

ANZ leads way with first Aussie dollar stablecoin

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Exclusive

James Eyers

In a landmark transaction for the digital economy, ANZ Bank has created a stablecoin pegged to the Australian dollar, reducing the risk of buying digital assets for its client Victor Smorgon Group and encouraging more customers towards crypto.

It is the first time an Australian bank has minted a digital asset linked to the value of the Australia dollar, and may be the first time a bank anywhere in the world has created a stablecoin that has been used in a real transaction. It comes as the federal government considers new laws to help Australia become a leading jurisdiction for digital assets.

The move will boost ANZ's credentials as major banks race to develop new forms of money, and will be closely watched by rivals and regulators.

A "stablecoin" is a type of digital asset designed to maintain a stable value relative to another asset, in this case the Australian dollar. They are often used as a gateway for accessing other cryptocurrencies, or to earn income in "decentralised finance" systems.

Stablecoins interacting with blockchain technology, which removes intermediaries, can settle transaction in close to real-time. This reduces risks from delayed settlement for banks and their customers.

The pilot transaction allowed Victor Smorgon, the investment company of Melbourne's billionaire Smorgon family, to send \$30 million to a digital asset fund manager, Zerocap, within 10 minutes. This compares to several days using existing systems.

It allowed Victor Smorgon to avoid the costly conversion of Australian dollars into US dollars before purchasing a US-dollar stablecoin known as USD Coin (USDC), which Zerocap uses to access cryptocurrency markets for Victor Smorgon. It will now be able to use ANZ's coin to buy crypto assets, like bitcoin or ethereum's ETH, directly at lower cost.

ANZ expects demand for its Australian dollar stablecoin – which it calls A\$DC (pronounced "A dollar DC") – to soar as more investors look to buy digital versions of real-world assets and

trade them on blockchain technology.

"We anticipate the digital asset economy will accelerate and a foundational element will be a digital Aussie dollar," ANZ banking services lead Nigel Dobson said.

"Our customers want to buy digital assets and seeing a digital Australian dollar minted by a large ADI [authorised deposit-taking institution] like ANZ will make them confident they can transact with us, and use the coin domestically. This means they don't have to flip in and out of US dollar coins, taking exchange risk in an elongated process."

The deal shows Australian banks can create alternatives to central bank digital currencies. The Reserve Bank is exploring creating a CBDC for the wholesale and retail market. Bank offerings also present competition to private technology players creating stablecoins.

While ANZ's A\$DC will initially be targeted to institutional clients, it expects it will ultimately be listed on an Australian licensed crypto exchange to help facilitate digital asset transactions in retail markets.

ANZ is working with its regulators, including APRA and AUSTRAC, to ensure they understand the offering. It said Australian dollar cash will be held \$1 for \$1 in a trust to fully back the A\$DC. The bank sees itself changing the form of money, without creating new supply.

ANZ is working with several advisers to create consumer protections. These include Zerocap, which has created custodial infrastructure and is keen to be regulated under the new Australian crypto licensing regime once it is established.

Both ANZ and Zerocap use accounts at Fireblocks, a certified global digital asset custodian, to transfer the stablecoin between them. Chainalysis is providing assurance around regulatory obligations, while OpenZeppelin has audited the smart contracts.

"There is inherently a lot of trust that comes with ANZ, and if the A\$DC it is traded on open market it should hold its peg as long as the market has confidence the one-to-one backing is there," Zerocap CEO Ryan McCall said.

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