



Central Bank Digital Currency (CBDC): An Overview

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The views expressed in this presentation are mine and do not necessarily reflect those of the IMF.

Key questions



- 1) What's special about CBDC?
- 2) What are the key questions raised by the IMF member countries on CBDCs?
- 3) What are some of the ongoing challenges?

CBDCs: Potential advantages for domestic payments

A spectrum of “cash-like” and “deposit-like” features

24 x 7 hours direct access; offline capacity

Safety and integrity

Greater competition

Integration with markets for tokenized assets

Programmability: an efficient fiscal tool, and for “Internet of Things”

Not just another electronic means of payments but
a foundation of the digital economy

CBDCs: Potential advantages for cross border payments

Clean slate; common standards

Shorter transaction chains

Less complex than bilateral correspondent banking relationships

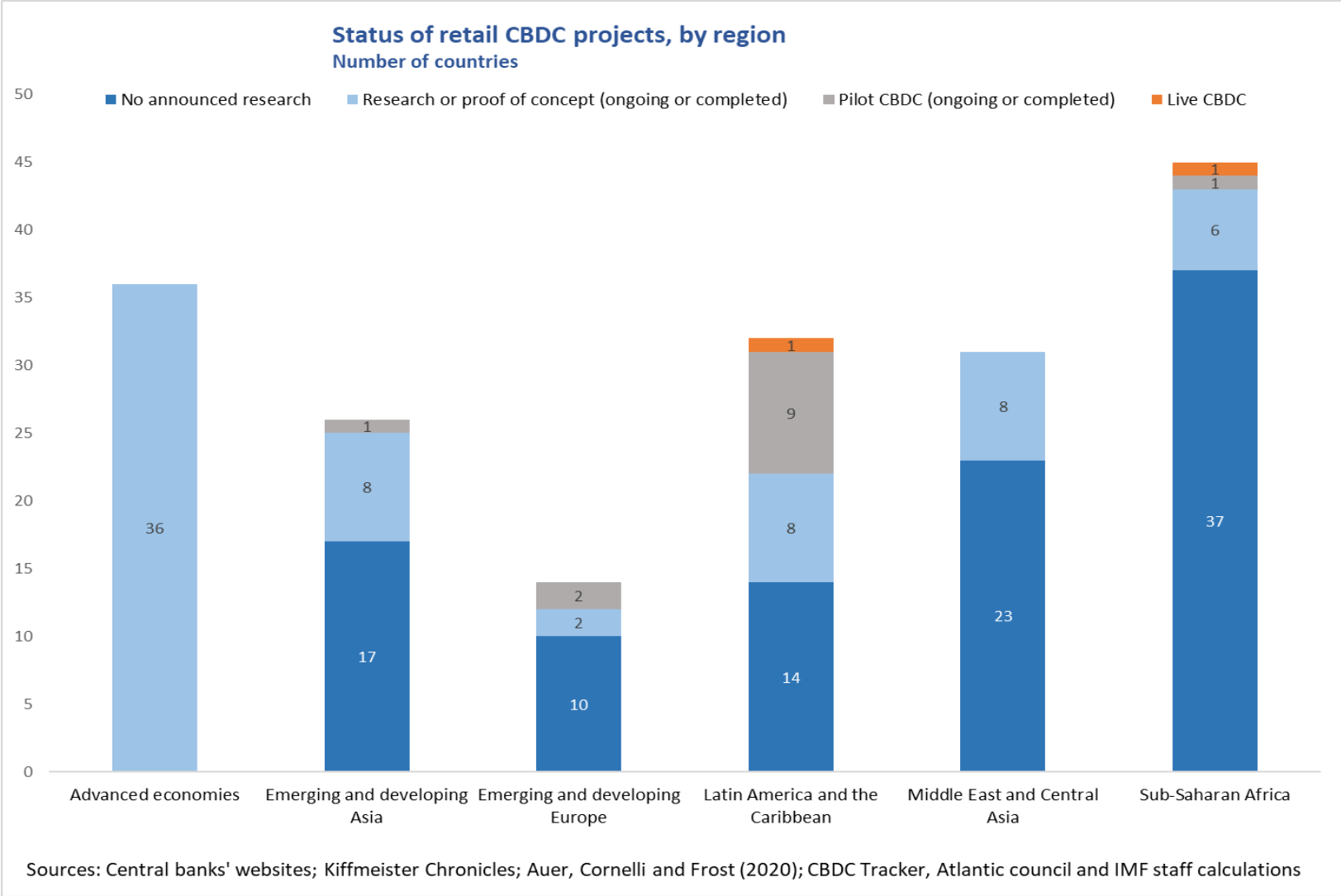
Larger networks, greater competition, and better FX liquidity

Safety and integrity

24 x 7 hours

Cheaper, faster, more transparent
& accessible

CBDC exploration -- widespread and increasing



4 Categories of questions from IMF member countries -- increasing complexity and novelty

Exploration What is CBDC?

Uses

Objectives, solutions, alternatives

Effects

Pros, cons, risks

Context

Country experiences

Design How could I build CBDC?

Public-private split

Roles, innovation

Features

Interest, limits, AML/CFT, data management

Regulation and laws

Integrity, cyber, licensing, legal backing, liability, enforcement

Technology

With policy focus

Pilots What should I test?

Setup

Purpose, questions, data gathering

Operational capacity

Central bank, partners, population

Communication

All stakeholders

Policy What if I launch CBDC?

Policy objectives

Inclusion, efficiency, competition, innovation, principles (G7, others)

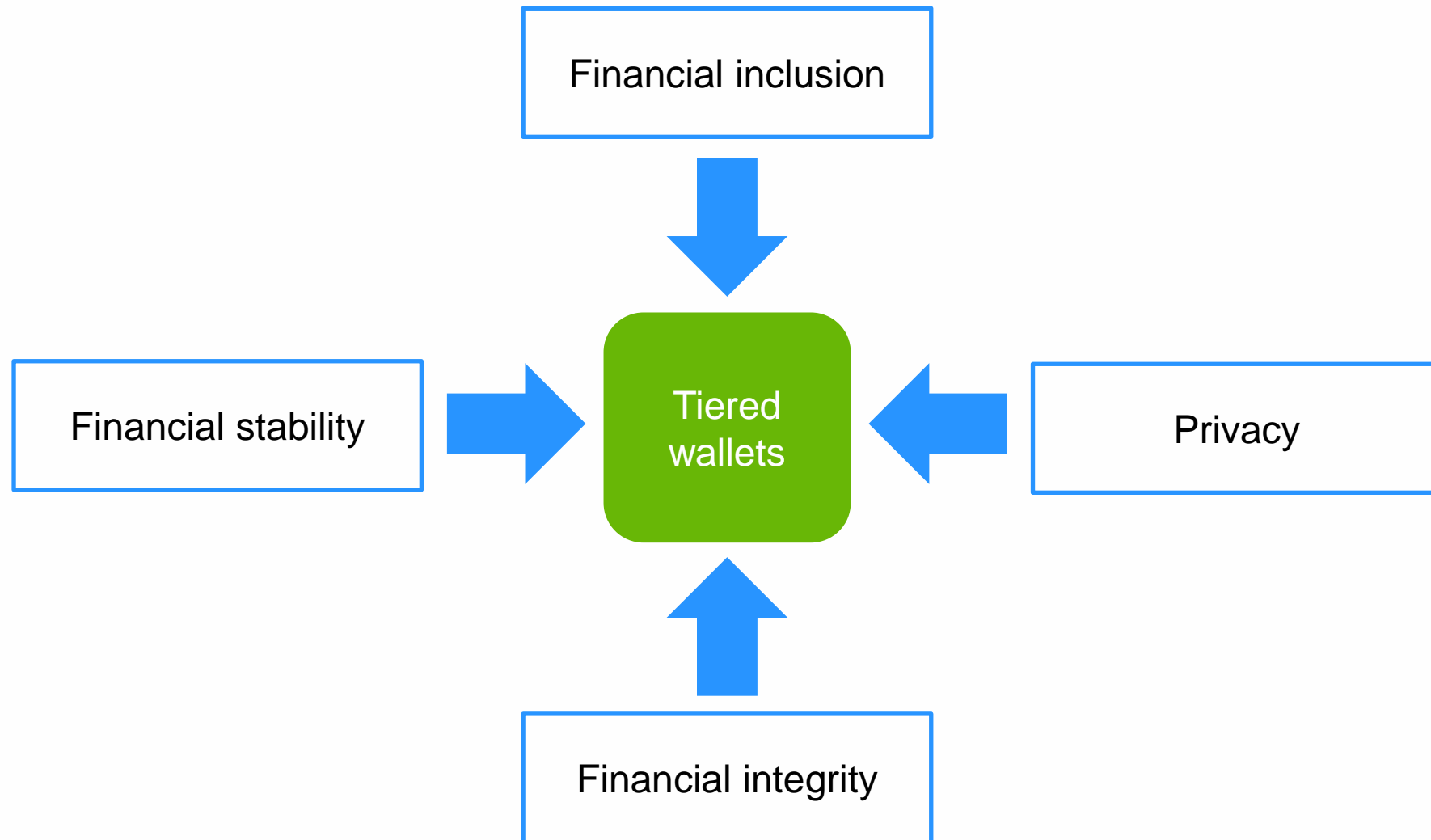
Policy externalities

Monetary, financial stability, banking, CFMs, currency subst'n

Cross-border uses

Platforms, interoperability

Emerging consensus on managing policy tradeoffs and synergies



Complex project management

- Most central banks created separate divisions/ institutions
- Relied on dedicated staff...

Central Bank	Number of Staff
The Bahamas	15
Canada	50
China	300
Eastern Caribbean	12
Sweden	20
Uruguay	0 (10 during pilot)

- ... and significant number of external consultants & service providers

What are some of the on-going challenges?

- What are the sustainable business models to ensure low cost for both CBDC users and merchants?
- How can the economic value of payments data be realized for financial inclusion (“data as collateral”) while at the same time protecting user privacy?
- How to achieve interoperability among CBDCs across the world? How to connect retail CBDCs in cross-border payments?
- How to incorporate regulatory policies such as capital flow management measures (CFMs) in cross-border use of CBDCs?

Concluding thoughts

- CBDC will serve as a foundation of the digital economy and has the potential to allow central banks to better meet their policy objectives
 - Design choices are crucial to realizing the potential of CBDC
 - Emerging consensus on the desirability of “tiered wallets”
- Effective public-private partnerships need to be developed to
 - Ensure sustainable business models and optimal adoption
 - Realize the economic value of payments data while protecting privacy
- International cooperation is key to interoperable CBDCs
 - Central banks should work closely together from the start
 - Some access controls and limits can be programmed to implement CFMs, with possible trade-off of efficiency