



INSTITUTE OF CHARTERED ACCOUNTANTS, GHANA

KEYNOTE ADDRESS

BY

**DR. ERNEST ADDISON
GOVERNOR, BANK OF GHANA**

**READ ON HIS BEHALF BY
KWAME OPPONG
HEAD OF FINTECH AND INNOVATIONS OFFICE
BANK OF GHANA**

WEDNESDAY, MAY 25, 2022



Your Excellency, Vice President of the Republic of Ghana, Alhaji Dr. Mahamudu Bawumia

The Chief Executive Officer of the Institute of Chartered Accountants (ICAG)

Captains of the Banking and Digital Finance Sector

Members of the Institute of Chartered Accountants

Distinguished Guest,

Distinguished Ladies and Gentlemen,

Good Afternoon

1.0 It is my pleasure to speak at the 2022 Institute of Chartered Accountants (ICAG) conference on **“The Future of Money: How the Digital Revolution is Transforming Currencies and Finance”**. I would like to thank the Institute of Chartered Accountants Ghana, for the choice of a topical topic and on a development which is defining the future of financial service across the world. Indeed, this seminar is taking place at a time when it has become abundantly clear that digital financial service has diffused into every corner of the country and across social strata and redefining the financial service landscape.

2.0 Ladies and Gentlemen, the growing adoption of digital technology in every sphere of human endeavor is transforming how commercial transactions are carried out. Electronic commerce platforms enabled by information and communication technology are permitting businesses to sell goods and services, and also accept payments online. Governments have found digital platforms to be an efficient alternative to manual systems for mobilizing the needed revenue for national development. Consumer



demand for convenience and flexibility in financial service has given impetus to financial service digitalization. We have seen massive response by financial service providers to the demand for digital financial service in the form of mobile money and other software apps of banks and specialized deposit taking institutions.

- 3.0** Besides, the digital payment instruments issued by regulated financial institutions such as banks, specialized deposit-taking institutions and mobile money operators and similar entities, virtual assets of non-regulated entities popularly called cryptocurrencies have also gained prominence since their beginnings in the late 2000s, although still insignificant compared with central bank issued currency notes and coins. This growth had led to the adoption of financial innovations, proliferation of non-bank financial institutions to the reshaping of the supply and demand sides of the ecosystem. Consequently, enabling regulatory environments have also evolved to accommodate these changes, engender competition, safeguard the interests of consumers as well as enhance financial stability.
- 4.0** The Covid-19 pandemic caused unprecedented disruption to the global economy and livelihoods. The virus spread across the globe with devastating impact on incomes and adversely affecting the livelihoods of vulnerable groups in society such as women, the poor and those without financial buffers. Confronted with the colossal task of protecting both lives and livelihoods, most central governments imposed stringent measures to contain the spread of the virus and developed policies which could mitigate the economic costs of the pandemic while minimizing risks to society.



- 5.0** Today, most economies are grappling with the adverse effects of the pandemic. Coupled with the Russia-Ukraine conflict, most economies are beginning to restructure the core tenets of their economies towards full recovery while being mindful of the lingering of the pandemic. The implementation of drastic but necessary COVID-19 pandemic containment measures implemented by various governments alleviated the economic woes of its citizens.
- 6.0** Ladies and gentlemen, digitilisation and the attainment of a cash lite economy have taken major headlines in most payments and banking sector conferences since the onset of the COVID-19 pandemic. The topic under discussion; "The Future of Money" has gained much interests on account of the digital revolution permeating through all sectors and economies, the quest to use cashless modes of payments, the emergence of cryptocurrencies and the thoughts of Central Banks issuing their own forms of digital currencies popularly referred to as Central Bank Digital Currencies.
- 7.0** Monetary systems, however, remain one of the core features of global financial systems, with an underlying catalyst; the "payment system". Discussions around the future of money provides us an opportunity to reflect on the future of global financial systems, our economies and the future of central banking. However, in Ghana, cash still remains a relevant means of payments and it is the expectation of the Central Bank and successive governments that the Ghana cedi would be available and accepted by all, whilst considering complementary digital means which are safe, secure and convenient for all.



8.0 Mr. Chairman, permit me to provide some brief but necessary remarks on the history of money. The term usually refers to the unit in exchange that allows commodities to be traded in. Money is the single most important aspect of our lives as evidenced by its roles:

- As store of value which facilitate the transfer of today's purchasing power to a future time;
- As medium of exchange allowing for the payments of goods and services; and
- As unit of account which provides a measure of commodity or a financial product.

Money has facilitated the exchange of goods and services across geographical boundaries and times. Money continue to perform these functions because we all do have confidence and have built a chain of trust in building an economic society. This presupposes that money has value because we, as a society have assigned it a certain value.

9.0 You may also recall that cash life societies have existed from the time when human society came into existence, based on barter system of trade and other forms of exchanges. However, the cash lite economy that we are discussing is an affirmation of the future world; a world which would be characterized by a digital currency; thus, a legal tender which maintains its historical functions, but exchanged only in a digitized form.

10.0 Ladies and gentlemen, within the Ghanaian payment and financial ecosystem, the rapid adoption of digital financial technology,



technological innovations, increasing interconnectedness among payment service providers and banks as well as the existence of an enabling regulatory environment has stimulated the growth and participation of non-banks financial institutions within the payment and financial ecosystem. The participation of these entities to offer exciting digital technologies to meet customers' derived demand for safe, convenient and reliable digital financial products and services is overwhelming. Discussions on the future of money and how the digital revolution is impacting on currencies and the financial sector would be deemed incomplete without some remarks on the emergence of crypto currencies.

11.0 The advent of digitisation also witnessed the emergence of a fully decentralized digital asset in 2009. Subsequently, there have been over 2000 newly issued crypto-assets with unique characteristics which include amongst others; a distributed ledger technology (blockchain), anonymous issuers and are not denominated in sovereign or fiat currency. Despite several recommendations by academia and industry watchers for Central Banks to leverage on existing and newer technologies to issue digital currencies as alternatives to banknotes, few countries have actually introduced CBDC with most countries in exploration stages.

12.0 Mr. Chairman, the rapid decrease in the use of bank notes and coins coupled with a less fully developed infrastructure to support the issuance of banknotes have invigorated interest in policy makers and financial sector authorities in the introduction of CBDC. Despite the excitements that surrounded its adoption and potentially a replica for central bank fiat



currency, high price volatility makes these crypto assets such as bitcoin unattractive as a means of payment. Crypto assets continue to remain essentially speculative and attractive to smaller units of investors. The use of any privately issued form of currency generally lacks a strong consumer-base needed to create the network externalities which is capable of dethroning a fiat currency or legal tender.

13.0 According to a BIS survey in 2021 on CBDC, 86% of central banks were actively researching the potential for CBDCs, 60% were experimenting with the technology and 14% were deploying pilot projects. Research and development work on CBDC has gone global and spans almost all continents including; the Americas, Europe, Australia and Africa. The Bahamas was the first country to issue a CBDC, Sand Dollar, and the DCEP project of China is probably the one most well-known worldwide. Bank of Ghana is one of the first few African central banks to declare working on a digital currency. This is part of the overall national digitisation agenda, aimed at formalising the economy coupled with Bank of Ghana's financial inclusion and cash-lite programme which have made it worthwhile to explore central bank digital currency.

14.0 The rapid adoption of digital technologies coupled with the introduction of a CBDC is expected to further consolidate the efficiencies derived from our fiscal operations and monetary policy decisions. As the future of the financial services sector evolves and the future of money is unknown or uncertain, the Bank's decision to explore CBDC is a bold step to implementing the tenets of an overarching financial sector digitalisation program.



15.0 Ladies and gentlemen, the CBDC is a digital form of central bank currency denominated in the official (national) unit of account. It offers a common unit of account, store of value and medium of exchange for the sale of goods and services. The Bank of Ghana digital currency represents the digital equivalent of fiat Ghana Cedi (banknotes and coins) which provides an alternative for individuals to execute basic financial transactions as well as the settlement of trade engagements among financial institutions. The choice of issuing a CBDC is largely influenced by the efficiency of a country's domestic payment system and the country's quest to expand the horizon of its financial inclusion index. For instance, the Bank of Ghana is piloting the CBDC to amongst others:

- complement existing bank notes and coins as issued by the Bank of Ghana;
- promote diversity in payment system whilst maintaining the safety and robustness of the space.
- provide a better alternative to newer forms of digital payments (such as Bit coins, Ethereum or Tether) which are neither the liability of the Bank of Ghana or any regulated financial institution;
- improve security and convenience for cash holders.
- enhance financial inclusiveness as a means to improving transmission mechanism for effective monetary policy implementation; and
- improve efficiency in cash management as current activities, processes and procedures for managing currencies are very time consuming and very costly.



16.0 At this juncture, let us consider how money will evolve in the future. The rapid wave of digitization makes the future of money almost uncertain amidst the significant key economic and financial sector indicators such as changes in financial services landscape, general payments and the economy as a whole. Permit me to share some few highlights on the following:

Fiat currencies versus crypto assets

17.0 Fiat currencies such as the Ghana cedis has maintained an appreciable level of trust and confidence in the consuming public over the years. A privately issued digital coin which is issued with anonymity and not denominated in sovereign currency unit and not accepted as a legal tender would not be considered widely for payments and settlements purposes.

18.0 Ultimately, the institutional framework underlying the issuance of sovereign currencies promotes independence for Central Banks, provides historical data of all monetary policy decisions conducted over the years and provides empirical data of the impact of these decisions on the economy. The level of trust gained in the issuance of Central Banks's currencies, defeats the adoption of privately issued digital coins. Similarly, the quest of private digital coins issuers to compete against sovereign currencies has become unfavorable as they are mainly purchased for their speculative gains and cannot be relied upon for daily payments and settlements; a key feature of a developed payment and financial services sector.



Toward a cash-lite economy

- 19.0** Digital payment instruments denominated in sovereign currencies such as CBDC would continue to thrive and help achieve the cash lite agenda of the Bank. Although within Sub Saharan Africa, the use of cash remains prevalent, the introduction of its digitized version would play a complimentary role to cash. While the pace of digitisation varies across various jurisdictions, the emergence of cashless and digitized payment streams is expected to grow in the foreseeable future. The rapid adoption of digital technologies in other critical sectors such as trade, for instance, has been characterized by rise in trade volumes and values and have positively affected the lives of ordinary citizens.
- 20.0** To conclude, let me be quick to make this submissions that digital innovations is here and has come to stay with us. Although It will disrupt traditional status quo, we are mindful of the need to embrace technological changes that are relevant within our context and bring socio-economic benefit to all. Today, we have been entrusted with a mandate which enables us to take decisions which are most likely to affect the future of our payment and financial ecosystem.
- 21.0** On the part of the Bank, we have taken a more cautious, incremental and collaborative approach to pilot CBDC and other associated initiatives in the future. We are also aware of the enormous benefits that could be harnessed from CBDCs in cross-border payments whilst being mindful of all associated challenges and risks. We want to see a future where the Ghanaian currency; whether eCedi or the traditional cash or cheque system or any other approved payment instrument or stream is available



and accessible at all times to the public in a manner that preserves the sanctity and integrity of our payment and financial ecosystem.

Thank you for your attention.

PUBLIC