

## Australia Enters the Race for Digital Currency

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*Australia has joined the global wave of economic digitization. On November 2, the Australian Reserve Bank launched its own digital currency project. According to the Bank's official [statement](#), the project seeks to “explore the potential use and implications of a wholesale form of central bank digital currency (CBDC) using distributed ledger technology (DLT)”. In the same statement, the Reserve Bank announced that to develop the project it will partner with the Commonwealth Bank, the National Bank of Australia, the financial services company Perpetual and ConsenSys Software, a blockchain technology company.*

At first, the main objective of this collaborative project is to develop a test to issue a “tokenized form” of digital currency in the future. This currency could be used in a variety of ways, including by wholesale market participants within a distributed registration technology platform. As the statement elucidates: “The project will involve the development of a proof-of-concept (POC) for the issuance of a tokenised form of CBDC that can be used by wholesale market participants for the funding, settlement and repayment of a tokenised syndicated loan on an Ethereum-based DLT platform. The POC will be used to explore the implications of ‘atomic’ delivery-versus-payment settlement on a DLT platform as well as other potential programmability and automation features of tokenised CBDC and financial assets”. In the same statement, a statement by Reserve Bank’s assistant governor, Michele Bullock, who believes that the project will help to “explore the implications of a CBDC for efficiency, risk management and innovation in wholesale financial market transactions (...)” . The project will be completed by the end of 2020 and will have its reports published in the first half of the next year.

The distributed registration technology basically consists of a database distributed among multiple devices connected in a decentralized network, where records of financial transactions are stored. A well-known example of a distributed registration platform is the blockchain technology – which has been used in other countries to create digital currencies, such as the Chinese “digital yuan”. In the same sense, token is a security system that generates a unique and temporary digital identifier code to protect its users’ sensitive data. Tokenization completely excludes the human factor from transactions and guarantees – at least in theory – the security of all tokenized data. Since token is instantaneous and lasts a few seconds, it is widely used to authenticate online financial transactions, especially from banks, but the creation of a tokenized currency is a much bolder and more complex project.

However, what we must consider is the fact that this is not a mere change in Australian financial strategy. Nor is this a peculiarity of the Reserve Bank, but it corresponds to a new world trend of advanced economic digitalization, which is progressing more and more in several nations, mainly since the beginning of the pandemic of the new coronavirus – which showed several weaknesses in the global financial system and evidenced the need for

structural changes in the market.

In early October, the Bank of Canada, the Bank of England, the Bank of Japan, the European Central Bank, the American Federal Reserve, the Sveriges Riksbank, and the Swiss National Bank published a report containing guidelines on how digital currencies should work and formed a mutual cooperation project in this regard. The real objective is only one: to stop the Chinese advance. China is the most advanced country in the world in economic digitization. Currently, Beijing continues to test its digital yuan and is seeing positive results, which indicates that the country will soon move towards the official implementation of the currency in its relations. Still, unlike many other countries, China aims to make the digital yuan available to all its citizens, as well as to citizens of its neighboring and allied countries, not restricting it to bank transactions in the financial market.

Indeed, the pandemic has revealed weaknesses in all sectors of global society, especially in economy. To overcome the crisis of financial capitalism, a race for digital currencies has started. Central banks in many countries are in a hurry to create their crypto currencies as quickly as possible because they know that this will guarantee them an advantage over other nations in the near future. In the face of Chinese progress and the “new cold war” of the digital economy between Beijing and the West, it is likely that Australians will join the group of central banks that announced joint projects last month and thus form an anti-Chinese bloc of international cooperation for the creation of digital currencies.

It remains to be seen whether such coins will actually be sufficiently refined and tested before they are implemented. Overconfidence in technology may create even greater problems for international society than the current economic crisis. In addition, the decrease in the human factor will also generate a crisis, increasing unemployment in the financial sector with the extinction of several positions currently held by people and which will now be held by machines. In the end, regardless of which country will win the race, the real improvements from these changes still seem a distant reality.

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