

FG DFC

CBDC

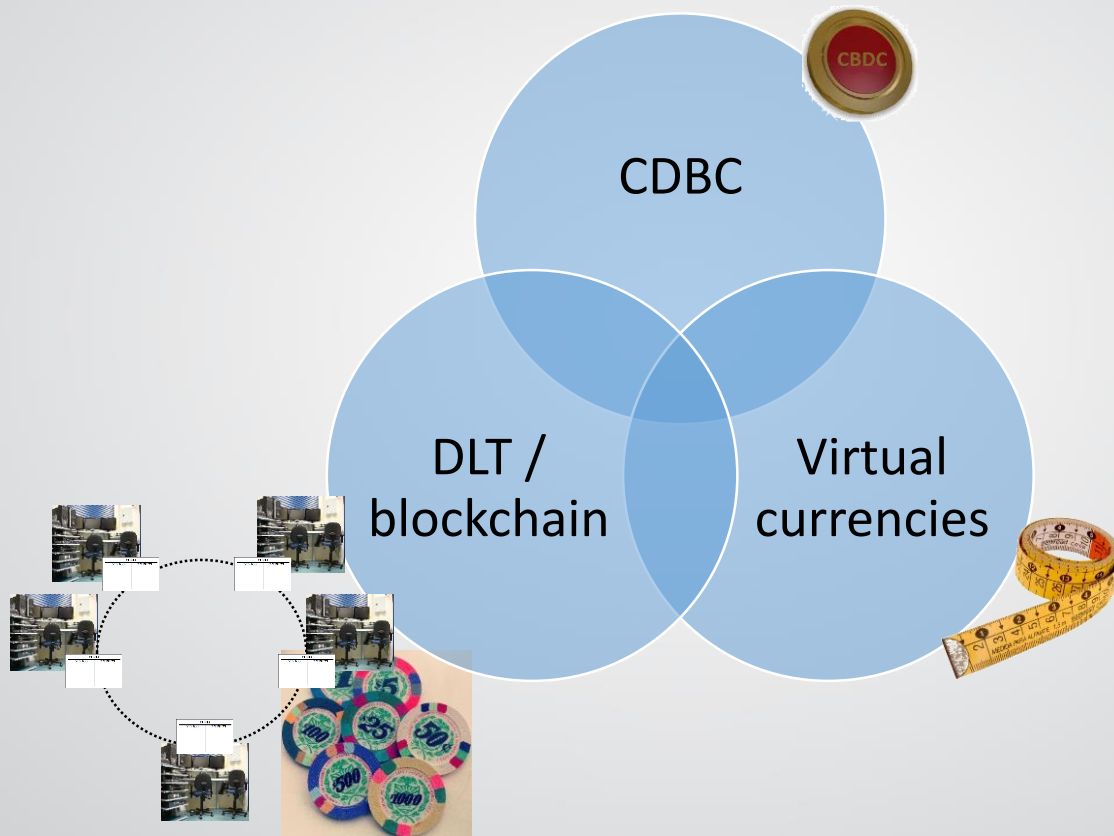
Issues for discussion

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18 July 2018

➤ The views and opinions expressed herein are those of the author and do not necessarily reflect the official policy or position of the Central Bank of Brazil.

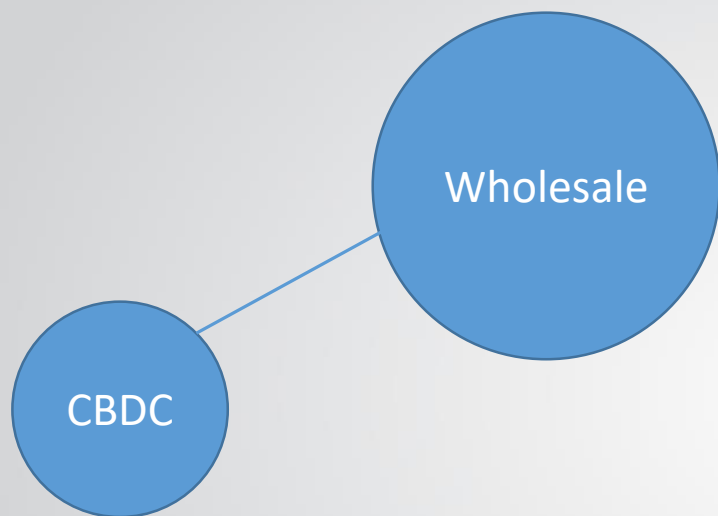
From virtual currency to CBDC



Central Bank Digital Currency

- **Central bank**
 - Sovereign backed: issued by a monetary authority
- **Digital**
 - Other forms of digital money
 - Cards
 - Mobile money (ITU DFS FG)
- **Currency**
 - Unit of account + medium of exchange

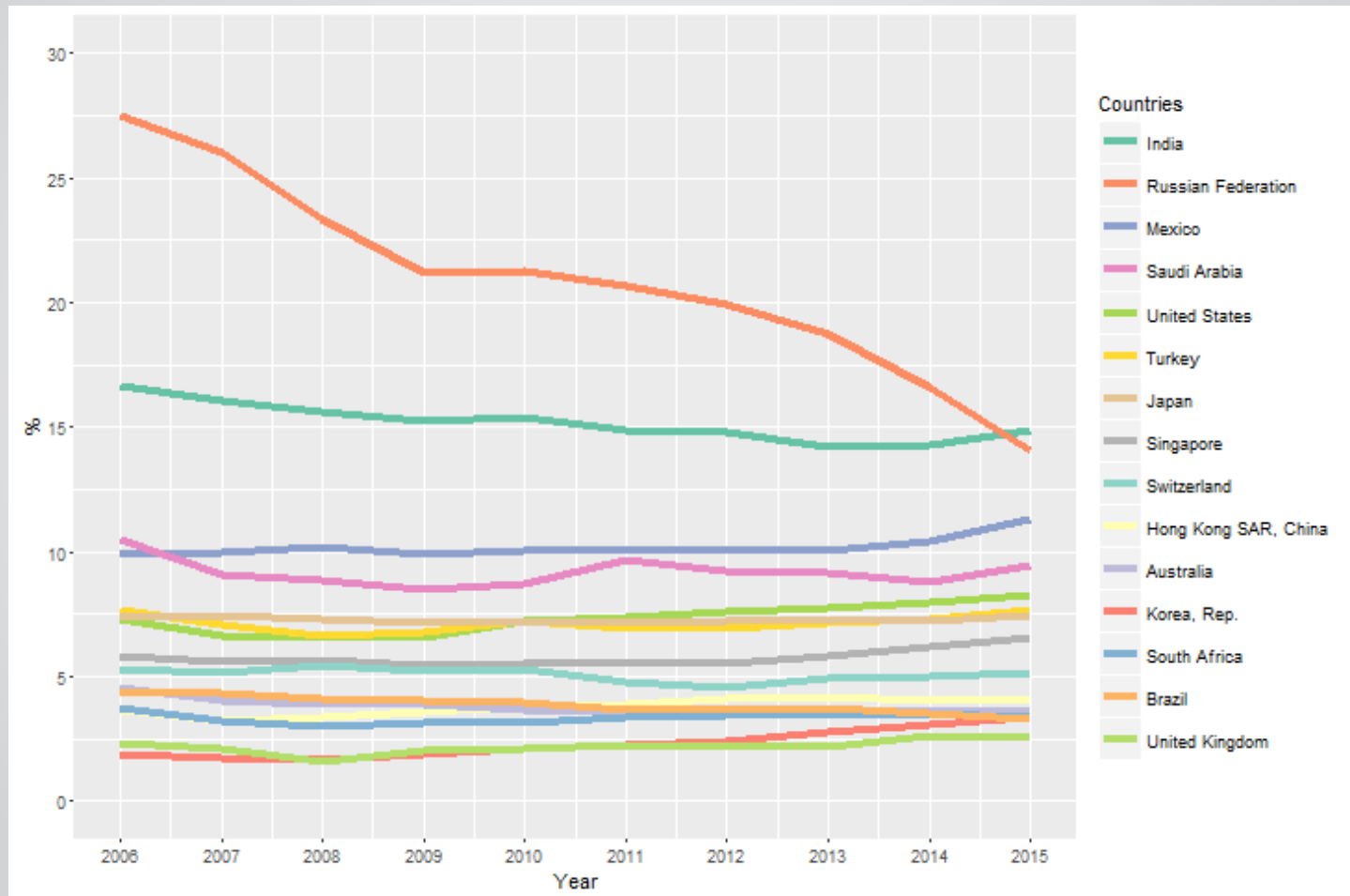
CBDC: Central bank issuance with a new technological architecture



- Technology upgrade (downgrade?)
- Efficiency
- Money is already digital
- More efficiency / security to RTGS?

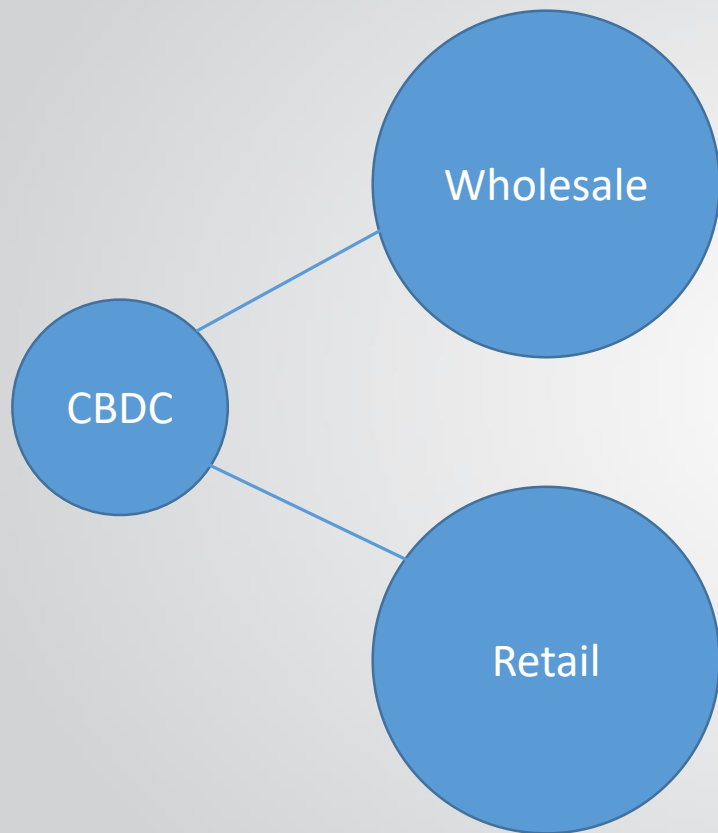
Money is already digital

Cash to broad money ratio



Source: Reiss (2018)

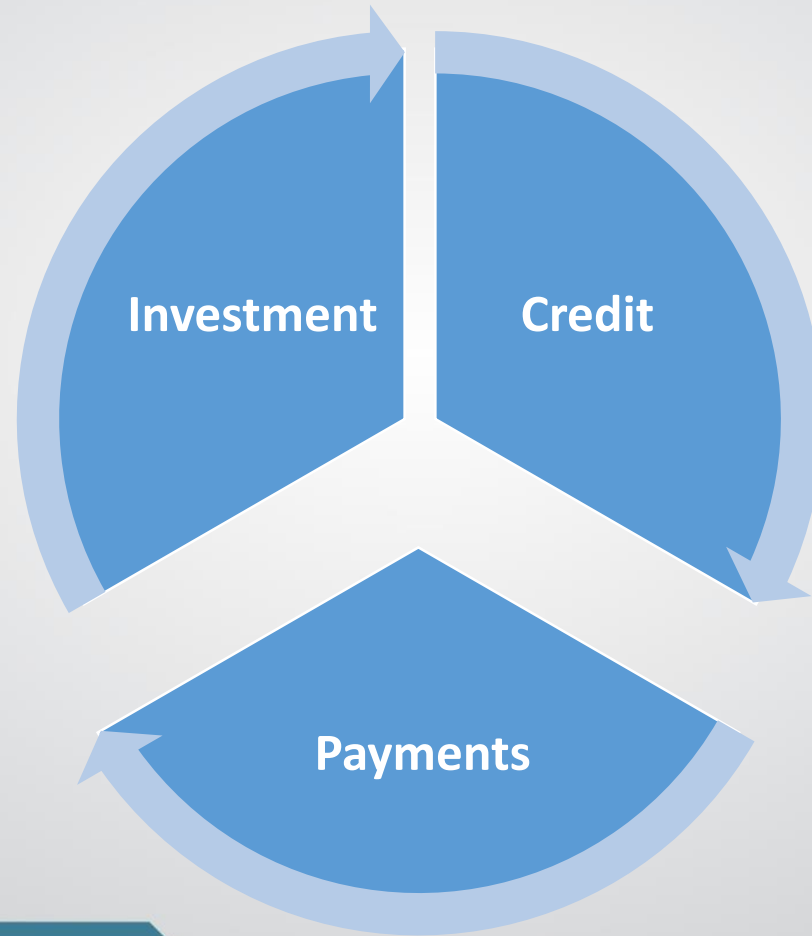
CBDC: Central bank issuance with a new technological architecture



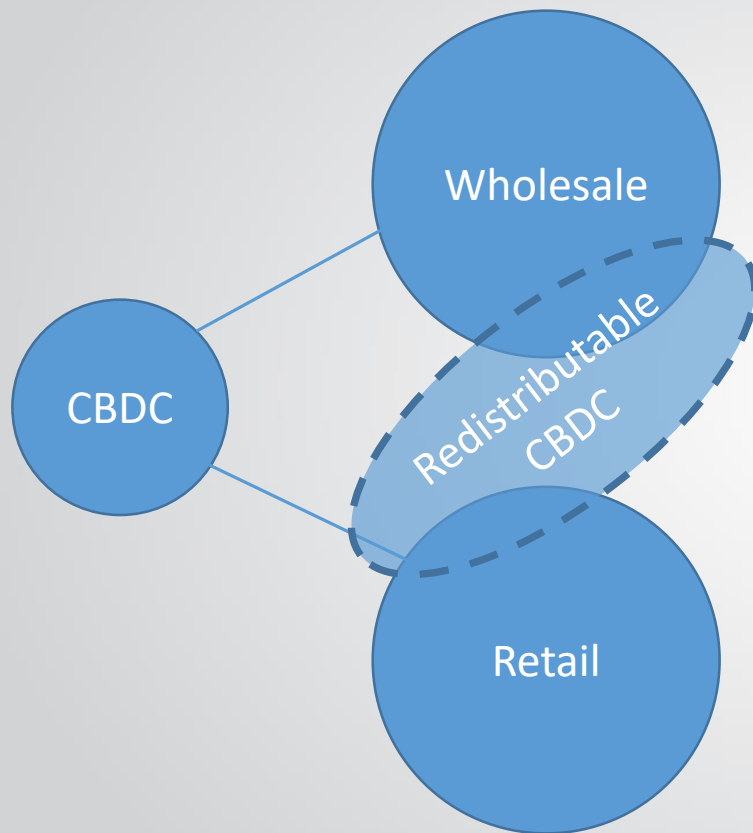
- Technology upgrade (downgrade?)
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- Money is already digital
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- Broadening access to central bank balance sheet
- CB accounts available to the public
- Adverse impact into current financial system organization
- Should the CB crowd-out the e-money market, providing e-money directly to the public?

Not a new discussion: not an innovative solution








CBDC: Central bank issuance with a new technological architecture



- Technology upgrade (downgrade?)
- Efficiency
- Money is already digital
- More efficiency / security to RTGS?
 - Similar financial market design
 - Technological benefits: which are they?
 - Impacts to commercial bank money?
- Broadening access to central bank balance sheet
- CB accounts available to the public
- Adverse impact into current financial system organization
- Should the CB crowd-out the e-money market, providing e-money directly to the public?

Some arguments

Monetary policy and financial system management	Zero-bound interest rate 
	Systemic risk reduction by allowing access to (big) non-financial companies 
Financial inclusion	Broadening access to financial services 
Retail payments in cash	Cash demand decreasing 
	Correlation between illicit activities and high value banknotes 

Issues for discussion

➤ CBDC

Central bank issuance with a new technological architecture.

➤ Uses

- Wholesale
 - Improvement to RTGS is still not clear
- Retail payments: broadening access to balance sheet
 - Central bank as a regulator or a public bank?
 - Mandate?
- Redistributable solution:
 - Which is the technology?
 - Which are the gains?

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CBDC

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