PH Moving to Test Digital Fiat Currencies With RCBC’s ePiso

The low-key rollout of the ePiso is in line with BSP’s aim to study new digital payments technologies

By Lorenzo Kyle Subido | Jun 14, 2018

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When universal bank Rizal Commercial Banking Corp. (RCBC) rolled out its digital currency product called ePiso in May, the move hardly made any ripple in the banking world. The news appeared in the inside pages of a few business papers but did not generate much attention from the public or even the financial services industry.

But the launch of RCBC's ePiso, which is being described as a digitized version of the Philippine peso, and how the product works out on the ground could very well determine how the Bangko Sentral ng Pilipinas (BSP) will proceed with the idea of issuing its own digital fiat currency as legal tender in the future.

Called central-bank digital currencies (CBDCs), these new forms of money issued by monetary authorities are seen to revolutionize financial systems but are also considered still too risky at this point by the Bank of International Settlements (BIS), the grouping of the world's biggest central banks.

“General-purpose central-bank digital currencies could revolutionize the way money is provided and the role of central banks in the financial system, but these are uncharted waters,” said Benoit Coeure, a European Central Bank board member who chairs the BIS Committee on Payments and Market Infrastructures, according to a Bloomberg report in March 2018.

The BIS warned that more “experimentation and experience” would be needed before the introduction of CBDCs should be considered.
RCBC's ePiso is being described as a digitized version of the Philippine peso. How it works out on the ground could determine how the BSP will proceed with the idea of issuing its own digital fiat currencies as legal tender in the future.

In line with the need for more experimentation, the BSP has given a special regulatory approval to RCBC to roll out the country's first digital fiat currency to learn more about how the new technology would impact payments in the real world.

“Since this is a pioneering technology that is not yet proven in the Philippine market, the BSP worked closely with RCBC in their application to launch ePiso via an e-currency platform under the BSP’s test and learn approach or regulatory sandbox,” said Melchor Plabasan, deputy director and head of the core information technology specialist group of the BSP, in an email message to Entrepreneur Philippines.

He added: “This entails careful evaluation of the proposed e-currency platform's features, business model, detailed mechanics, security controls and measures and risk management processes.”

The launch of RCBC's ePiso comes with the release of a mobile wallet, allowing users to access financial services without having to open and maintain a bank account.

While mobile or electronic money platforms already abound in the Philippines,
the lack of interoperability and the challenge of regulating them—many are issued by entities that do not fall under the full regulatory authority of the central bank—have hampered their widespread use.

Digital fiat currencies are supposed to address these shortcomings as they can be held in all e-money wallets and transacted across different payment platforms, according to eCurrency Mint Ltd, RCBC's technology provider and partner. They are also issued by banks, which are regulated by the BSP.

According to Margarita “Geegee” Lopez, head of digital banking and operations at RCBC, what makes ePiso different from other mobile wallets provided by its fellow electronic money issuers (EMIs) is the underlying technology that allows users to fully track how their ePisos move throughout the system, whether it is used to purchase from a merchant, pay utility bills or send money to another ePiso user. This is possible because just like the physical notes and coins widely used today, each ePiso is given a unique and traceable serial number.

Lopez added that the technology also allows the RCBC ePiso to be interoperable. This means that as the product rolls out, the ePiso can be used in platforms beyond RCBC's mobile wallet such as in other banks' cards and other EMIs' apps.
“Right now, you need a way for [users] to manage their ePiso, which is why it comes with an app,” Lopez told *Entrepreneur Philippines*. “In the future, it’s not an impossibility that there will be other apps that can use ePiso.”

In developing ePiso, RCBC partnered with Irish technology firm eCurrency Mint, which focuses on creating and circulating digital fiat currencies, which are essentially electronic versions of the physical currencies issued by central banks.

Unlike privately issued electronic money, eCurrency Mint uses “technology [that] combines hardware, software and cryptographic security protocols to provide central banks the tools they need to preserve their charter and doctrine as the sole issuer of the national currency in an increasingly digital economy.”

While it remains to be seen if the BSP will follow suit with its own digital fiat currency after observing the ePiso rollout, Lopez has high hopes for RCBC’s pioneering product, especially as it is in line with the BSP’s aim of making 20 percent of all transactions electronic by 2020.

“We’re in the nascent stages,” said Lopez about ePiso. “We’re piloting the market that we really want to serve.”

That market is the 86 percent of Filipino households that are unbanked and the 35 percent of the country’s towns and cities that do not have any formal banking presence. As using the mobile app does not require a bank account, RCBC hopes to tap a market that the industry as a whole has long been unable to reach physically.

The ePiso app is currently available for Android devices, with the Apple version coming soon.

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