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MENA INTELLIGENCE

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**MARMORE**

FIRST TAKE

A Conceptual Experiment:  
**CBUAE and SAMA Test  
on Digital Currencies**



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# HIGHLIGHTS

- The Central Bank of UAE (CBUAE) is working with the Saudi Arabian Monetary Authority (SAMA) on a digital currency to speed up the financial transactions between the two countries. The countries have launched a distributed ledger Proof-of-Concept (PoC) system to facilitate cross-border settlements.
- The PoC which is at an early development stage (business and technical requirements gathering) is expected to be completed in the last quarter of 2019. A tech company is tasked with leading the PoC implementation. The Proof of Concept simulation supported by fiat currencies of the two countries will demonstrate the feasibility and practical potential of implementing the project.
- In the GCC, UAE has been a dominant Fintech player, especially in leveraging blockchain in its government processes and citizen services. The Emirates Blockchain Strategy 2021 aims to transform 50 percent of government transactions into the blockchain platform by 2021. UAE's Global Blockchain Council works with leading technological companies, financial institutes and government entities in exploring the current and future applications of blockchain technology.
- Saudi Arabia has been in discussions with the central banks of UAE and Bahrain towards adopting a coordinated approach to develop a Fintech ecosystem in the region. In 2018, Saudi Arabian Monetary Authority (SAMA) signed an agreement with Ripple to provide Saudi banks with better payments infrastructure using xCurrent, a blockchain based platform to instantly settle cross border payments.
- Financial services firms across the GCC region are evaluating the use of blockchain for cross-border payments, trade settlements and data and identity management purposes. The central banks have allocated more resources to blockchain technology, exploring the potential of the technology and digital currencies through experimental learnings.
- According to International Data Corporation (IDC), MENA region's total spending towards blockchain or distributed ledger technology (DLT) is expected to reach USD 307 million in 2021 (at a CAGR of 77.4% between 2016 and 2021), with the financial services sector accounting for 35.5% of the total spending.
- DLT provides several benefits over the legacy systems, especially reducing the transactions, settlement, and reconciliation costs. Various factors like interest in technological innovations, emergence of new entrants into payment services and intermediation, declining use of cash in few countries and emergence of private digital tokens have caused central banks to consider the option of introducing fiat digital currencies.
- Interest on Central Bank Digital Currencies (CBDC) is increasing over years, a number of experiments involving CBDC has been conducted. The Bank of International Settlement (BIS) report on CBDC concludes that wholesale digital currencies combined with the use of DLT enhances settlement efficiency for the securities and derivatives transactions, even though proposals so far look broadly similar and not clearly superior to the existing infrastructure.

- Central banks around the world are testing CBDC for different use cases based on their motivations and priorities. For Sweden, CBDC benefits against the absolute decline in the amount of cash in circulation. India is studying the feasibility to introduce CBDC due to the rising cost of managing the fiat paper/metallic currency and emergence of private digital tokens.
- Many central banks believe CBDC could be one of the solutions to solve the challenges in the cross-border payment and settlement space. The lack of standardization between jurisdictions in terms of regulatory requirements, data standards and operating hours makes it difficult to manage issues in the cross-border payment and settlement space than domestic payments and settlements.
- Similar to CBUAE and SAMA, the central bank of Canada and Singapore have developed PoC leveraging CBDC. Project Jasper an initiative with R3, Bank of Canada (the central bank), and other Canadian industry members seeks to understand how DLT might transform the future of payments.

The Monetary Authority of Singapore (MAS) is exploring the applicability of DLT for Singapore's financial ecosystem through project Ubin. The Bank of England ran a PoC to understand how a renewed Real-Time Gross Settlement (RTGS) service could be capable of supporting settlement in systems built on DLT.

- Though DLT could bring a number of benefits to payment, clearing and settlement systems, it could pose several risks and challenges. As the technology is still evolving, the technological, legal and regulatory issues has to be identified. The governance strategies has to be updated accordingly to protect the participants and stakeholders while ensuring the stability of the financial system.
- Overall, the adoption of CBDC requires consideration of country specific circumstances, however the CBUAE and SAMA project has laid the foundations for future collaborative work in the GCC region, essential in the FinTech context, to provide useful insights to all participants in the region.

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# About marmore

## Our vision

To be the first choice for obtaining strategic intelligence on the MENA region.

## Our mission

Serving businesses and institutions with reliable information and intelligence about MENA, needed to catalyse growth, understand the larger environment and facilitate decision-making

## Our aim

Advocate intellectual research on MENA economics, businesses and financial markets and provide customized, actionable solutions.

## Our foundation

- A subsidiary of Markaz: Investment bank and asset management firm with 40+ years of history
- Markaz research activities commenced in 2006
- Marmore established in 2010 to intensify the research activities
- Publishes research reports and provides consulting services

# Published research

## Industry research

Marmore's industry reports provide information on industry structure, key players, market analysis, demand drivers, competitive analysis and regulatory requirements.

## Economic research

These reports are produced as thematic discussions based on current issues in the economy. The reports aid key stakeholders such as investors, businessmen, market participants, and policy makers in understanding the impact of a particular theme on the economy.

## Infrastructure research

Infrastructure research highlights bottlenecks in the sector and areas requiring urgent investments. Our infrastructure report analyses the link between economic development and infrastructure and showcases supply & demand challenges in the GCC and investment opportunities.

## Capital market research

Capital market reports provide an analysis of stock & bond markets in the MENA region including outlook. These reports are strategic in nature and provides investment perspective to readers.

## Policy research

Marmore has partnered with several leading thought leaders and institutions of repute to generate economic policy research studies in key areas like energy, labor, economic structure and public sector.

## Periodic research

Our periodic reports capture GCC stock markets' earnings, risk premium studies, and economic development & outlook.

## Regulatory research

Our regulatory research series is an effective consolidation, analysis and summary of key business, economic, and market regulations that impact business environment.

# Consulting services

Marmore provides customized consulting services based on specific requirements of our clients. Marmore's bespoke consulting services marries the challenges of cost, time, scope and data availability to generate actionable outcomes that are specific to our clients' needs.

## What type of consulting services we provide?

- Industry market assessment (market size, competitors, regulations)
- White label reports (industry reports, company newsletters, periodic research)
- Databases (competitors' information, target clients insights)
- Company valuation (buy/sell side advisory)
- Due diligence / Business evaluation
- Feasibility studies (market and financial)
- Business plans
- C-Suite support to leaders with intellectual, industry related needs

## How do we execute consulting engagement?

Our seven step process to execute consulting engagements:

- Step 1: Requirement and scope analysis
- Step 2: Proposal submission
- Step 3: Project initiation
- Step 4: Fieldwork / research
- Step 5: Analysis & reporting
- Step 6: Review & approval
- Step 7: Report submission / presentation

**RESEARCH  
PROVIDER  
OF THE YEAR**



**KNOWLEDGE  
PARTNER**

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