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Glossary of Terms - Cashless Society

Prepared by the 'Cashless Society' Working Party on behalf of IFoA
[<https://www.actuaries.org.uk/practice-areas/finance-and-investment/finance-and-investment-research-working-parties/cashless-society-working-party>]

Note: The working party recognises that fintech and digital currencies are in a state of constant development. As such, different parties may have different definitions for the same term and that there may be no general consensus. We seek to provide a glossary of terms to aid our readers in reading our interim paper and addendums, and quote the relevant sources. Please refer to the actual references and papers cited in our interim paper and addendum for the actual definitions.

Automated Payment Transaction Tax (APT tax)

A tax proposal to replace all United States taxes with a single (using a low rate) on every transaction in the economy. It was developed by Professor Economics Dr Edgar L Feige in 1989 and has expanded beyond the US context.

[Source: https://en.wikipedia.org/wiki/Automated_Payment_Transaction_tax]

Blockchain

A digitized, decentralised, public ledger of all cryptocurrency transactions.

[Source: <https://www.investopedia.com/terms/b/blockchain.asp>]

Cashless Economy

An economy that uses no physical notes or coins for its transactions.

Cashless Payment

Payments made using cards or electronic methods rather than physical money.

[Source: <https://www.collinsdictionary.com/dictionary/english/cashless>]

Cashless Society

A society that uses no physical notes or coins for its economic transactions.

Credit card

A card issued by a financial company giving the holder an option to borrow funds, usually at point of sale.

[Source: <https://www.investopedia.com/terms/c/creditcard.asp>]

Cryptocurrency

A digital or virtual currency that uses cryptography for security.

[Source: <https://www.investopedia.com/terms/c/cryptocurrency.asp>]

De-cashing

The gradual decrease in the use of cash within a society or economy.

Replacing paper currency with convertible deposits.

[Source: <https://www.imf.org/en/Publications/WP/Issues/2017/03/27/The-Macroeconomics-of-De-Cashing-44768>]

Debit card

A payment card that deducts money directly from a customer's checking account to pay for a purchase.

[Source: <https://www.investopedia.com/terms/d/debitcard.asp>]

Deflation

A period of falling prices: negative inflation

A period of falling real aggregate demand.

[Source: John Sloman, Dean Garratt, Jon Guest & Elizabeth Jones, Economics for Business, 7e, 2016, Pearson]

Demonetisation

The act of stripping a currency unit of its status as legal tender. It occurs whenever there is a change of national currency.

[Source: <https://www.investopedia.com/terms/d/demonetization.asp>]

Digital Currency

See Cryptocurrency

Digital Payments

Payments that are made electronically and may include, among others, ATM transactions, bank-to-bank, internet and mobile payments. Not all digital payments are real-time, but besides cash, all other real-time payments are digital.

[Source: Vocalink, Financial Inclusion Accelerated, 2018

<https://www.vocalink.com/downloads-and-media/whitepapers/financial-inclusion-accelerated/>]

Faster Payments

See Real-time Payments

Financial Exclusion

A process whereby people encounter difficulties accessing and/or using financial services and products in the mainstream market that are appropriate to their needs and enable them to lead a normal social life in the society in which they belong.

[Source: <http://ec.europa.eu/social/BlobServlet?docId=760>]

Financial Inclusion

The pursuit of making financial services accessible at affordable costs to all individuals and businesses, irrespective of net worth and size respectively.

[Source: <https://www.investopedia.com/terms/f/financial-inclusion.asp>]

The process of ensuring access to appropriate financial products and services needed by groups of individuals or companies who may otherwise be financially excluded or underbanked insofar that they have limited access to or are not serviced by the traditional financial industry.

[Source: Vocalink, Financial Inclusion Accelerated, 2018

<https://www.vocalink.com/downloads-and-media/whitepapers/financial-inclusion-accelerated/>]

Fintech

A business that aims to provide financial services through the use of software and modern technology.

[Source: Vocalink, Financial Inclusion Accelerated, 2018

<https://www.vocalink.com/downloads-and-media/whitepapers/financial-inclusion-accelerated/>]

Hyperinflation

A situation where there is an extremely rapid or out of control inflation.

[Source: <https://www.investopedia.com/terms/h/hyperinflation.asp>]

Inflation

A general rise in the level of prices throughout the economy.

[Source: John Sloman, Dean Garratt, Jon Guest & Elizabeth Jones, Economics for Business, 7e, 2016, Pearson]

Initial Coin Offering (ICO)

An unregulated means by which funds are raised for a new cryptocurrency venture.

[Source: <https://www.investopedia.com/terms/i/initial-coin-offering-ico.asp>]

Instant Payments

See Real-time Payments

Leverage

The investment strategy of using borrowed money: specifically, the use of various financial instruments or borrowed capital to increase the potential return of an investment. It can also refer to the amount of debt used to finance assets.

[Source: <https://www.investopedia.com/terms/l/leverage.asp>]

London Interbank Offered Rate (LIBOR)

A benchmark rate which some of the world's leading banks charge each other for short-term loans.

[Source: <https://www.investopedia.com/terms/l/libor.asp>]

Negative Interest Rate Policy (NIRP)

An unconventional monetary tool whereby nominal target interest rates are set with a negative value, below the theoretical lower bound of zero percent.

[Source: <https://www.investopedia.com/terms/n/negative-interest-rate-policy-nirp.asp>]

Mobile Payment

Money rendered for a product or service through a portable electronic device such as a cell phone, smart phone or PDA. Mobile payment technology can also be used to send money to friends or family members.

[Source: <https://www.investopedia.com/terms/m/mobile-payment.asp>]

Payment Rails

Payment infrastructure or network that enables the transmission of payment information.

[Source: Vocalink, Financial Inclusion Accelerated, 2018

<https://www.vocalink.com/downloads-and-media/whitepapers/financial-inclusion-accelerated/>]

Quick Response (QR) Code

A type of barcode which can be read by a digital device, and which stores information.

[Source: <https://www.investopedia.com/terms/q/quick-response-qr-code.asp>]

Quantitative Easing (QE)

An unconventional monetary policy in which a central bank purchases government securities or other securities from the market in order to lower interest rates and increase the money supply.

[Source: <https://www.investopedia.com/terms/q/quantitative-easing.asp>]

Real-time Payments

An interbank account-to-account payment that is posted and confirmed to the originating bank within one minute or less.

[Source: Vocalink, Financial Inclusion Accelerated, 2018

<https://www.vocalink.com/downloads-and-media/whitepapers/financial-inclusion-accelerated/>]

Seigniorage

The difference between the value of money and the cost to produce it.

[Source: <https://www.investopedia.com/terms/s/seigniorage.asp>]

Shadow Economy

See Underground Economy

Unbanked

A slang term for people who do not use banks or banking institutions in any capacity.

[Source: <https://www.investopedia.com/terms/u/unbanked.asp>]

Underground Economy

It refers to illegal economic activity. Transactions in the underground economy are illegal either because the goods or services being traded is itself illegal or because an otherwise licit transaction does not comply with government reporting requirements.

[Source: <https://www.investopedia.com/terms/u/underground-economy.asp>]

Yield

The income return on an investment, such as the interest or dividends received from holding a particular security. It is usually expressed as an annual percentage rate based on the investment's cost, current market value or face value.

[Source: <https://www.investopedia.com/terms/y/yield.asp>]