Central Bank Objectives in the Digital Era

ITU FG-DFC, New York July 17-20, 2018

Gabriela Guibourg
The demand for cash is falling

Source: The Riksbank

SEK billion (yearly average), cash in circulation. Yearly average

Source: The Riksbank
Did you pay with cash last time?
Survey of payment behavior of the Swedish population

What about the future?

When do shops think they will stop accepting cash?

- 2025
- 2030
- 2020
- >2030

The Riksbank shall promote a safe and efficient payment system

• Traditionally it has been done through
  • Provision of a central large payments settlement system (RIX)
  • Facilitating role, coordinator, analysis and recommendations
  • Issuance of notes and coins (central bank money to the public)
What can a central bank do?

• Subsidize the management of cash
• Argue for stricter regulation
• Do nothing
• Or....
  
  • Issue a CBDC?
    • Unknown territory and great complexity
    • No silver bullet
Overall timeline – the e-krona project

PHASE 1: Draw up a general proposal for an e-krona and a potential design for an e-krona system

PHASE 2: Refine the e-krona concept and begin deeper legal analysis and further investigate more policy issues

PHASE 3, two alternatives:
1. Develop & implement an e-krona system
2. Continued analysis

Decision to move into phase 3 or to conclude the project

What can a CBDC do?

- Guarantee access to central-bank money
  - A basic duty of a central bank?

- It is an infrastructure! A payment system!
  - A national payment system that stands on its own feet
    - Reduce single-point of failure in some parts of the payment system
  - Competition: Increase non-bank access to settlement services in central bank money
  - Function as a platform for innovation

- The central bank can develop payment applications aimed for certain vulnerable groups
Impact of the e-krona (prelim. analysis)

• Gradual establishment on the retail payments market
  • No single “killer” property
  • Incumbent advantage of existing payment services
    • Economies of scale and network effect
    • Integration into businesses’ administrative systems
• Limited effect on the banks’ business models
  • Slow change, same access criteria, CB not active on end-user market
• Limited/small effect on balance sheets of central bank and banking sector
• Limited/small effect on monetary policy

→ But, arguable!
The 2018 project

• Three work streams
  • Legal issues
  • Infrastructure January – March: meetings with tech companies
    • April: meetings with other stake holders – authorities etc.
    • May-June: technology report
  • Policy issues
    • Monetary policy: transmission mechanism, effect on interest rates etc.
    • Riksbank services: channels to e-krona, cash supply, LoLR...
    • Financial stability: Demand, banks’ financing etc
    • Impact on the retail payments market: pricing...
Thank you for your attention!