



Stablecoins and CBDC:

Substitution, Competition, or Cooperation?

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CBDC's Advantages in Cross-border Payments

- Economic perspective
 - high efficiency, low cost
- Security perspective
 - traceable
- Global governance perspective
 - fair, competitive, inclusive

Three Proposals in 1st Meeting of FG DFC

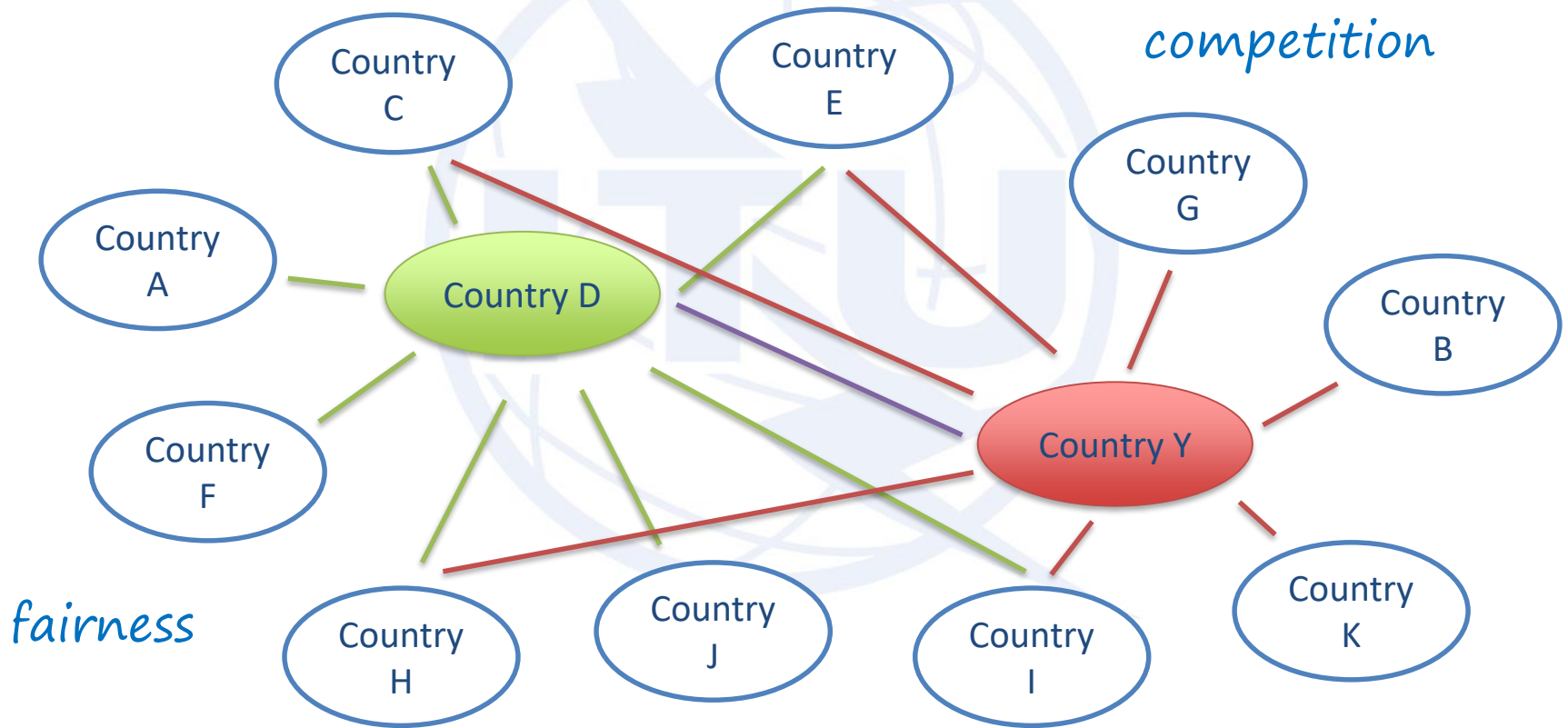
- Multilateral System: IMF Leading
- Regional Cooperation: Countries leading
- Coexisting pattern

Multilateral System: IMF Leading

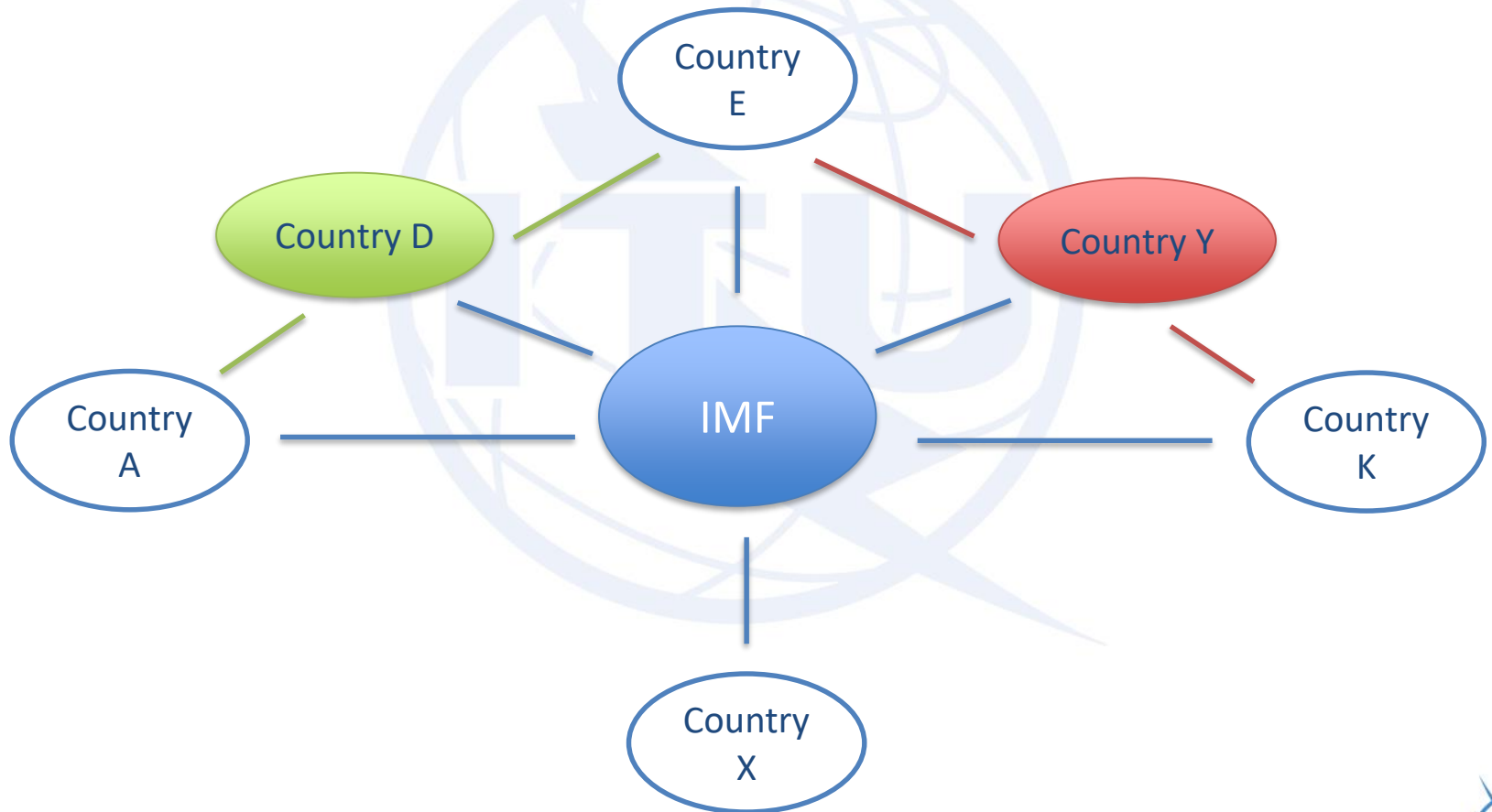


Special Drawing Right (SDR) is an important instrument of global financial governance.

Regional Cooperation: Countries leading



Coexisting Pattern



The Challenges faced by CBDC

- Architecture design
- Regulatory requirements
- Monetary policy
- Privacy and security

Stablecoins & CBDC: Substitution in Short Term?

- The emergence and fast growth of Stablecoins
 - from fintech start-ups to global financial/IT giants
 - from private company developed to government regulated
- Key features of Stablecoins
 - Fully backed by fiat currency
 - Advantages of digital currencies

Stablecoins as DFC: Design Principles

- 1:1 guaranteed by fiat currency, and can be convert to cash or bank deposits granted by law at par
- Issued by private commercial banks/fintech enterprises, but regulated by central bank
- Can be set similar interest rate to current deposits in commercial banks
- Central bank as the lender of last resort

Stablecoins as DFC: Global Influences

- Stablecoins will be more competitive in global financial market.
- Hence, the CB-issued currencies behind stablecoins will be more recognized globally.
- The financial power of the countries with widely used stablecoins will be further enhanced when their CBDC are introduced.

Stablecoins & CBDC: Competition and Cooperation in Long Term

- CBDC's advantages:
 - Controlling currency issuance and circulation more directly
 - Implementing monetary policies more effectively
 - Having advantages on macro-prudential supervision
- Promoting technological innovation by competing and cooperating between CBDC and stablecoins

