CENTRAL BANK DIGITAL CURRENCY & THE MENA REGION

The rise of digital currency across the Middle East and North Africa (MENA) region is in high-growth mode. A 2021 report published in Gulf News noted that the United Arab Emirates (UAE) regulator has made the issuance of a digital fiat a priority in its 2023-2026 roadmap.

In consideration of this regional growth, Ripple established a headquarters in Dubai to support its customers, like Qatar National Bank and Al Ansari Exchange, that are using RippleNet to improve cross-border payments.

One reason that digital currencies are gaining traction in MENA is that many citizens are using mobile phones to carry out financial transactions. Blockchain-based Central Bank Digital Currency (CBDC) solutions would allow for integration with mobile apps, enabling greater financial inclusion for citizens.

Current developments in the region demonstrate why MENA is poised to lead in CBDCs. Consider these facts:

The Dubai World Trade Centre Authority (DWTCA), has committed to becoming a Crypto zone as well as a regulator for digital assets and currencies as part of the UAE’s plan to drive new business opportunities.

In early 2022, the Emirate of Dubai enacted Law No. 4 of 2022 on the Regulation of Virtual Assets (“VAL”) and established the Dubai Virtual Assets Regulatory Authority (“VARA”) to address the growth of digital assets.

The Saudi Central Bank (SAMA), in partnership with the Central Bank of the UAE, worked on a joint one-year central bank digital currency (CBDC) pilot.

The pilot demonstrated that a cross-border dual issued currency is technically possible and can be designed as “a distributed payment system that offers the two countries significant improvement over centralised payment systems.”

The Bank of Israel began testing a digital shekel to accelerate payment processes.

Digital transactions in MENA increased during the COVID-19 pandemic and research from McKinsey & Co. notes that at least half of new users will stick with digital payments rather than revert to cash. Fifty-eight percent of Middle East consumers now prefer digital payments.

**The future of money in MENA is digital**

These facts demonstrate that the MENA region is well-positioned to lead the evolution of digital currencies backed by central banks. Because CBDCs can be managed, monitored, controlled and redeemed as needed by central banks; the implementation of these digital assets merits pilots and testing to establish trust and reliability.

Ripple is currently engaged in CBDC pilots, including the Republic of Palau and the Royal Monetary Authority of Bhutan.

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