries beyond banking, from manufacturing to healthcare. BaaS enables any business to develop new and exciting propositions with relevant financial services embedded into the customer experience. Overall, BaaS is expected to reach a value of $7 trillion by 2030. Those that wait will be left outside looking in.

Endnotes

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