

Ecuador launching its national electronic money system



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Ecuador Bans Bitcoin and Banks on National Electronic Money System

Ecuador's plan of having an Electronic Money System has now been put to action. This system is being implemented through the Central Bank of Ecuador.

The system is being launched at a time when Ecuadorians find themselves in need of an improved and more inclusive way incorporating their population of 16 million into the nation's economy and banking system.

Statistics report that 40% of Ecuadorians do not rely on the services of Banks. The Electronic Money System can thus bring these people under the umbrella of the banking system.

A press conference was held by the Central Bank of Ecuador to divulge information about the Electronic Money System. The current plan is to use the US Dollar as the active currency in this system.

The first step towards establishing the National Money System was to get people to create an account on their cell phone. This initial stage of "registering" will run from now till mid February 2015. Ecuadorians can open accounts and change their passwords during this phase.

To start up an account, one has to dial *153# on their cell phones. The EMS has three basic requirements. The first is to have a cell phone. The second is the details from the certificate of Citizenship. The third is the evidence of voting in a recent national election.

The second phase will commence from the end of February 2015. This phase will involve people who have a virtual account in place, and those who are interested to carry out transactions. This phase will also deal with businesses who have hopped on board the EMS train.

Phase 3 is scheduled to begin later on in the year. This will focus on the ability to make any payments for municipal services such as water and electricity. In addition to that, it will also promote transfers through bank accounts of users. Last but not the least, it can upload migrant remittances.

“ Thanks to the model of electronic money from the ECB, most transactions are free, and the rest will cost a few cents,” commented Mateo Villalba, manager of the Central Bank of Ecuador.

To make way for this EMS system, Bitcoin and other similar cryptocurrencies were outlawed in Ecuador. The EMS resembles an early version of Apple Pay.

Unlike the Bitcoin blockchain, the EMS is a centralized system.

In this case, the Central Bank of Ecuador will be acting as the middleman, and will thus be able to track each and every single transaction made.

Also, since it's a voluntary program, merchants need not participate unlike the Bitcoin system which is heavily reliant on them.

The reason why Bitcoin, an evidently better system, was banned is because it protects the country from exposure and competition.

In this way, the government can have a strong hold on the population and the economy at large.

There are also concerns about the security of Ecuador's EMS. Bitcoin's block chain has never been infiltrated or infracted.

This may not be the case for the EMS in Ecuador. Billions of dollars have been invested to tighten the security of Bitcoin.

To think that the Central Bank of Ecuador has invested the same amount to fortify the security of its system would be quit an unrealistic assumption.

By banning Bitcoin and embracing the EMS, the Ecuadorian government are missing out on the opportunity of tapping into a gold mine business start ups, job creation, venture capital investment and tax revenue streams, for the foreseeable future at least.