

SERIES

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STUDIES AND  
PERSPECTIVES

ECLAC SUBREGIONAL  
HEADQUARTERS  
FOR THE CARIBBEAN

**Opportunities and risks associated  
with the advent of digital currency  
in the Caribbean**

Shiva Bissessar

**Shiva Bissessar**

Pinaka Technology Solutions  
spbisses@gmail.com  
@PinakaTT  
www.pinaka.co.tt

**Robert Crane Williams**

UN Economic Commission for  
Latin America and the Caribbean  
(ECLAC)  
Robert.Williams@eclac.org

# Abstract

- Examine phenomenon of digital currency and mobile money in the Caribbean via look at opportunities and risks
- Context of deficiencies e.g. electronic payment infrastructure regionally and vendor seeking entry
- Data collection:
  - Literature review
  - Solicitation of views from regional experts
  - Formal survey of the region's Central Banks
- Present Caribbean authorities with enough information for them to begin evaluation of treatment in own territory

# Expert Group Meetings



UNITED NATIONS

**ECLAC**

Economic Commission for Latin America and the Caribbean  
Subregional Headquarters for the Caribbean

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**REPORT OF THE EXPERT GROUP MEETING ON  
OPPORTUNITIES AND RISKS ASSOCIATED WITH THE ADVENT OF  
DIGITAL CURRENCY IN THE CARIBBEAN**

3 December 2014



UNITED NATIONS

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**REPORT OF THE SECOND EXPERT GROUP MEETING ON  
OPPORTUNITIES AND RISKS ASSOCIATED WITH THE ADVENT OF  
DIGITAL CURRENCY IN THE CARIBBEAN**

21 April 2015

Port-of-Spain

# Expert Group Meeting

- Regional Experts
  - E-commerce providers & software developers
  - Mobile wallet & digital currency service providers
  - Central Bank Policy and AML senior representatives
  - Government senior legal representative
  - Economics, Finance representatives
- To Discuss
  - Status of electronic payments in the region
  - Opportunities which digital currencies may present
  - Risks which digital currencies may present
  - Possible policy options

**REPORT OF THE EXPERT GROUP MEETING ON  
OPPORTUNITIES AND RISKS ASSOCIATED WITH THE ADVENT OF  
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“Digital currencies represent a potential option for improving services and reducing costs, but are **challenged in receiving acceptance among consumers and regulators.**”

“It was recognized that the **participants in the digital currency industry can benefit from the timely establishment of national regulations**, if only to make it clear what the rules are in terms of operating in various countries.”

**REPORT OF THE EXPERT GROUP MEETING ON  
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“Additionally, regulation can be valuable in terms of promoting public acceptance of these new payment technologies, by **enforcing consumer protection measures that would encourage broader trust in these systems.**”

“Many tools are already in place that could aid governments and central banks in providing appropriate national frameworks for regulatory supervision of the digital currency industry.”

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“There has been **reluctance on the part of regulators in Caribbean countries to engage on this issue**, and to engage with digital currency companies interested in doing business in the region.”

“There remains a significant level of distrust in the region concerning digital currency, on the part of both governments and the population. **This reservation exists, in part, because of a number of well-known cases involving the use of Bitcoin for criminal purposes.** At times this negative view has overshadowed consideration of the potential benefits of the technology. ”

# Survey Instrument

- Designed to establish level of Caribbean Central Bank awareness of digital currency and mobile money solutions
  - E-Commerce legislation & banking facilities
  - Utility of mobile money solutions
  - Requirements to provide remittance services
  - Digital currency awareness
  - Opportunities & Risks
  - Increased participation in digital economy
  - Policy options



# Findings of the Study

# Digital Currency Activity in the Caribbean

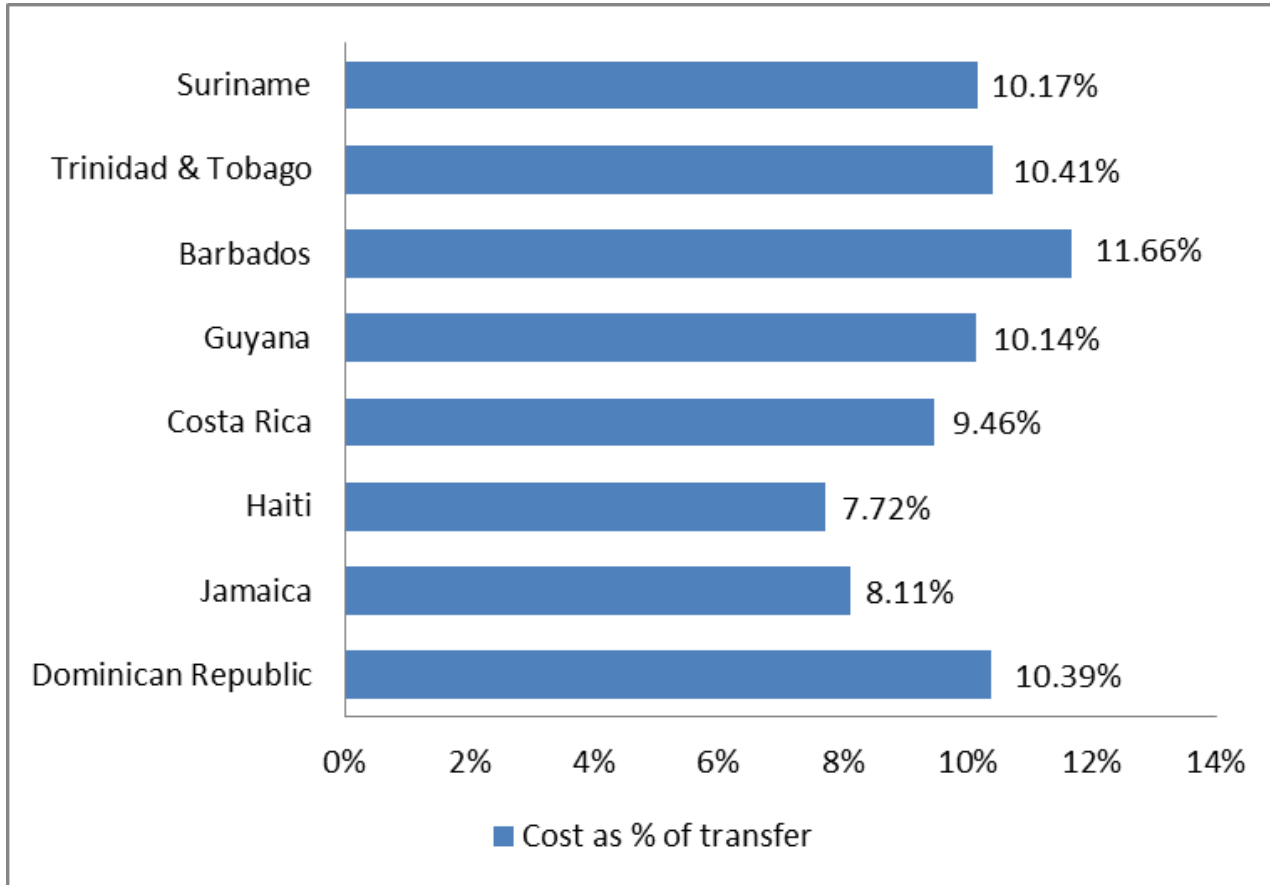
- Several possible entrants into digital currency space digital currency exchanges, ATMs, mining operations, payment processors
- Bitdrop event scheduled for Dominica was cancelled due to lack of promised support from Government
- Citizen Investment Unit of St. Kitts and Nevis states it will not receive payment in Bitcoin
- Risk averse commercial banking sector stymies potential mobile money service providers in Turks and Caicos

# Better Payment Systems Needed

“It was noted that there is a **need for better payment systems** within the Caribbean region, and that the high costs and red-tape associated with providing electronic payment options, are significant challenges to those wishing to establish E-Commerce businesses in the region.

The region also needs to **lower the cost of remittance services.**”

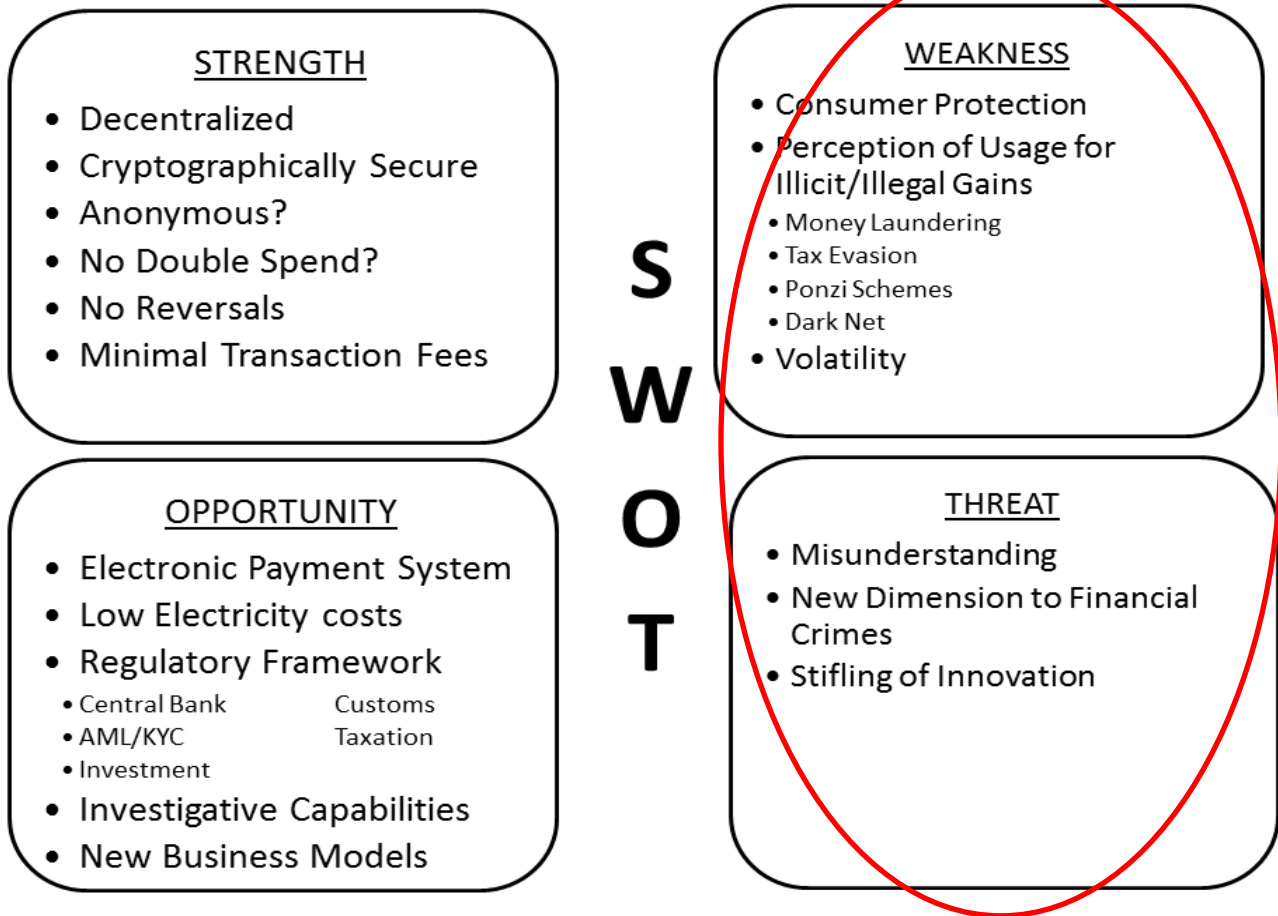
# Caribbean Remittances



- In Haiti, Jamaica and Dominican Republic, total remittances values at 27.8%, 17.2% and 14.1% of GDP respectively, while in Trinidad and Tobago it forms less than 1 %.

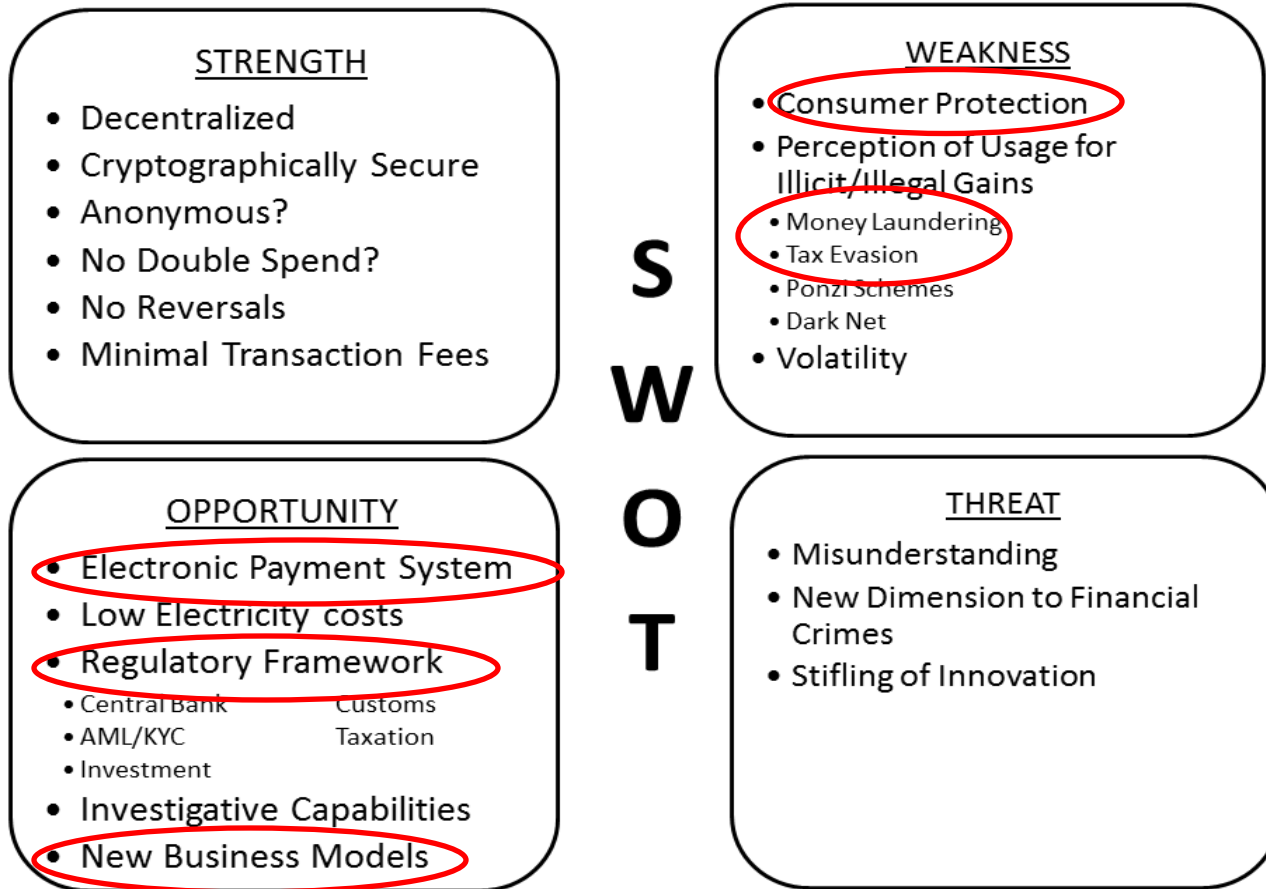
**SWOT**

# Caribbean Digital Currency Adoption



- Caribbean authorities remain focused on weaknesses and this poses a threat to development of digital currency industry in Caribbean

# UK Approach to Digital Currency

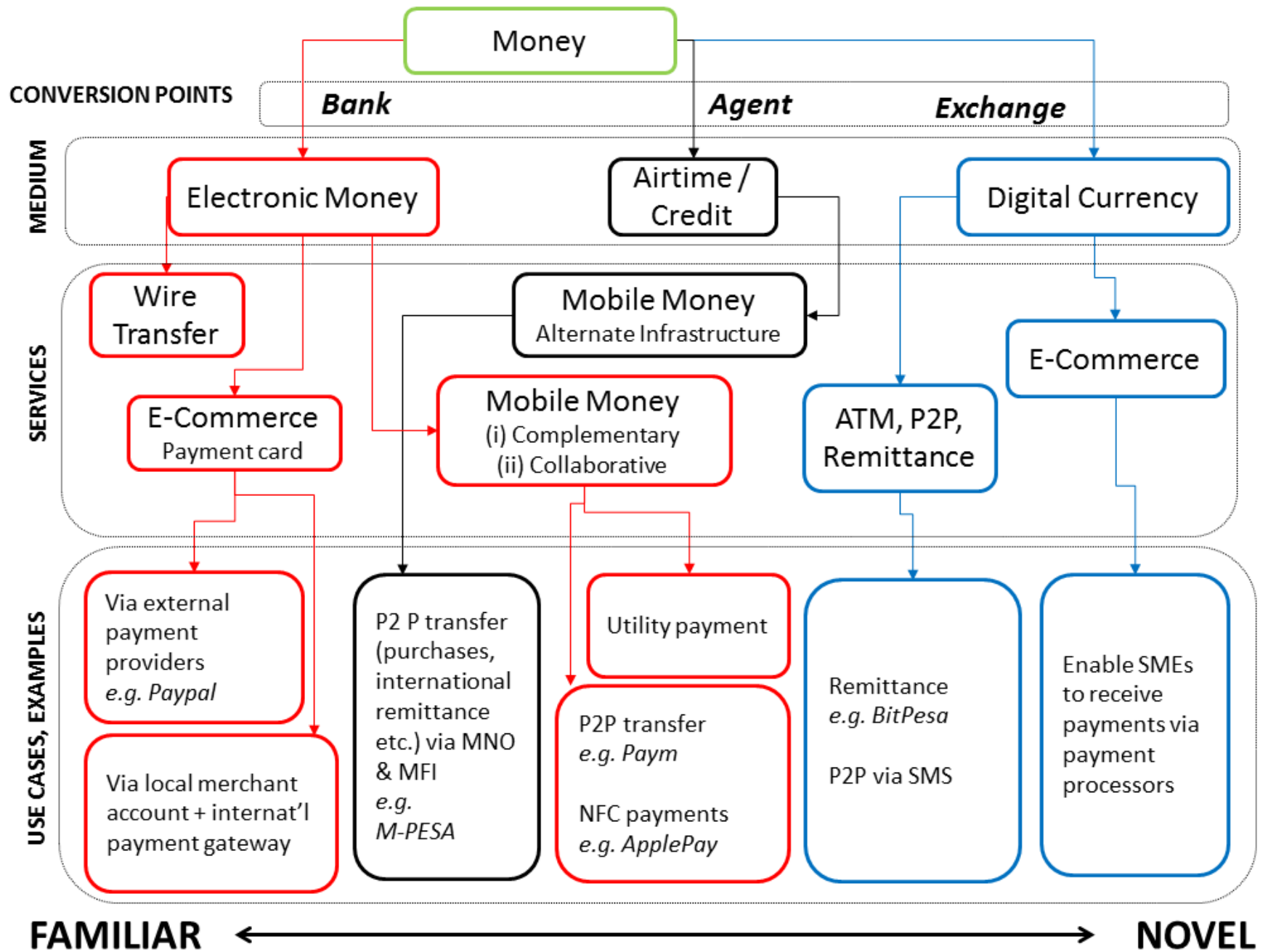


- Address weakness: AML controls & BSI consumer protection
- Stimulate innovation: £10M for research into innovation of digital currency

# Payments in Perspective

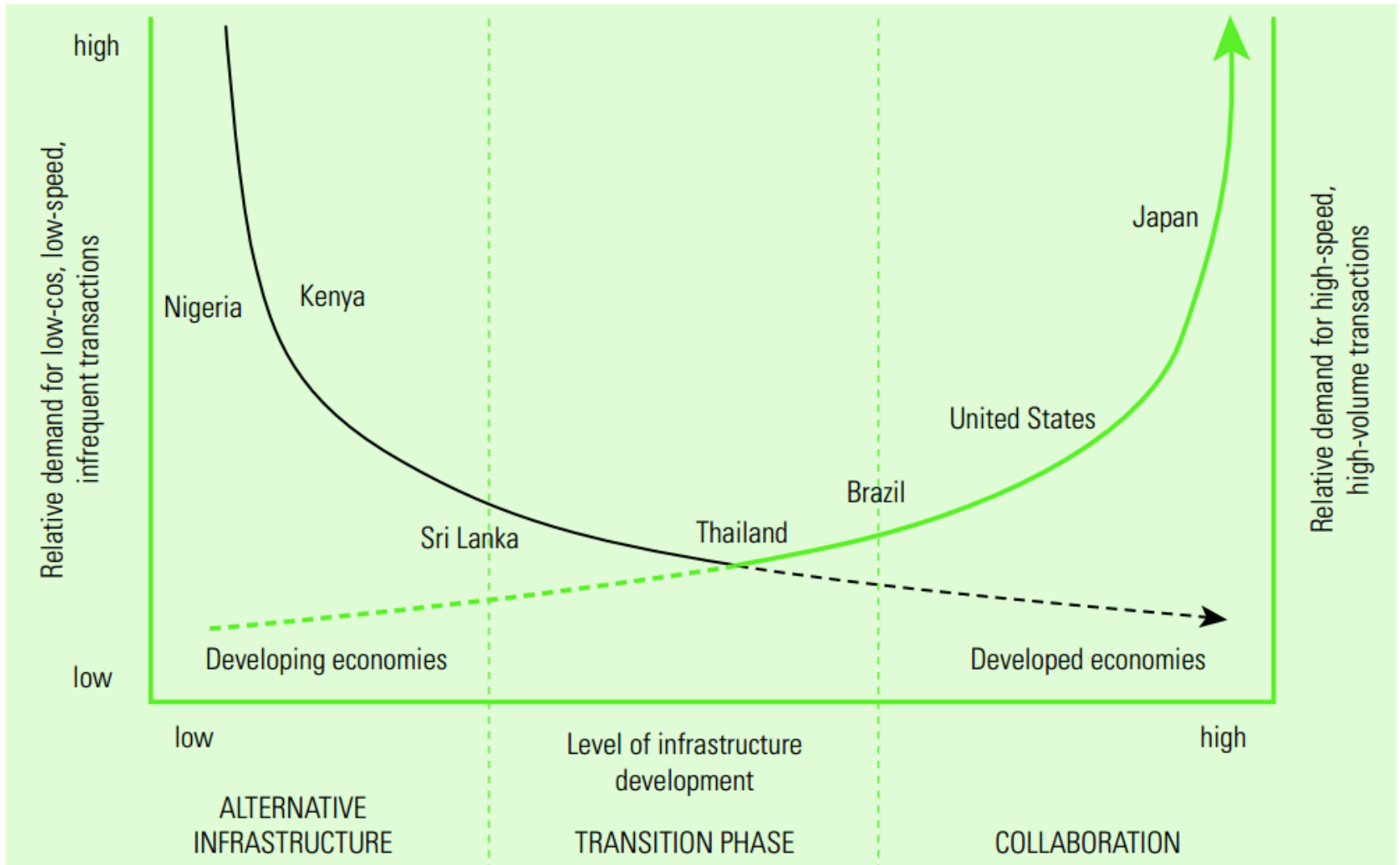
“SMEs constitute 91% of business establishments in Trinidad and Tobago, with 75% of these being Micro Enterprises”



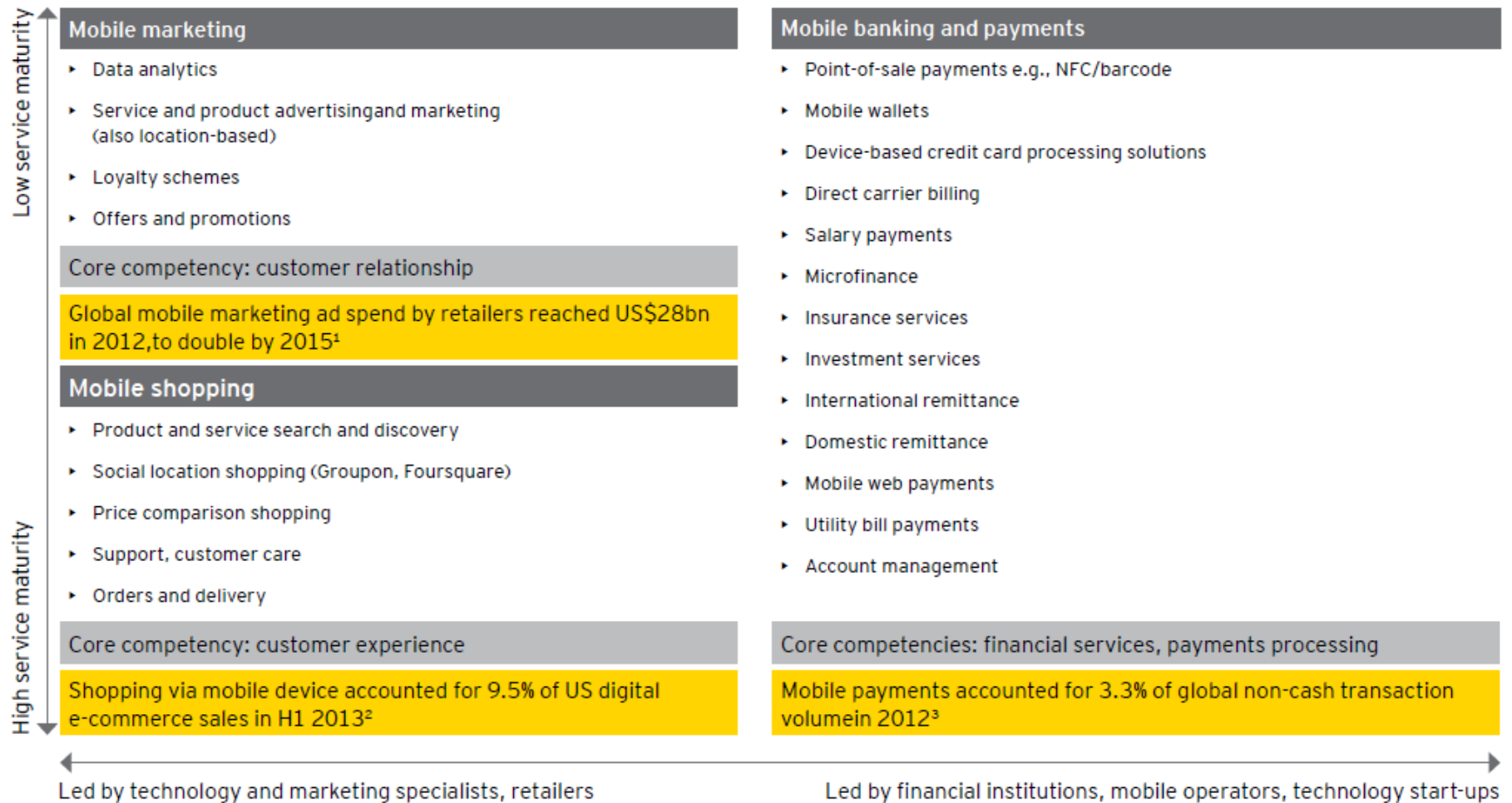


# Mobile Money

# Mobile Money as continuum of services



# Mobile Financial Services Opportunities



Ernst & Young, Mobile money - the next wave of growth

# Mobile Money Caribbean Examples

Country	Solution	Organization
Guyana	Mobile Money Guyana Inc.,	GT&T
Dom Rep	Orange M-Peso	Orange
Jamaica	CONEC Mobile Wallet	Jamaica Co-operative Credit Union League
	M3 Mobile Money for Microfinance	Development Bank for Jamaica
Haiti	Boom Haiti	Boom Financial
	Lajancash	HaitiPay
	Tcho Tcho	Digicel
Trinidad & Tobago	Yooz *(utility bill payment)	Resonance

## Mobile Money in Haiti

- After the earthquake, USAID and Bill and Melinda Gates Foundation provided **US\$10 million dollars in prize awards to organizations establishing mobile money products and to meet certain performance benchmarks.**
- Two mobile money networks – T-Cash and Tcho Tcho - were established, **the benchmarks were met, and the prize money was collected.**

# Mobile Money in Haiti

- An initial user base of 840,000 subscribers **eventually dwindled to about 60,000 active users** as of December 2014
- 2015 – Digicel relaunches Tcho Tcho as Mon Cash

# **Recommendations & Conclusion**



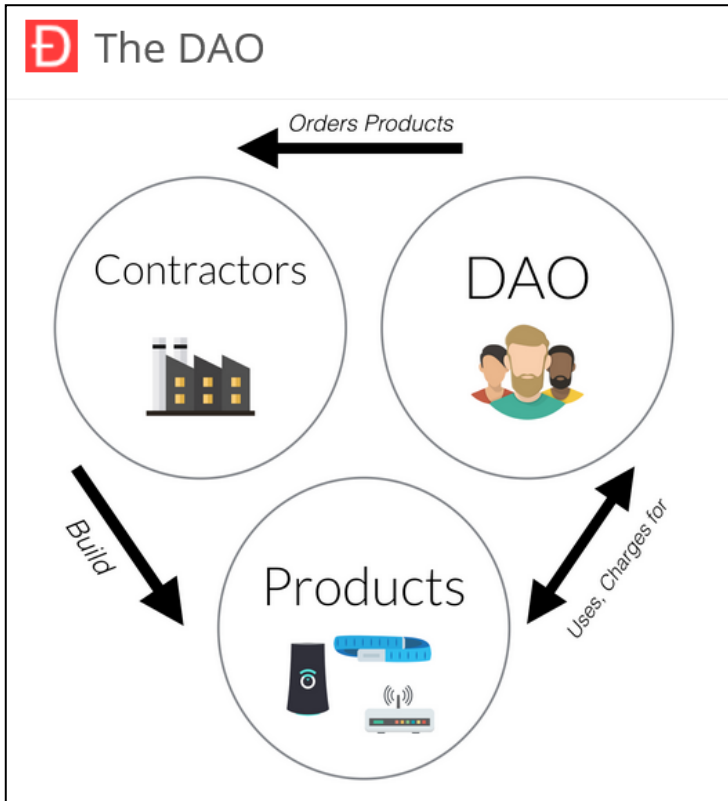
- Authorities need get an understanding of both opportunities and risks
- Authorities should examine digital currency to innovate and improve:
  - Traditional payment systems
  - Remittances
  - SME participation in digital economy
- Authorities should participate in ITU Digital Financial Services focus group
- Potential service providers **need to assist authorities with awareness** and possibly form interest group

- Authorities urged to examine UK call for information model & the conclusions from this effort to ensure both opportunities and risks are considered
- The Digital Economy Task Force report can be used to inform how to manage risk while not stifling innovation
- Authorities should begin considering policy options, classification methods and taxation schemes in line with approaches taken by developed economies

## Look to Global Leaders in the Space:

- New York - BitLicense
- United Kingdom - Call for information
- Singapore – Encouraging innovation

# Recent Developments



# WELCOME

BRING TOGETHER ACROSS THE CHASM

LEGAL GOVERNANCE **CODE ID2020** SOFTWARE TECHNOLOGY

PROVIDE LEGAL IDENTITY to ALL by 2030

2030 AGENDA

SHARED SOLUTION

PUBLIC PRIVATE PARTNERSHIPS

DATA

TECHNOLOGY PARADIGM SHIFT

DOUBLE EDGE SWORD

WHOSE DAUGHTER IS SHE? NO PROOF!

ALL A KEY

INGREDIENT FOR SUCCESS!

3 GOALS

- LEAVE NO ONE BEHIND
- PARTNERSHIPS
- TECHNOLOGY & INNOVATION

ACCESS

HEALTHCARE  
EDUCATION  
FOOD  
SHELTER  
JUSTICE

SUSTAINABLE DEVELOPMENT  
PEOPLE  
PLANET  
PROSPERITY

A NETWORK OF NETWORKS IS NEEDED!

## ID 2020

I NEED to be VISIBLE!  
I'M NOT DISPOSABLE!

LAST GIRL

# OPENBAZAAR

# Recommended reading and actions

- ECLAC EGM reports (Dec 2015, Apr 2015)
- ECLAC Digital Currency Report (Jan 2016)
- Commonwealth Secretariat Working Group Virtual Currencies Report (Oct 2015)
- FATF Virtual Currencies Guidance (July 2015)
- Conduct own research...

# Workshop to Assist Caribbean Financial Regulators



## PART I

- Introduction
- UN ECLAC Study
  - Abstract & Methodology
  - Digital Currency Basics
    - Payments in Perspective
  - Key Findings
    - Caribbean Activity
    - Opportunities
      - Mobile Money
    - Recommendation & Conclusions
  - SWOT

## PART II

- CBTT concerns
- De-banking
  - Protecting remittances
  - Impact in Caribbean
- Commonwealth Secretariat Working Group Study
  - ComSec conclusions
  - ComSec legal framework recommendations
  - FATF AML/CFT regulations
- IMF Risk responses
  - Financial Integrity: AML/CFT
  - Consumer Protection
  - Taxation
  - Financial Stability & Monetary Policy

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