



# E-krona dialogforum

Teamsmöte(2022-06-16)

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



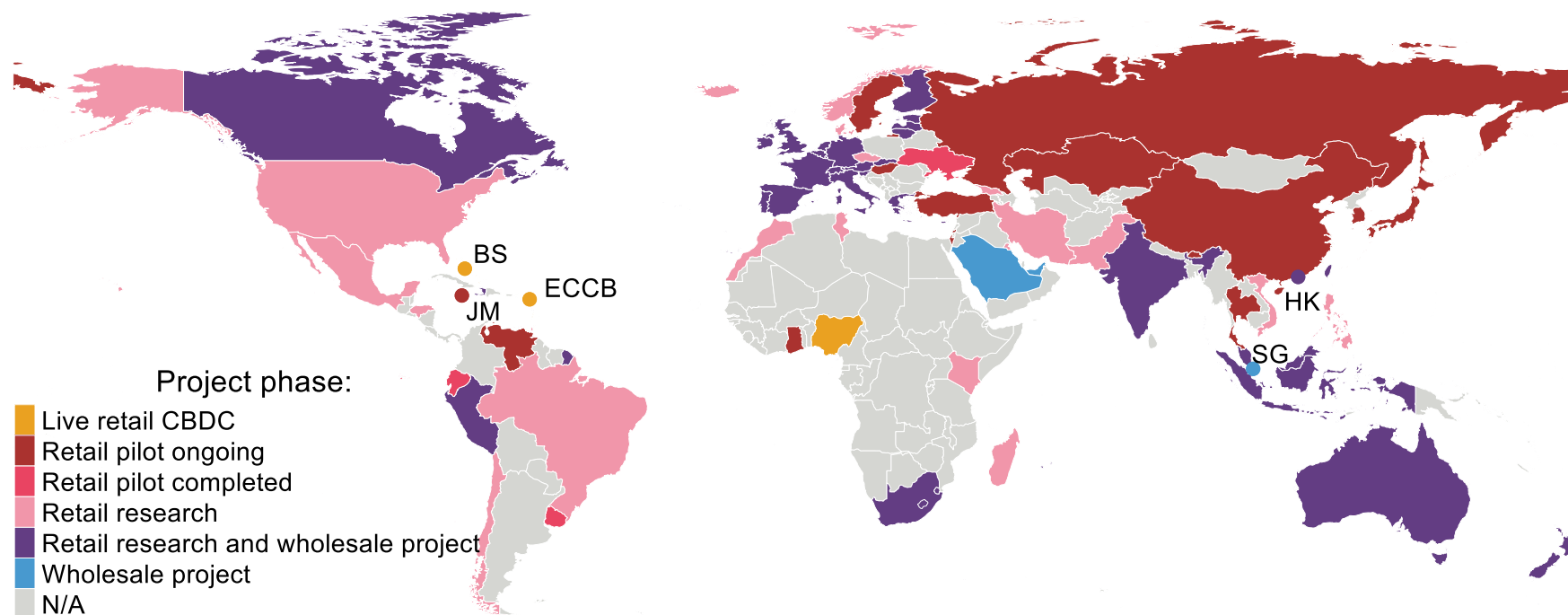
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# What is a CBDC?



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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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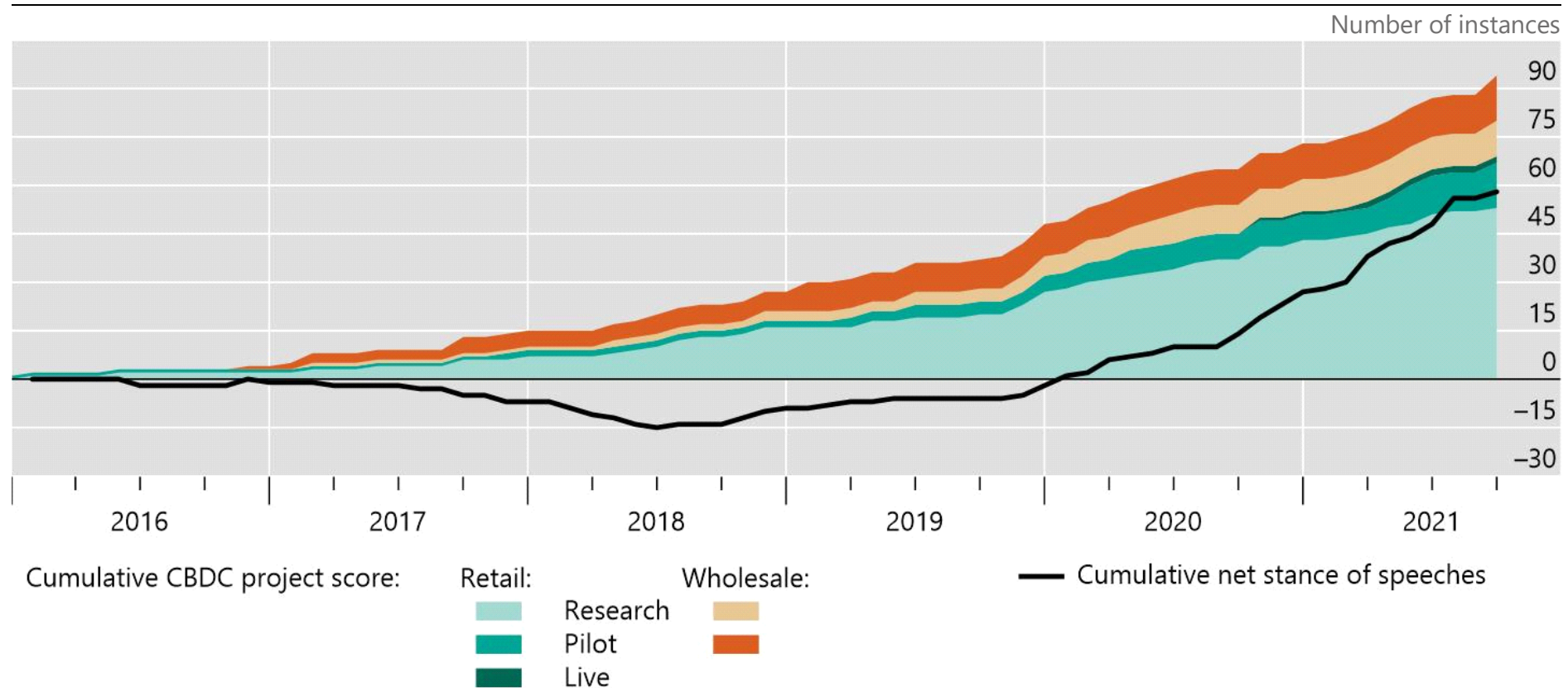
# Who is investigating a CBDC?



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...



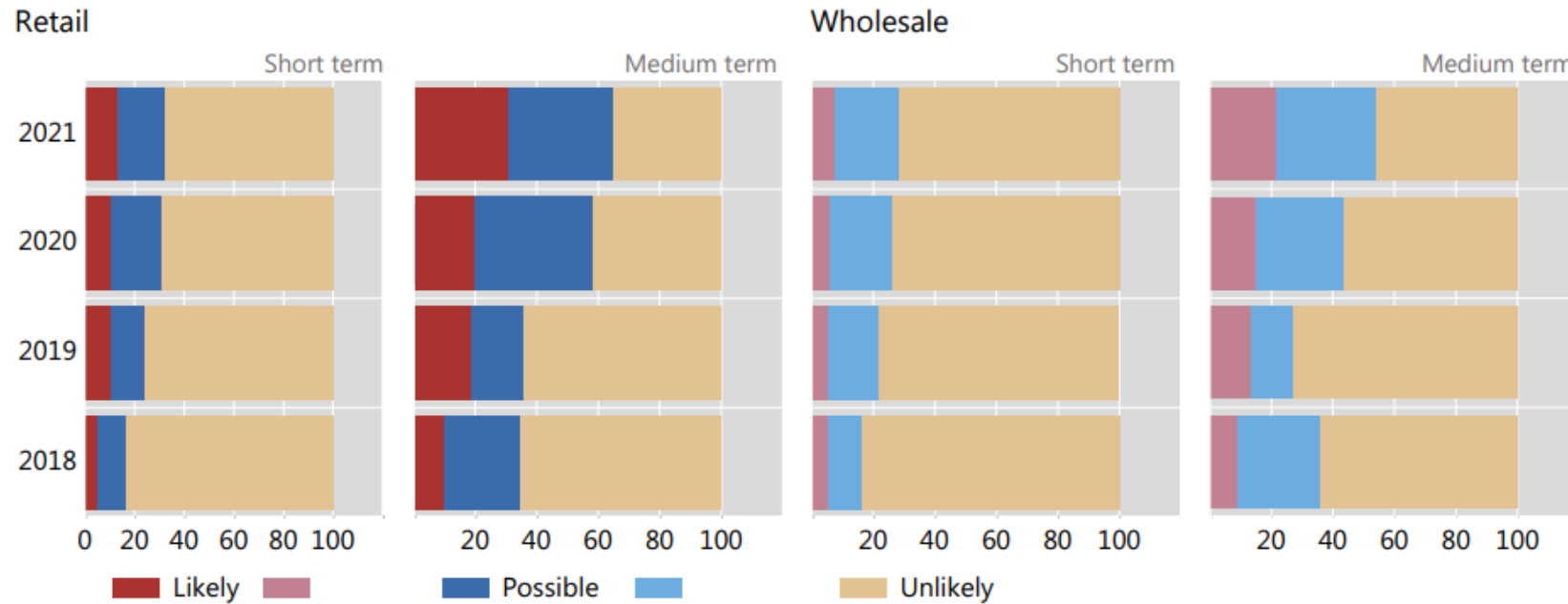
Sources: R Auer, G Cornelli and J Frost (2020), "Rise of the central bank digital currencies: drivers, approaches and technologies", *BIS working papers*, No 880, August; central banks' websites.

# ... 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 <b>access to risk-free central bank money</b> . A CBDC could act as a digital banknote and ensure that.
2. Resilience	Where cash is marginalised, its role as a <b>backup payment method</b> will be impaired. A CBDC system could improve operational resilience.
3. Increased payments diversity	High entry barriers dominate the payment market. A CBDC can <b>increase competition</b> , 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 <b>ensure</b> that those <b>end-users are able to make payments</b> .
5. Improving cross-border payments	Cross-border payments are costly, slow, opaque and hard to access. <b>Interoperable CBDCs</b> could play a role in <b>enhancing those payments</b> .
6. Supporting public privacy	Today, only cash offers privacy when making payments. A CBDC could bring about some level of <b>anonymity for electronic payments</b> .
7. Facilitating fiscal transfers	In some situations (e.g. Covid-19) an <b>efficient facility to quickly transfer funds to the public</b> 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

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

# 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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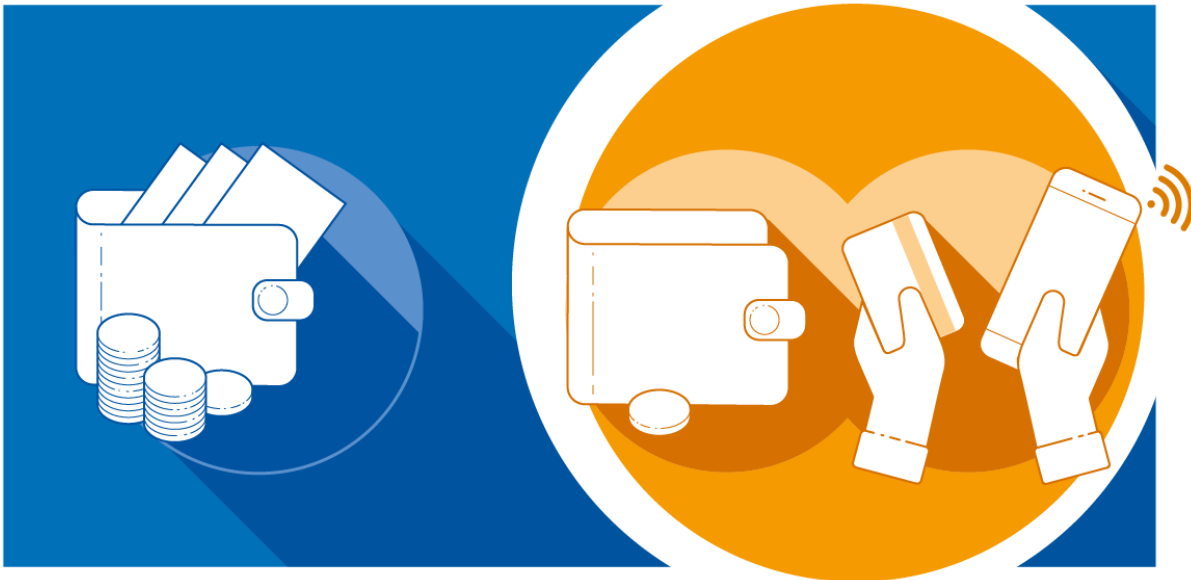
\* Bank of Canada, Bank of England, Bank of Japan, ECB, Federal Reserve, Sveriges Riksbank, Swiss National Bank

# Common principles for CBDC



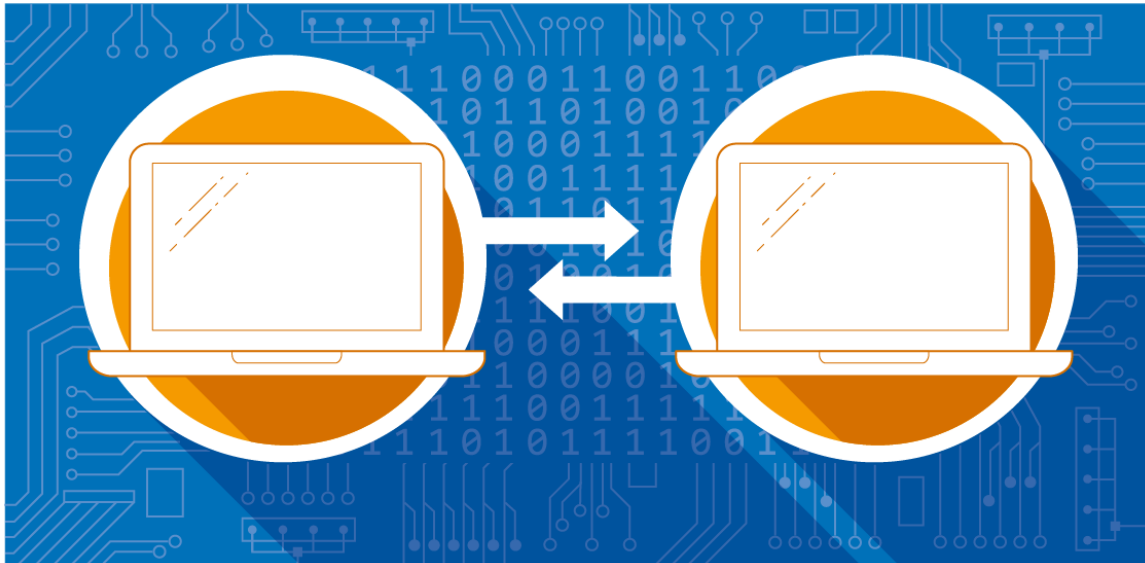
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- **'Do no harm'** to other policy objectives beyond safe and efficient payments
  - **'Co-exist'** with private forms of money within the existing payment infrastructure
  - **'Promote innovation and efficiency'** in payments, fulfilling user needs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



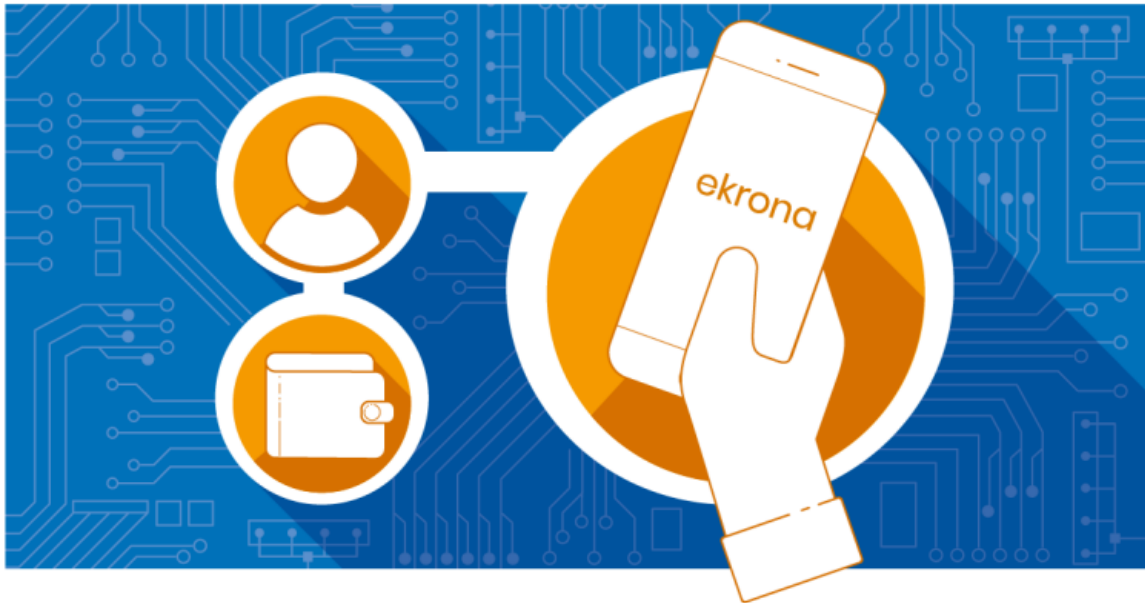
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- The impact on bank disintermediation and lending should be limited
  - Other developments may generate similar deposit substitution risks, while CBDCs create new opportunities for banks
  - Certain safeguards can address financial stability risks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



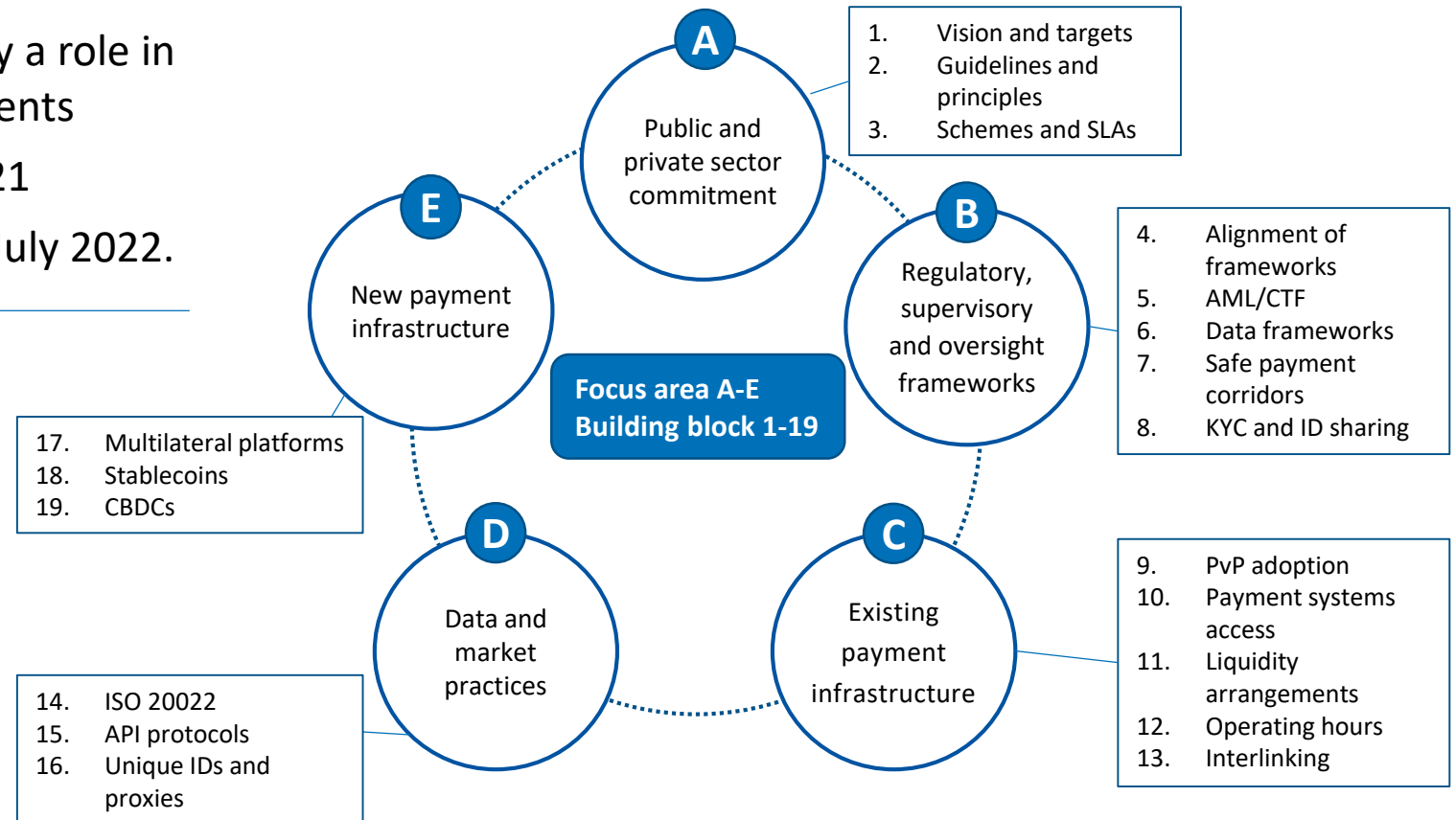
October, 2021

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



# 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.