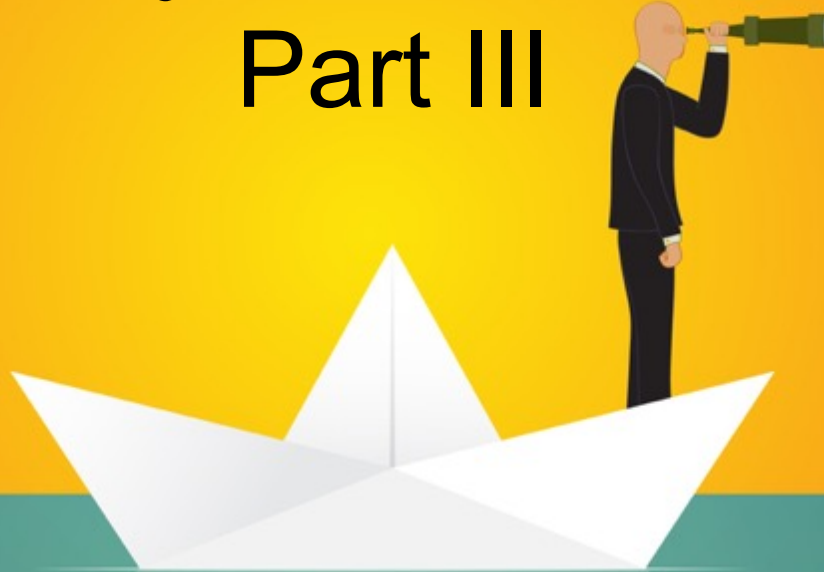


The Future of Cash Beyond Corona Part III



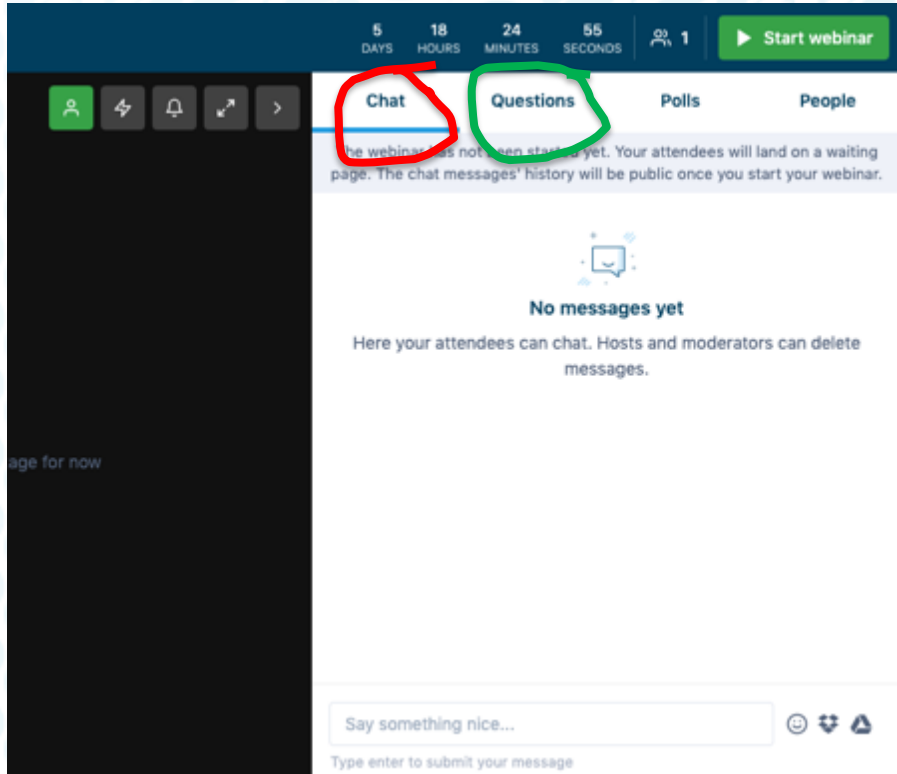
Webinar – 30 June 2020



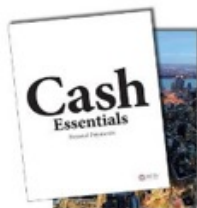
CashEssentials

House-keeping

- We love interaction but attendee mics and cams are switched off
- Please submit questions in Questions panel
- You can chat in Chat panel
- Session is recorded
- Part I & II can be viewed here:
<https://cashesentials.org/publication/webinar-the-future-of-cash-beyond-corona-part-i/>



CashEssentials is as an independent initiative, which aims at offering a platform for debate about the payments and monetary ecosystems, to conduct and foster high-quality research on cash and its future.



Demos Helsinki is an independent think tank, working together with the public sector, private sector, and NGOs. We want to impact the ongoing global transformations actively and aim to build sustainable and fair post-industrial societies.

“Our job is to imagine a better future”

Forget Forecasting – Let's Become Futures Literate

Futures literacy is a capability. It is the skill that allows people to better understand the role that the future plays in what they see and do. People can become more skilled at 'using-the-future', more 'futures literate', because of two facts. One is that the future does not yet exist, it can only be imagined. Two is that humans have the ability to imagine. As a result, humans are able to learn to imagine the future for different reasons and in different ways. Thereby becoming more 'futures literate'.





Head of Innovation and Payments,
European Savings and Retail Banking
Group.

Diederik Bruggink

Disclaimer

The views and opinions expressed in this presentation are those of the author and do not necessarily reflect the official policy or position of the ESG or its Members.

Diederik Bruggink holds responsibility at the two savings and retail banking associations for all innovation and payments topics from a worldwide perspective. In that role, he analyses the multiple dimensions of the payments market, proposing and assisting in agreeing member positions with respect to their payments' and related businesses. He also advocates the associations' positions on payments with policymakers, regulators, standardisation bodies, industry associations, and enabling a constant member dialogue on developments, with a particular focus on innovation. He is one of the key authors of the first three editions of the World Payments Report, makes regular appearances at industry conferences and serves as a member of the editorial board of, and regulator contributor to, the Journal of Payments Strategy & Systems. He is also a Board Member of the European Payments Council (EPC) and within the EPC he is also the Chair of the Cash Efficiency Working Group.

Antti Heinonen has been the chairman of the Banknote Ethics Initiative since its inception in 2013. He was the chairman of the Central Bank Counterfeit Deterrence Group, reporting to G10 Governors, between 2008 and 2012 and the Director, Banknotes at the ECB from 1998 until 2008. He chaired the Banknote Committee of the European System of Central Banks for more than 10 years and the Eurosystem Cash Changeover Co-ordination Committee in 2001 and 2002. Prior to joining the ECB he was the chief cashier for the Bank of Finland. He holds degrees in economics and mathematics from the University of Helsinki, and has written several books on banknotes and their history.



Antti Heinonen

Chairman, Banknote Ethics Initiative;
Former Head of Banknotes, European
Central Bank



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Senior Consultant,
Demos Helsinki

Petteri Lillberg

Petteri Lillberg is a Senior Consultant at Demos Helsinki, focusing on strategy, foresight and societal impact across industries and organisations. A noted columnist and international speaker, Petteri holds an M.Phil from Cambridge University. He also serves at the board of Unicef Finland.

Professor Franz Seitz teaches Economics with a special focus on Monetary Policy and Financial Markets at Weiden Technical University of Applied Sciences. He is author of numerous articles in national and international journals. His main fields of research are monetary theory and policy, financial markets and banking as well as payments markets, especially cash in circulation. For many years now, Professor Seitz is acting as a consultant in different projects for central banks, commercial banks and financial as well as non-financial corporations.



Franz Seitz

Economist, Weiden Technical
University of Applied Sciences

Agenda

Introducing Futures Literacy What is a Desirable Scenario?	Petteri Lillberg
Key Features of a Desirable Scenario	Antti Heinonen Franz Seitz Diederik Bruggink
Roadmap	Guillaume Lepecq
What policy decisions are required today?	Antti Heinonen Franz Seitz Diederik Bruggink
Q & A	All
Conclusion	Guillaume Lepecq



Building desirable futures

If no representations
about the future exist,
then there would be
reactions rather than
conscious, value-based
actions

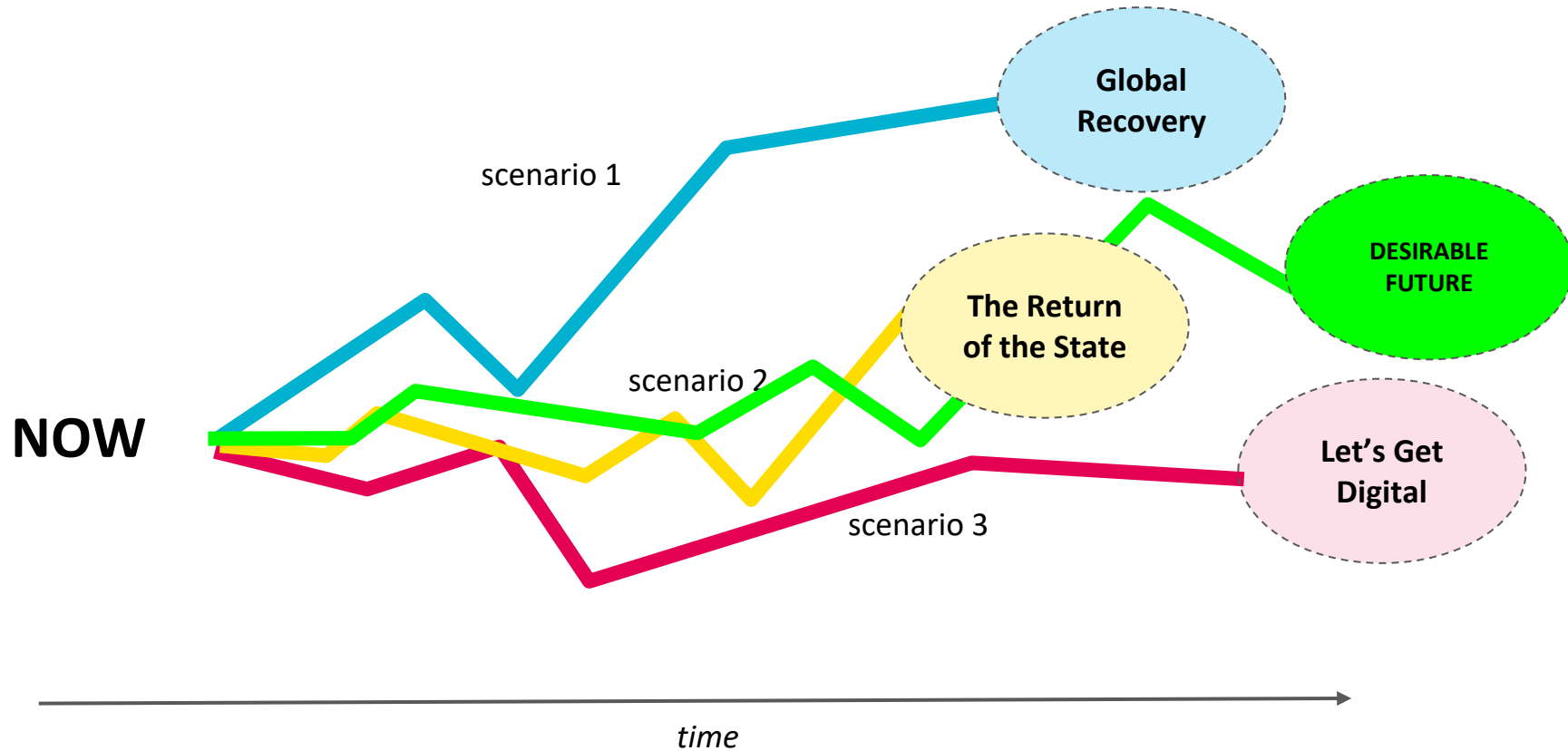


What futures are...

Possible?

Probable?

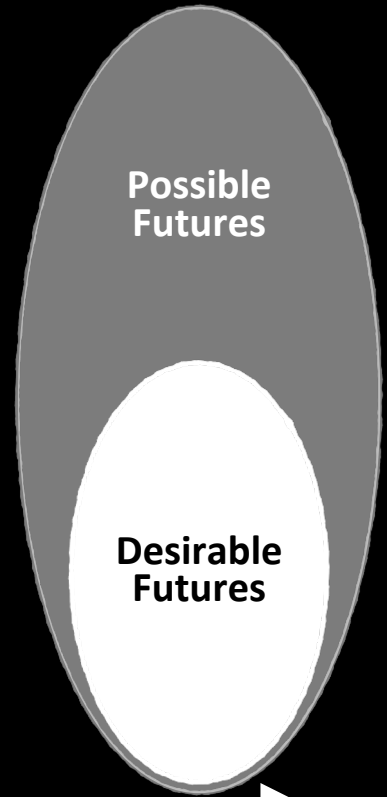
Desirable?



How can we avoid
undesirable futures?

How should we harness potential of human
innovations for making desirable futures to
happen?

What impact should these goals and visions
have on our lifestyles and expectations on the
future?



2020



2030

**Desirable futures are vision-driven.
However, vision is *not* a synonym for
crazy ideas.**

Desirable futures are based on asking the right questions

A vision is a description of a desirable future. This means that creating a vision necessarily involves asking questions such as:

- *What is valuable to us?*
- *What kind of a society do we want to live in?*
- *What is good and right, and for whom?*
- *What are the concrete actions needed to make this happen?*

When creating a vision for the year 2030, we are saying that:
“at this moment, this is my opinion of a positive future.”

A desirable scenario – An example

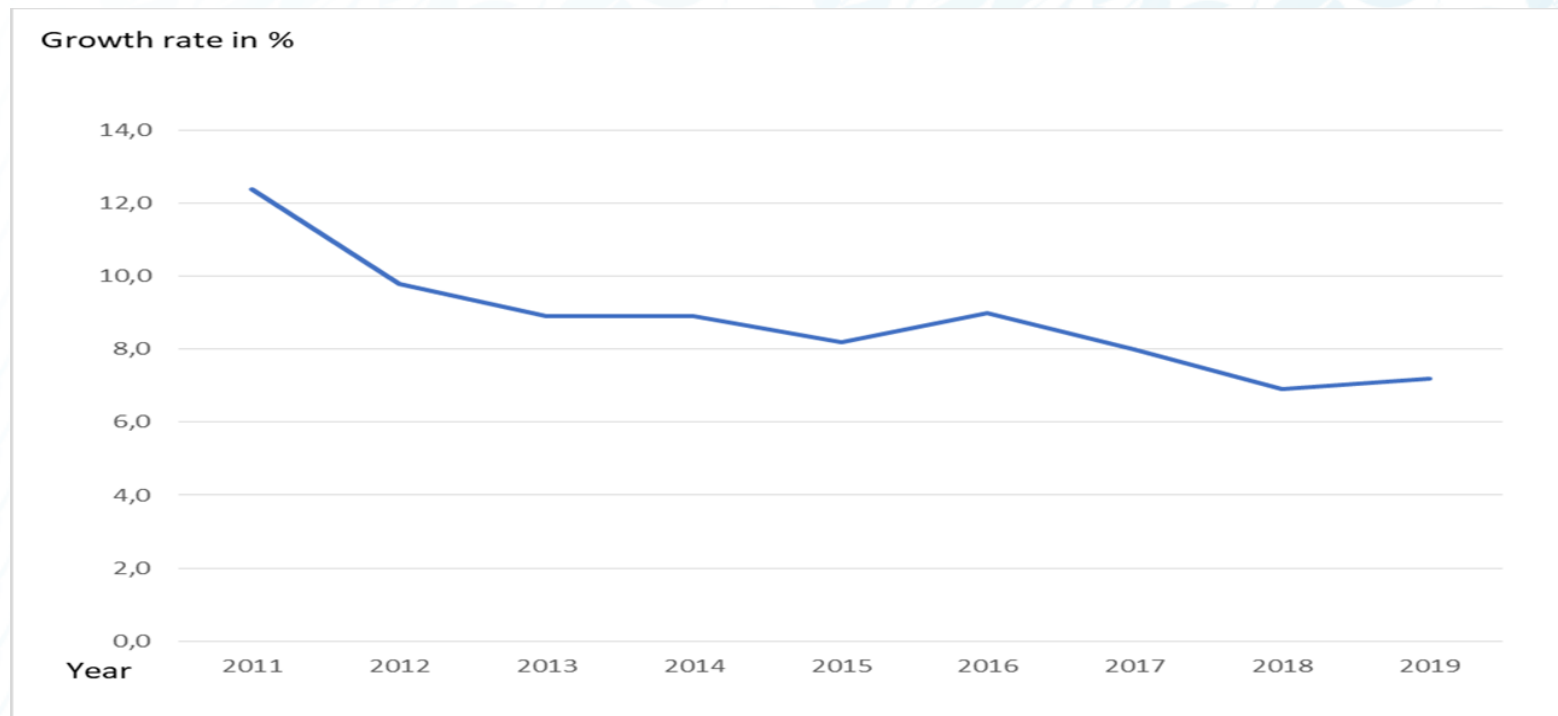
Tensions	Sustainability & Inclusion		Societal Priorities		Economic Recovery		Technology		Money	
Variables	Trajectory of Global Warming	Distribution of wealth	Social priorities	Surveillance vs freedom	Security and resilience of supply chains	Economic Recovery	Governance of platforms	Digital data ownership	Issuance of Money	Payment Instruments
VALUE 1	Mitigation	Efforts to reduce divide between rich and poor countries	Equality	No surveillance	Strengthen BCP	Post-WW2 global institutions lead recovery	States control platforms	Individuals own their data	Central Bank	Digital only
VALUE 2	Adaptation	Efforts to reduce inequality within countries	Economic growth	Regulated surveillance	Relocate Sourcing & Production	Local recoveries	Regulated platforms	States control data	Commercial Bank	Fragmentation
VALUE 3	Uncontrolled	Increasing inequality	Individual rights	Surveillance capitalism	Diversify sourcing	Regional governance leads comeback	Unregulated platforms	Private corporations sell data	BigTech	Diversification
VALUE 4	Denial	Fragmentation	Transformation	State Surveillance	Sovereignty is back	Global recovery lead by few competitive regimes	Platforms control states	Data is the new currency	Anyone	Cash

Opportunities and challenges



- Current challenges like the Covid-19 pandemic, global warming, governance of BigTech platforms or financial situation of the emerging market and developing economies can be solved only by global policy decisions
- Learning from the pandemic: Robustness against disturbances will grow at the expense of efficiency → Good reasons to retain the cash infrastructure (resilience, inclusion, privacy and freedom of choice)
- The trend of decreasing share of cash transactions will continue, and not compensated fully by the increasing use of cash as a store of value

The median annual growth rate by value of banknotes in circulation of 137 currencies in 2010's



Opportunities and challenges - AH

- Current challenges like the Covid-19 pandemic, climate change, financial situation of the developing world can be solved only by global policy solutions
- Learning from the pandemic: Robustness against disturbances will grow at the expense of efficiency → Good reasons to retain the cash infrastructure (resilience, inclusion, privacy and freedom of choice)
- The trend of decreasing share of cash transactions will continue, and not compensated fully by the increasing use of cash as a store of value → Future development needs to be controlled by ensuring access to and acceptance of cash

Opportunities and challenges



Economy-wide aspects essential



CBDC and consequences for banks, general public, credit, government balances, financial stability, financial inclusion...



Negative interest rates: The tax analogy



The role of simplicity



A world without cash is dystopian

What if?



What if?	Impact on Cashless	Impact on Cash	Observations
No cash usage at all?	Digital payments will flourish	The last banknotes will be on display in museums	Digital will drive data – privacy? Digital literacy?
Cash is used as stored value only	Digital payments will flourish	No real cash cycle – one way street only	Privacy, inclusion. Can the industry handle a ‘reversed bank run’?
Cash is also used for transactional purposes	Positioning versus cash, right balance	Positioning versus cashless, right balance	Risks if no proper balance – cash could be at risk.

Roadmap

What needs to be done today for the scenario to become a reality?

- By governments
- By central banks
- By banks
- By citizens and consumers
- By the cash community
- By new and old retailers
- By payment solution providers
- By ?

Actions



Efficient and resilient cash infrastructure: If market forces would not guarantee it, central banks (CBs) should consider ensuring the access to and acceptance of cash by regulation, subsidizing or own involvement.

Statistical information: Almost all CBs provide detailed statistical information on non-cash payment instruments but around 50 CBs provide very little statistics related to cash

Research: Payment studies, how cash functions as a fallback in emergencies and longer power blackouts,

Research: the role of cash in transmitting viruses: “Characteristics of informal workers:... They often live and work in crowded conditions and conduct all transactions in cash – factors that enable the spread of disease” (World Bank Global Economic Prospects, June 2020)

Communication: Why cash provision is part of the public infrastructure

Good citizenship: Focus on ethical business practices and ecological footprint

Actions



Governments and especially central banks should give up neutral position on payments system (private money vs. public money; diversification and special role of cash)

Banks and retailers should decide in their self interest, but be aware of the consequences of a changing payment landscape

Searching for new and profitable business models and cooperation

Let the consumers as a *whole* decide (without any manipulation; role of the Government)

The role of transnational currencies and currency unions

Actions



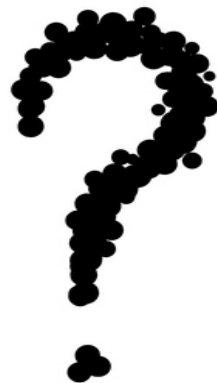
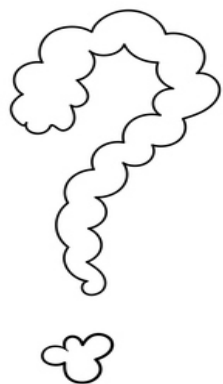
Design the cash cycle model for the future.

Fundamental choice: between the two extremes of value-based model and utility-based model.

Will there be a role for banks?

Define actors and their business models.

Define measures to ensure long term sustainability of these business models.



Some Take-Aways

The Covid-19 pandemic has underscored shortcomings of payment systems: financial inclusion; fairness, sustainability, resilience; privacy.

- Zimbabwe: government bans mobile money services (27 June)
- US is facing coin shortages (23 June)
- EU: Commissions opens anti-trust investigation into ApplePay (16 June)
- UK: Supreme court rules against Visa & Mastercard on interchange fees
- Brazil: central Bank suspends WhatsApp payments (24 June)
- Germany: Wirecard “loses” €1.9 billion and files for insolvency (25 June)
- South Africa: Postbank replaces 12 million cards after internal security breach (19 June)
- Spain: draft law proposes gradual elimination of cash (23 June)

Some Take-Aways

- A future without cash is possible but not desirable.
- Cash needs to be part of a society which is sustainable, fair, resilient and respectful of individual privacy.
- To achieve this desirable future, a vision and a roadmap are required.

Infrastructure

Cash Cycle
Models

Communication

Research

Next Steps

- This Futures Literacy project is ongoing and open source.
- Next Webinar: Will CashTech be the Future of Cash? On 8 July
<https://app.livestorm.co/agis/is-cashtech-the-future-of-cash>
- Future of Cash Conference 17-18 Feb. 2021
<https://thefutureofcash.com/>
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