

# Casting Light on Central Bank Digital Currencies

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# Central banks are exploring CBDC



- Disappearance of cash
- Cost of cash
- Financial inclusion
- Monopolies in payments

# What is CBDC?

Central bank liability

At par with cash, reserves

Legal tender



# CBDC: new form of money issued digitally by CB



## CBDC

## CASH

## CB RESERVES

Appearance

Digital

Physical

Digital

Accessibility

All  
(domestic?)

All

Large banks

Usage

P2P, P2B, B2B,  
any amount

P2P, P2B  
small

Interbank,  
large

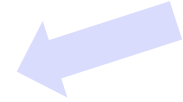
# Does CBDC create value?

- 1 Satisfy user needs?
- 2 Satisfy central bank goals?
- 3 Relative to other solutions?

# User needs for money

Efficient

Means of payment



Secure

Store of value



Max benefits

- Liquidity
- Acceptance
- Scalability
- Extra services

Min costs & risks

- Transaction
- Disclosure
- Settlement

Max benefit, min risks

- Returns
- Theft & loss
- Default

# Competition is diverse, changing rapidly

Cash

Bank deposits

- Wrappers
- Fast payments

Narrow finance

Cryptocurrency

- Payment institutions
- Narrow banks

# Demand for CBDC could be slim, but not everywhere

Demand will depend on competing forms of money

Will differ by country

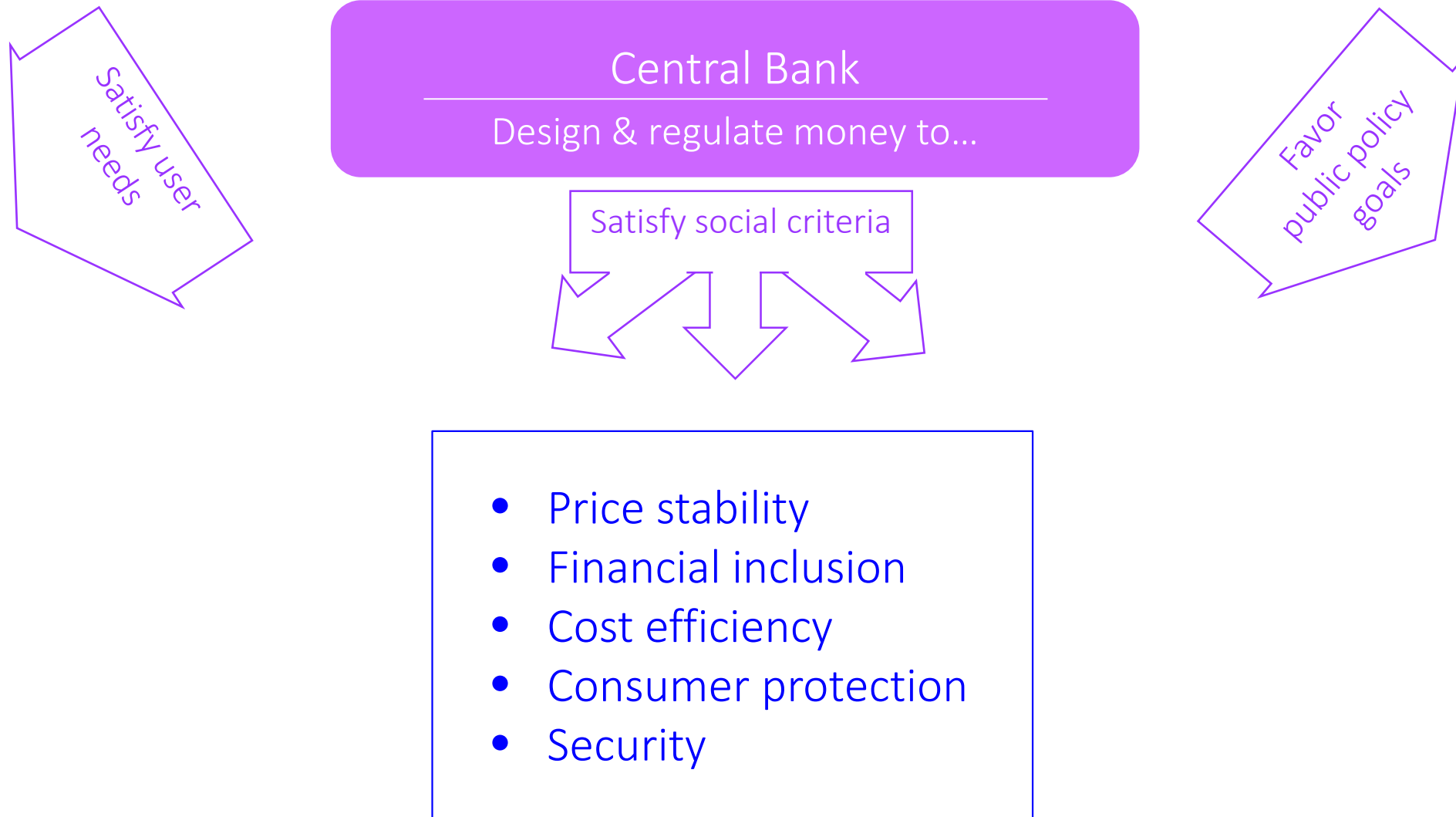


Key design features will be:

- Anonymity
- Security
- Interest
- Scalability



# Central banks look to satisfy social goals of money



# Potential effects of CBDC on:

1

## Financial integrity

Could help tradeoff between anonymity and integrity

2

## Financial stability & bank intermediation

Banks can respond; runs not necessarily more likely

3

## Monetary policy

Little impact on transmission; ELB remains, hinges on cash

# Conclusions

- CBDC next milestone in evolution of money ?
- Users' perspective: adoption will depend on attractiveness of competition
- CB's perspective: case varies by country, but alternatives exist
- Thus, no universal case for CBDC
- Risks to CBDC could be mitigated by appropriate design and policies
- Many questions remain (cross border)
- More work needed!