

The prospects for retail and wholesale CBDCs in Asia



China leading the retail CBDC space

China has been leading the way in retail Central Bank Digital Currencies (CBDCs) in Asia and globally. In 2022 the digital yuan made dramatic progress with the launch of the e-CNY app. This first international demonstration allowed overseas visitors to test the payment system during the

Key e-CNY statistics¹ as at 31 Aug 2022

The e-CNY has expanded its pilot to **cover 23 cities** – up from the 12 pilot cities during its trial in the Winter Olympics.

Since its launch, **360m** transactions have already been processed; the cumulative value transacted has reached over **RMB100b (c. USD14b)**.

The number of merchants participating has also grown rapidly, with the e-CNY being supported in **5.6m retail locations**.

Current and anticipated use cases as seen with China's CBDC

During the Beijing 2022 Winter Olympics, residents in the 12 pilot cities – as well as foreign athletes, coaches and judges – were able to try out the digital yuan payment system in seven areas. These included transportation, catering and accommodation, general retail payments, tourist attraction, medical and healthcare services, communications services and ticketing and entertainment. However, the scope of the e-CNY extends beyond these seven areas. In financial services, the e-CNY been used in the context of retail insurance and wealth management products. It has also been dispersed to companies in the form of corporate loans. Additionally, some banks are considering accepting e-CNY for the payment of government services, while some corporates may use e-CNY to make corporate and cross-border payments. Once these uses are trialled successfully, they will provide a case for CBDCs in other jurisdictions to follow.

Uses of digital yuan tested in the Winter Olympics:



Catering services



Transportation (buses, subway, bikes)



Shopping



Communications



Housing rental payments



Government services



Green finance



Leisure and entertainment



Tourism and sightseeing



Medical and healthcare

Extended uses of digital yuan tested in China:



College and university campus purchases



Distribution of poverty alleviation funds

Anticipated uses of digital yuan:



Cross-border payments

¹ Source: <http://www.pbc.gov.cn/redianzhuanti/118742/4657542/4678070/index.html>

Promises of the mBridge initiative

The People's Bank of China (PBOC) and the Central Bank of the United Arab Emirates (CBUAE) joined efforts with Hong Kong and Thailand in the mBridge (multiple-CBDC Bridge) project back in 2021. This examined the role and technical feasibility of utilizing a wholesale CBDC for cross-border transactions. In its most recent pilot phase, the mBridge successfully facilitated over 160 cross-border payments and FX transactions that totalled more than \$22 million in value. A detailed report of the various technical designs is expected to be released in due course.

e-HKD in the making

The HKMA has recently announced that it plans to continue exploring and considering the implementation of e-HKD. The HKMA has received an overwhelming response from stakeholders, with many providing feedback suggesting that e-HKD should have interoperability with e-CNY. While no specific promises have been made, the prospect of an interoperable e-CNY and e-HKD could be revolutionary and bring tremendous benefits to businesses in Hong Kong and Mainland China.

Potential changes to consumer behavior may obviate alternative payment methods

While different forms of digital payments already exist within these territories, the emergence of a new government-backed digital payment mechanism that is well integrated with existing infrastructures could bring much convenience. Undoubtedly, CBDCs could have an impact on existing privately-run digital payment platforms, but this change is expected to be gradual. Going forward, we expect to see private digital payment platforms needing to develop more innovative and value-adding services in order to retain customers and maintain their usage.

Learn more about how CBDCs can impact businesses in Asia

To read more about the progress and business implications of e-CNY in China, as well as the latest developments of CBDCs around the world, download PwC's China Economic Quarterly and our Global CBDC Index Report here:

Contacts

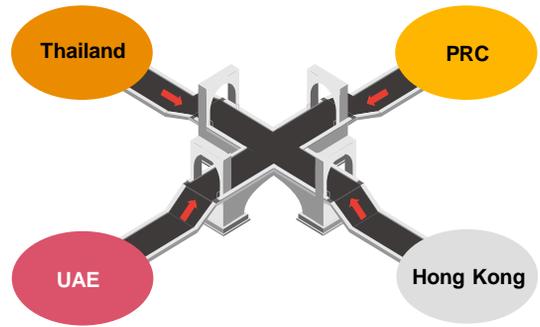
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mBridge illustrative model from the previous phase



China Economic Quarterly Q2 2022



Global CBDC Index and Stablecoin Overview 2022



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