



Access to Cash Review – Tibado Limited Call for Evidence Response

Question 1: What do you think could happen to cash demand in the UK over the next fifteen years?

Response: No comment

Question 2: What are consumers' needs for cash and digital payments and how can they be best met in the future?

Response: No comment

Question 3: What digital or other innovations are likely to affect those that are currently using cash?

Response:

Tibado Digital Cash

The potential roles for a Tibado token-based approach to digital cash in aiding access to physical cash, reducing costs in the current cash system and in providing an entirely new form of cash as a payment instrument in its own right.

Introduction

We are all familiar with cash in the form of notes and coins. Cash exists outside bank accounts, and while the cash issuer keeps records of the amount issued, there is no attempt made to track the way the issued cash is used.

It is now possible to create digital coins. These 'coins' are in fact small data files but they still live apart from any set of accounts, the issuer keeping a database of coins in issue but not attempting to track the way the coins are used.

The industry descriptor of such products is that they are 'token-based fiat digital cash' designs. Each design is different with differing features, strengths and weaknesses.

This submission is from Tibado Limited, the company that owns the rights to the Tibado design for token-based fiat digital cash. The submission sets out the roles that a pounds sterling (GBP) implementation of the Tibado design might play in:

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- improving access to notes and coin,
- reducing the costs of the notes and coin distribution system
- acting as a new version of 'cash': a payment product in its own right

The final part of this submission discusses the issues that would need to be tackled to enable a Tibado design digital coin system to be safely implemented in the United Kingdom.

Improving access to notes and coin

Tibado GBP coins are bearer instruments that can be transmitted across electronic networks using, for example, social media messaging, text and email services. Barcode images of the coins can be printed out and sent through the post.

These features mean that:

- mobile banking apps could become dispensers of digital coins
- benefits recipients could be sent digital coins electronically
- cash wages and pensions payments could be remitted electronically to recipients

The holders of the remitted coins would then be able to swap them out for physical cash with anyone willing to do the swap. This might be family members, community groups, retailers and service providers.

There would often be benefits to both the parties engaging in these transactions. The digital coin holder would get convenient access to physical cash and the provider of notes and coin would get rid of expensive and difficult to protect cash in favour of digital coins that could be immediately banked online, again using mobile banking apps.

Reducing the costs of the notes and coin distribution system

Today's coins and plastic banknotes have relatively long lives – they can circulate and recirculate in society over and over again. However, their physical – and bearer - nature means they are inherently difficult to protect from theft. As a result, very expensive processes, involving armoured trucks, cash dispensers, cash centres etc. are employed to manage the flow of cash from bank to customer to service provider – back to bank – out to customer and so on.

Cash dispensers that are able to be loaded with used notes help but the costs remain very significant.

Digital coins could help significantly to reduce the need for such recirculation. This is because the swapping of physical for digital cash can be achieved with just a smartphone and without bank involvement.

This significantly broadens the scope for enabling cash to recirculate locally, without having to be trucked to a secure centre and reloaded into a note cassette for subsequent distribution to a cash dispenser.

As physical cash transactions reduce in number, it is possible that this greater level of local recirculation could reduce the amount of physical cash that would be required to be in issue to support any given quantity of transactional activity.

Acting as a new payment system in its own right

As people became familiar with digital coins as facilitators of access to physical notes and coin, digital cash might also become a popular new payment system in its own right.

The Tibado design delivers coins that are anonymous bearer instruments with immediate finality available to any coin receiver. They can be used for face-to-face and remote transactions down to the smallest unit of currency (no need to fret over whether to keep 1p and 2p coins when they're digital!) with no transaction fees. Their business case is strong, as the coin issuer retains the 'seigniorage' or interest on the float collateralising the digital value in issue, while enjoying very low costs of the digital coin system itself, as compared with the costs of physical cash.

Digital cash will be a powerful force for financial inclusion. Using bank cards or services such as PayPal forces users to pay fees to these service providers. Digital cash – just like notes and coin today – transacts without fees. So at last there would be a digital payment product as inexpensive for the poorest in society as for the wealthiest.

Implementing a Tibado token-based digital coin service

Launching a digital cash service would be a classic new product launch, and would bring with it a set of risks to be mitigated. As well as business risks, there would be security risks and policy risks, including those surrounding Anti-Money Laundering and Countering the Financing of Terrorism (AML/CFT).

Tibado Limited would be very happy to engage with the review team to discuss and debate all of these risks. We have thought deeply about them and their possible mitigations. For example, on the Tibado website (www.tibado.com) there is a White Paper specifically on AML/CFT [here](#).

Question 4: Does access to cash require regulation or central co-ordination that goes beyond the current framework? If so, what should this involve?

Response: No comment

Question 5: How should access to cash be paid for?

Response: No comment

Tim Jones CBE and Dr David Everett

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