

DIGITAL TRANSACTIONS & MONEY

APPLICANTS:

- (1) Caribbean Settlement Network (CSN)
- (2) Caribbean Tourism Organisation (CTO)
- (3) Dominica Cooperative Societies League Ltd.

COUNTRY OF INCORPORATION:

- (1) The main entity / personnel representing key stakeholders are based in Barbados
- (2) Headquarters in Barbados representing 24 member states
- (3) Headquartered in Dominica

BENEFICIARIES / SUPPORTING AGENCIES / PROJECT PARTNERS

Regional Public and Private Sector Entities, MSMEs, residents and visitors.

DESCRIPTION OF APPLICANT

- (1) The CSN is a not-for-profit regional public entity. When activated, the CSN will serve to support Caribbean residents and businesses in conducting intraregional cross-border digital financial transactions instantly on their smartphones or tablets, using digital versions of their local fiat currencies, with significantly less transaction fees and wait times. The members of the Working Group of The CSN currently include The Bank of Canada, Massy Group, Central Bank of Barbados, ECCB, Crown Agents Bank, UWI, CARICOM, Government of Bermuda, HSBC Bank, CAPRI, CDB, CDF, IDB, JMMB, Government of Barbados, Government of St. Vincent and the Grenadines, and Bitt.
- (2) The (CTO), is headquartered in Barbados and is the Caribbean's tourism development agency comprising membership of Dutch, English, French and Spanish countries and territories, as well as private sector affiliates and members. The vision and scope of CTO comprises the development of sustainable tourism enterprise that supports the development of Caribbean People and the region as a whole. This is achieved through, marketing advertising, training, partnership development, research, preservation and business development or advocacy.
- (3) The Dominica Cooperative Societies League Ltd. is the APEX body for Cooperatives in Dominica. It is a not-for-profit organization with over 60 years of experience serving the sector and the country, whilst bringing light to the issues concerning cooperatives and their members. The DCSLL is on the cusp of launching a financial technological solution such as mobile wallet. This will provide critical intra-bank and intra-credit union financial transacting with a seamless interface with members and clients alike. The wallet will also serve as a catalyst and a pilot for the Eastern Caribbean Central Bank's eventual adoption of the digital version to its very own EC currency. It is anticipated that cross border transaction costs will be significantly reduced through this initiative. The DCSLL, is headquartered in Dominica and has regional affiliations within the OECS sub-region and the wider Caribbean. As for our core mission and vision, the DCSLL provides advocacy services, training, consulting and advisory services to credit unions island wide and within the OECS. Our focus remains on improving the lives and livelihoods of those we serve.

BLOCKCHAIN APPLICATION

Digital transactions and money

- Cross-border swap agreements to process currency exchange
- Central Bank Digital Currency (CBDC)
- Mobile wallet
- Online payment especially in the context of community-based tourism in the Caribbean

CHALLENGE PRESENTED

- (1) Access to finance and financial inclusion also affects regional growth and development opportunities from socioeconomic implications to ease of doing business to administrative efficiency. Individuals remain unbanked, owing to unaffordable fees or administrative delays in the need for physical cash. Intra-regional Financial Transactions and Cross border settlements remain prohibitively expensive and grossly inefficient at worst and cumbersome at best.

Limitations and challenges to growth include:

- (1) The use of US currency or other hard currency
- (2) The dependency on the international banking system for intra-regional transfers
- (3) The high cost of money transfer and remittance fees - regardless the transaction amounts
- (4) The clearance time / duration of a single transaction may take weeks

With successive International banks de-risking and exiting the region, the costs of economic activity and trade increase exponentially and affect foreign reserves, growth and the ease of doing business. In a region where businesses are affected by international competition and natural disasters, local and regional MSMEs are losing a competitive stronghold through these financial pressures.

- (2) In the case of tourism, diversification and expansion of the product offering beyond the beach is challenging because +/-80% of bookings are completed online. Unfortunately in the Caribbean, many – if not most - community-based tourism (CBT) enterprises do not yet have access to online booking and digital payment systems to capture the willingness-to-pay of international visitors who no longer carry cash around. The size of this revenue lost for micro, small and medium enterprises is difficult to estimate but according to a consumer research commissioned by Compete Caribbean in 2019, 79% of American visitors would be interested in spending on CBT experiences if they were aware. According to a recent publication from Trekksoft, marketplace bookings increased to 9.1%. in one year representing 9.1% of total bookings in 2018. These Online Travel Agencies (OTA) are increasingly interested in penetrating the Caribbean market given the size of its potential but the challenge of processing digital payments and accessing consumers for MSMEs is far from being solved.

- (3) Dominica's focus on becoming the world's first climate resilient country through the lens of a dynamic Dominica. Critical to this drive post Hurricane Maria is the push to improve financial access and financial inclusion for all. This is critically important to the consideration of modernising the financial sector and introducing cutting edge financial technology and application to enable great efficiency, cost minimisation, sustainable growth and development and easier access for the disenfranchised and those lack critical access and inclusion within the mainstream banking sector. The bottlenecks within the financial sector will be significantly reduced through this enabler that drives instant connectivity across digital and financial platforms and connects the critical players in the financial landscape.

The key drivers for success lie within the remit of the following:

- (1) Reduction in transaction costs
- (2) Increase cross border transacting
- (3) Reduce time lags in remittances
- (4) Increase trade in good and services within the immediate short term

Limitations and challenges to growth include:

- (1) Small states within a relatively small grouping
- (2) High dependency on corresponding banking relationships and the risk thereof
- (3) The high cost of remittance fees
- (4) The lengthy delays in transaction clearance and reconciliation

SUMMARY OF READINESS TO PARTICIPATE

- (1) The CSN Working Group is a 100% voluntary entity. They have appreciated that the financial and in-kind commitments will have to be confirmed from each stakeholder entity. At Bitt's Annual Central Bank Meets Blockchain conference in September 2019, the focus was on the challenges related to cross-border settlement, and how The Caribbean Settlement Network can resolve these challenges. This conference cost about BBD100,000. CARICOM and the regional central banks have to agree by consensus on the desired Governance, Regulatory, and Operational architecture of the CSN before the technology solution itself can be designed and built. This process will take time and would require the expertise of an individual or organization with the convening power and knowledge of the task at hand. The call for solutions / the pitch should therefore be at a very high level, regarding cross-border digital currency payments and settlement in general, as the specifics are yet to be determined.
- (2) The CTO has published a community-based tourism toolkit in 2019 and provides capacity building opportunities to foster sustainable and inclusive tourism across the region. CTO is interested in exploring how innovative technological solutions can empower MSMEs to participate more directly and benefit from the tourism sector.
- (3) The DCSLL in its drive to introduce the mobile wallet, is seeking strategic interest in developing an aggregator application that facilitates financial systems and core banking application and software to speak to each other. The DCSLL remain committed to launch this product in Q4 2020 and welcomes technical and financial commitments to this end.