

E-krona dialogforum

Teamsmöte(2022-06-16)

S V E R I G E S R I K S B A N K



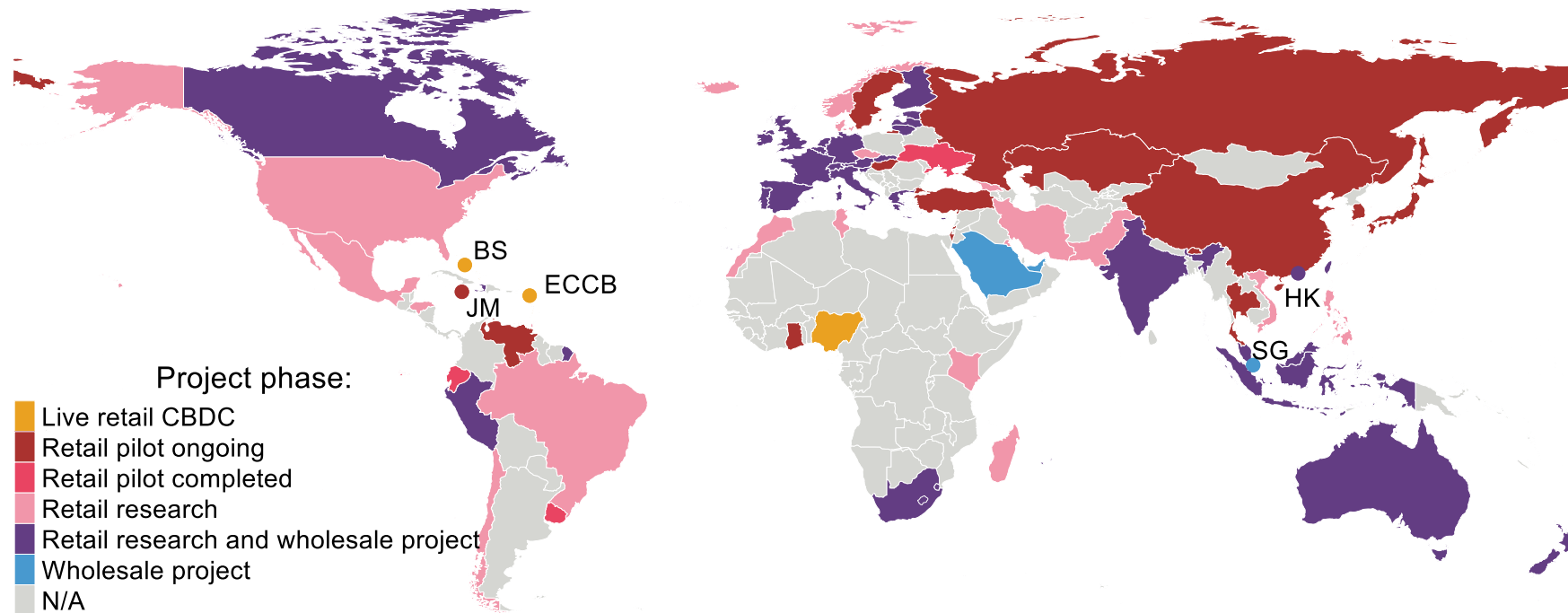
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Avdelningen för betalningar

What is a CBDC?



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- A digital payment instrument, denominated in the national unit of account and a direct liability of the central bank
 - Retail CBDC – available for general public.
 - Wholesale CBDC - restricted to wholesale, financial market payments.
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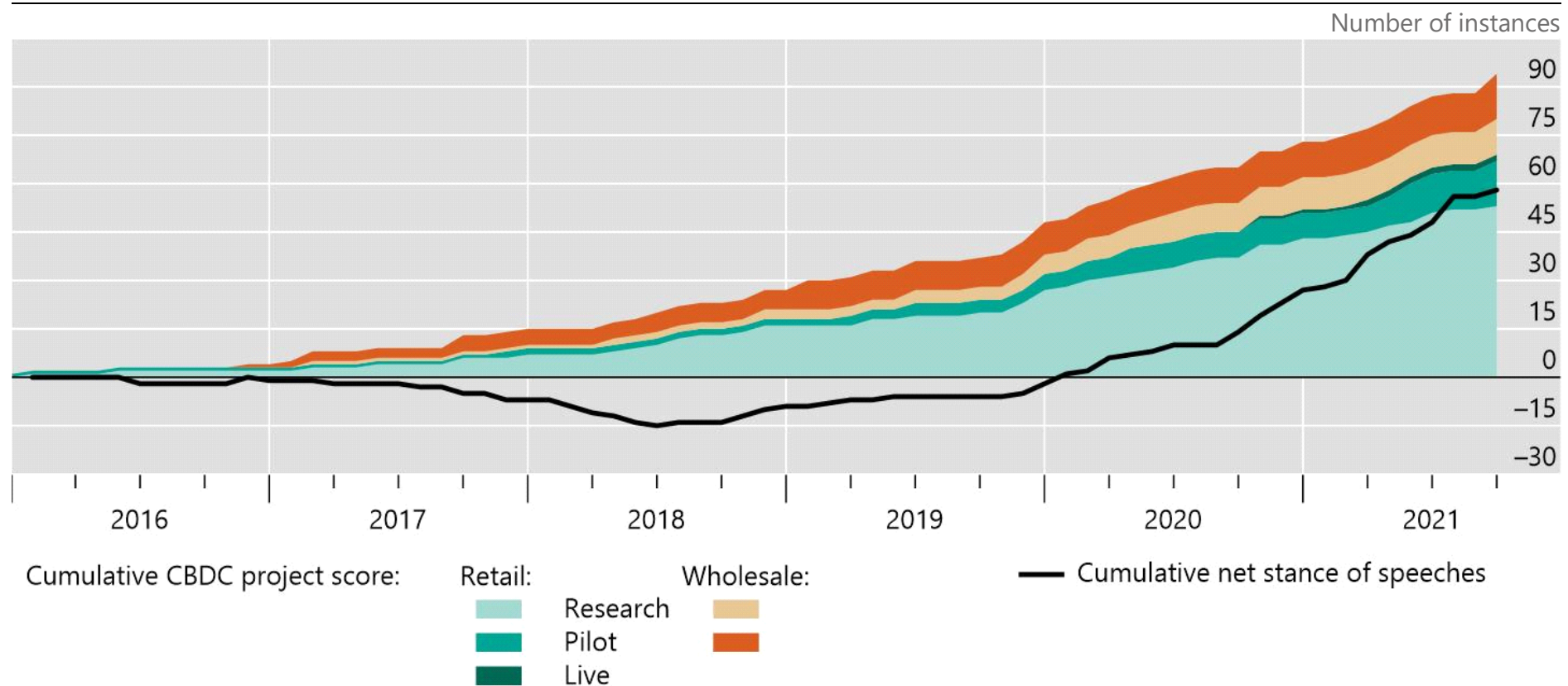
Who is investigating a CBDC?



BS = The Bahamas; ECCB = Eastern Caribbean Central Bank; HK = Hong Kong SAR; JM = Jamaica; SG = Singapore. The use of this map does not constitute, and should not be construed as constituting, an expression of a position by the BIS regarding the legal status of, or sovereignty of any territory or its authorities, to the delimitation of international frontiers and boundaries and/or to the name and designation of any territory, city or area.

Source: R Auer, G Cornelli and J Frost (2020), "Rise of the central bank digital currencies: drivers, approaches and technologies", *BIS working papers*, No 880, August.

More projects and improved moods...



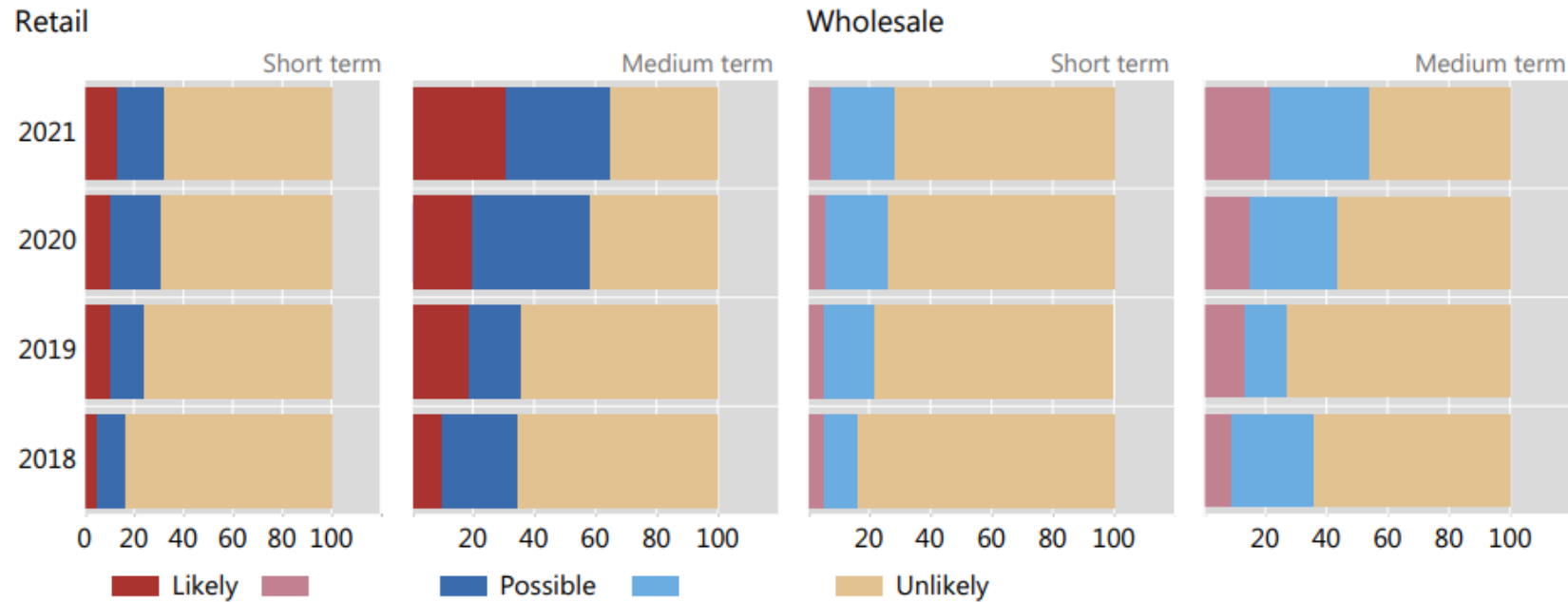
Sources: R Auer, G Cornelli and J Frost (2020), "Rise of the central bank digital currencies: drivers, approaches and technologies", *BIS working papers*, No 880, August; central banks' websites.

... as well as stronger belief

Likelihood of issuing a CBDC in the foreseeable future

Share of respondents

Graph 6



Short term: 1–3 years; Medium term: 1–6 years. "Likely" combines "very likely" and "somewhat likely". "Unlikely" combines "very unlikely" and "somewhat unlikely".







Source: 2021 BIS central bank survey on CBDCs and digital tokens.

Motives for CBDCs differ across jurisdictions

Motivations	Explanation
1. Continued access to central bank money	Where cash is in decline, end-users may lose access to risk-free central bank money . A CBDC could act as a digital banknote and ensure that.
2. Resilience	Where cash is marginalised, its role as a backup payment method will be impaired. A CBDC system could improve operational resilience.
3. Increased payments diversity	High entry barriers dominate the payment market. A CBDC can increase competition , especially if it becomes interoperable with other systems.
4. Encouraging financial inclusion	Certain end-users have troubles in accessing private payment solutions. A CBDC may ensure that those end-users are able to make payments .
5. Improving cross-border payments	Cross-border payments are costly, slow, opaque and hard to access. Interoperable CBDCs could play a role in enhancing those payments .
6. Supporting public privacy	Today, only cash offers privacy when making payments. A CBDC could bring about some level of anonymity for electronic payments .
7. Facilitating fiscal transfers	In some situations (e.g. Covid-19) an efficient facility to quickly transfer funds to the public is beneficial. A CBDC system could offer this.

Source: Group of seven central banks and BIS, *Central bank digital currencies: foundational principles and core features*, October 2020.

Six central banks: Current status of CBDC-work

	Bank of Canada	<ul style="list-style-type: none"> Published a contingency plan for a CBDC in February, 2020. Building the capability to issue a digital version of the Canadian dollar 	Research
	European Central Bank	<ul style="list-style-type: none"> A first report on the digital euro published in October, 2020. Investigation phase started in October 2021 and lasts for two years. 	Research
	Bank of England	<ul style="list-style-type: none"> First discussion paper on CBDC published in March, 2020. Currently at a research and exploration phase – public consultation during 2022 	Research
	Bank of Japan	<ul style="list-style-type: none"> Conducted a proof of concept for CBDC system in 2021/2022 Findings from proof of concept published in May, 2022. 	Research
	Federal Reserve	<ul style="list-style-type: none"> Issued a discussion paper that examines the pros and cons of a CBDC in January, 2022. Executive order from president Biden requiring the government to assess risks and benefits of a CBDC 	Research
	People's Bank of China	<ul style="list-style-type: none"> First pilot of e-CNY in April, 2020 Possible to pay with e-CNY in 23 cities today. 	Pilot

Some are already live...

Bahamas (Sand dollar)

- Launched in October, 2020
- Available for person-to-person and person-to-business
- Only for domestic use



Nigeria (e-Naira)

- Launched in October, 2021
- The digital form of the Nigerian currency (Naira)
- Person-to-person and person-to-business



Eastern Caribbean (Dcash)

- Pilot version launched in March, 2021
- Available in eight Caribbean countries*
- Person-to-person and person-to-business

* Antigua and Barbuda, Dominica, Grenada, Saint Lucia, St. Vincent, St. Kitts and Nevis, Anguilla, Montserrat.

International cooperation on CBDC



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- **Group of seven central banks*** and **BIS** exploring CBDC aspects
 - G7 work on CBDC
 - **G20** initiative on improving cross-border payments
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* Bank of Canada, Bank of England, Bank of Japan, ECB, Federal Reserve, Sveriges Riksbank, Swiss National Bank

Common principles for CBDC



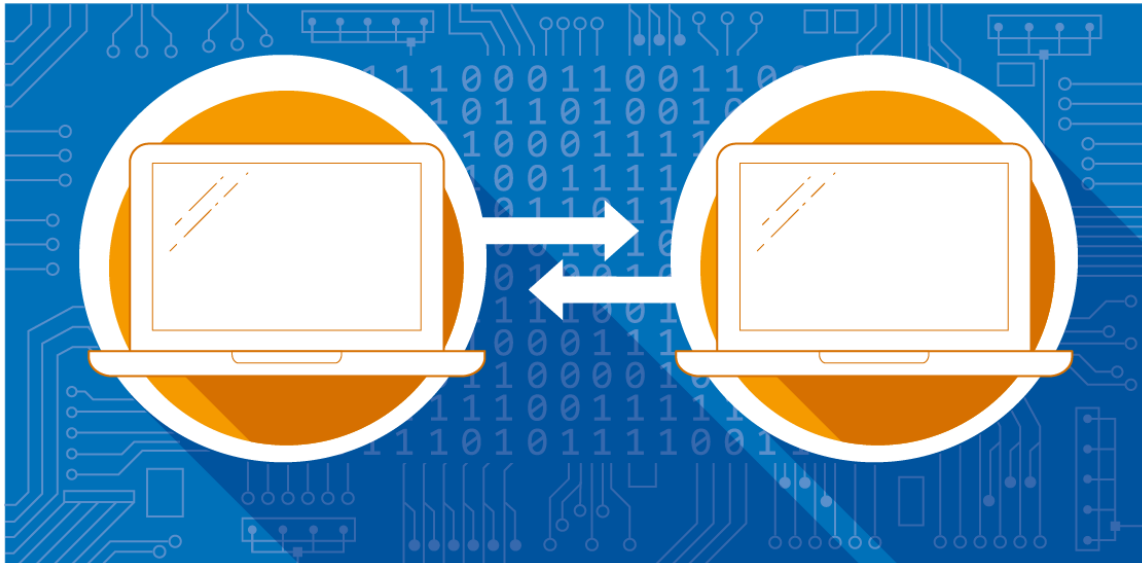
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- **'Do no harm'** to other policy objectives beyond safe and efficient payments
 - **'Co-exist'** with private forms of money within the existing payment infrastructure
 - **'Promote innovation and efficiency'** in payments, fulfilling user needs
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'Do no harm'



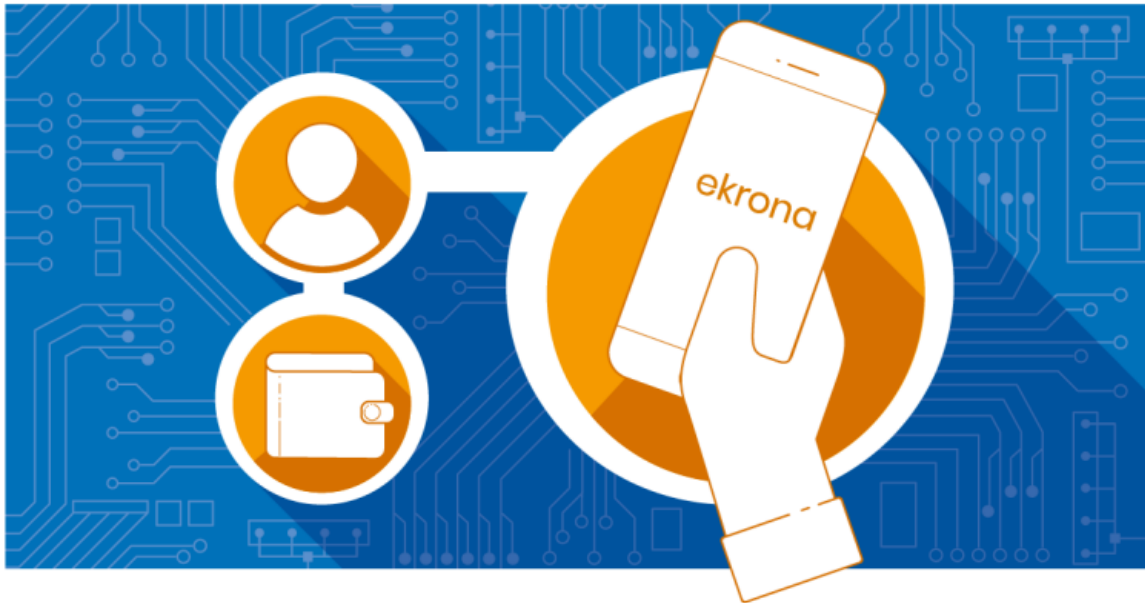
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- The impact on bank disintermediation and lending should be limited
 - Other developments may generate similar deposit substitution risks, while CBDCs create new opportunities for banks
 - Certain safeguards can address financial stability risks
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'Co-exist'



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- Public and private sectors are involved and in a balance
 - A CBDC system will be a major undertaking for a central bank
 - Domestic interoperability sufficient to achieve an easy flow of funds between CBDCs and other types of money
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'Promote innovation and efficiency'



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- CBDC adoption will depend on its attractiveness to end-users
 - Flexible core system and a CBDC ecosystem with innovative intermediaries
 - Balancing the needs of the majority of consumers with reaching specific segments
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G7 work on CBDC



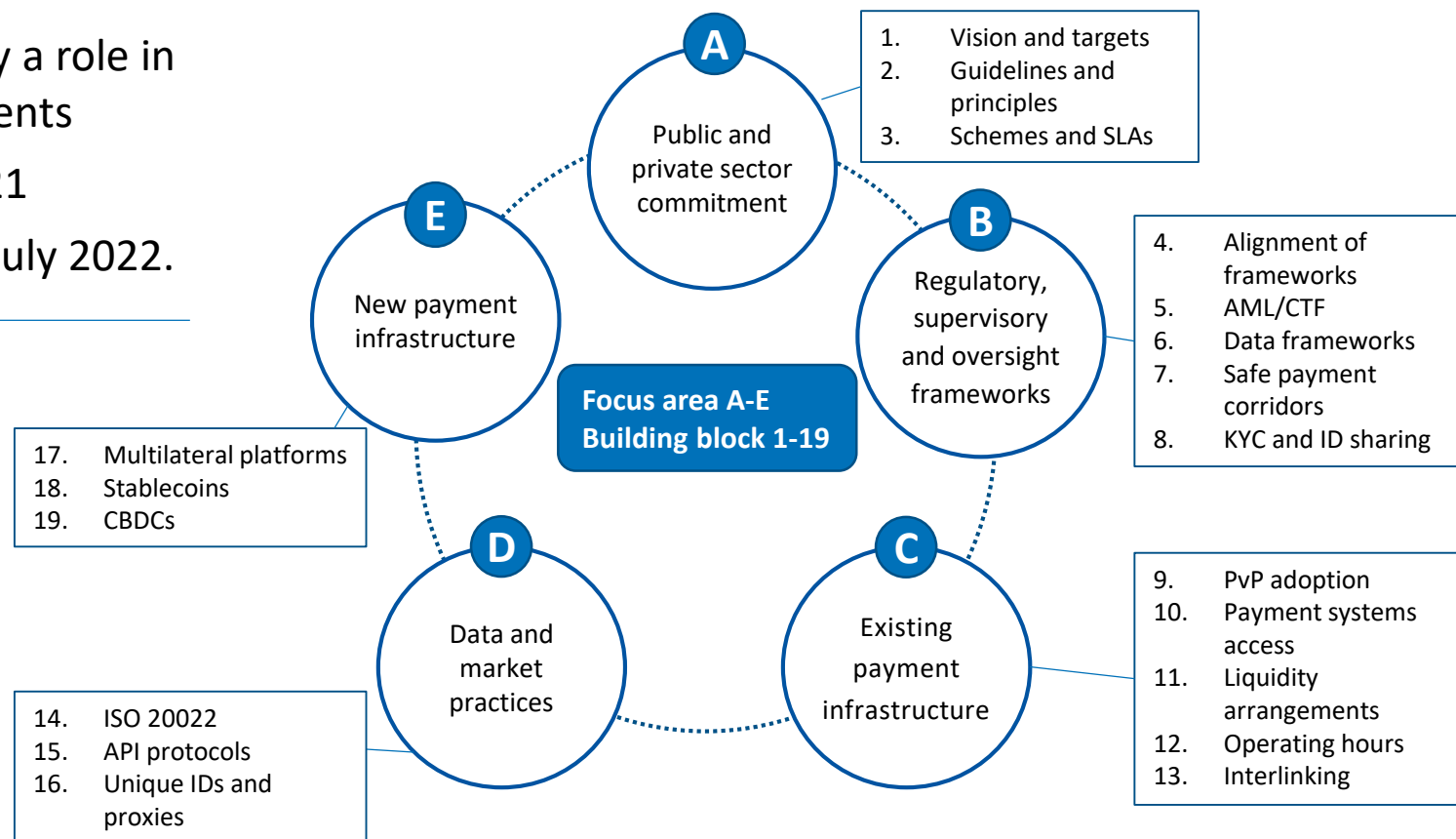
October, 2021

- Joint report by G7, Riksbanken and Swiss National Bank
- Sets out common **Public Policy Principles** for retail CBDCs
- The principles should **support and inform** domestic policy deliberations

Enhancing cross-border payments

BB19 CBDC

- Investigate if CBDCs could play a role in improving cross-border payments
- Report 1 published in July 2021
- Report 2 will be published in July 2022.



Building Block 19: CBDCs

Objective	Status	
Investigate if CBDCs could play a role in improving cross-border payments	2020/2021	2021/2022
	<p>Main findings from stock take report (published in July 2021):</p> <ul style="list-style-type: none"> • CBDCs provide a ‘clean slate’ opportunity • Implications of domestic CBDC issuance extend beyond national borders • Enhancements in regulatory, supervisory and oversight frameworks are essential for reaching CBDCs cross-border potential <p>➤ Hence, international cooperation key</p>	<ul style="list-style-type: none"> • Action 2 ends in July 2022. • Covers, among other things, core principles and practical challenges of cross-border CBDC

Literature

- [ECB report on a digital euro](#), published in October 2020.
- Set of reports from group of seven central banks + BIS, which are looking into users' needs, technological design options and financial stability implications of retail or "general purpose" CBDCs, published in September 2021:
 - Report 1 – [System design and interoperability](#)
 - Report 2 – [User needs and adoption](#)
 - Report 3 – [Financial stability implications](#)
- [Bank of England discussion paper on new forms of money](#), published in June 2021
- [Federal Reserve discussion paper](#), published in January 2022.
- G7's [Public Policy Principles for Retail Central Bank Digital Currencies \(CBDC\)](#), published in October, 2021.