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Reply to Parliamentary Question on the implementation progress of Project Ubin

QUESTION NO 1110

NOTICE PAPER 432 OF 2021

FOR WRITTEN ANSWER

Date: For Parliament Sitting on 10 May 2021

Name and Constituency of Member of Parliament

Ms Tin Pei Ling, MP, MacPherson SMC

Question:

To ask the Prime Minister (a) what is the implementation progress of Project Ubin; (b) whether Singapore will issue a central bank digital currency; and (c) given the fast pace of development of decentralised finance, whether the Government will accelerate efforts to capture the emerging opportunities.

Answer by Mr Tharman Shanmugaratnam, Senior Minister and Minister in charge of MAS:

1. Project Ubin is an industry effort led by MAS to explore the use of blockchain technology and a Central Bank Digital Currency (CBDC) issued by MAS to clear and settle payments and securities more efficiently. It demonstrated that multi-currency payment and settlement across borders could be achieved in real time, and at lower risks and costs.
2. The industry has moved to build on the success of Project Ubin. One example is Partior, a joint venture by DBS Bank, J.P. Morgan and Temasek, to create a blockchain-based platform that will enable participants around the world to transact with one another in real time using different currencies. Unlike Project Ubin, Partior will be based on digitised commercial bank money rather than CBDCs.

3. MAS continues to collaborate with the industry on potential applications of wholesale CBDCs. For example, MAS is partnering the Bank for International Settlements (BIS) Innovation Hub Centre in Singapore on Project Dunbar, which explores how different multi-currency settlement platforms could be designed to link up with one another. This aims to make cross-border payments faster and cheaper, while remaining secure.
4. A wholesale CBDC, such as the one MAS issued as part of Project Ubin, is used solely for payments within the banking system. It is not available to the general public. A retail CBDC which can be used directly by members of the public is essentially a deposit held directly with the central bank. If a retail CBDC becomes pervasive, it could have significant implications for banks' deposit base and, more importantly, their lending activities. MAS is carefully studying the costs and benefits of a retail CBDC, and has not made a decision on this yet.
5. Regarding the final part of the Member's question, decentralised finance, or DeFi, refers to the autonomous execution of financial transactions by smart contracts deployed on decentralised blockchains, without the need for intermediaries. These smart contracts replicate the financial intermediation function normally carried out by a financial institution in providing services such as borrowing, lending or insuring. DeFi is a fast-growing part of the crypto-asset ecosystem. However, most DeFi applications are less than two years old.
6. The viability of DeFi has not been proven and its risks are not yet fully clear. MAS has been closely studying developments in DeFi to assess its potential for broader use.

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