

Central Bank Digital Currency in the euro area?

Objectives and key lessons learned so far

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EUROSYSTEEM

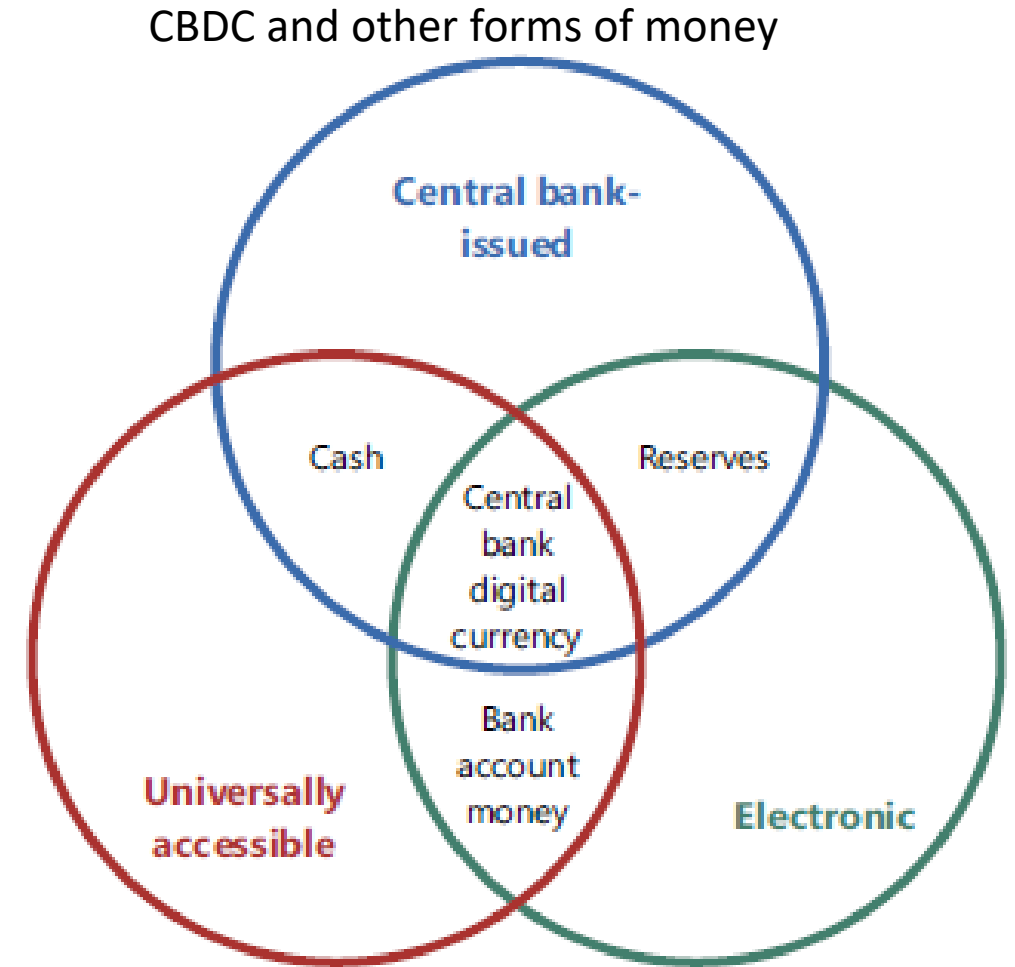
*The views expressed in this presentation are my own and do not necessarily reflect the view of the Dutch central bank (DNB)

Content

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What is CBDC?

- In the euro area issuance of central bank money can only be done by the European Central Bank (ECB)
- Currently digital central bank euros exist in two forms
 - **Cash**: not electronic
 - **Reserves**: not universally accessible

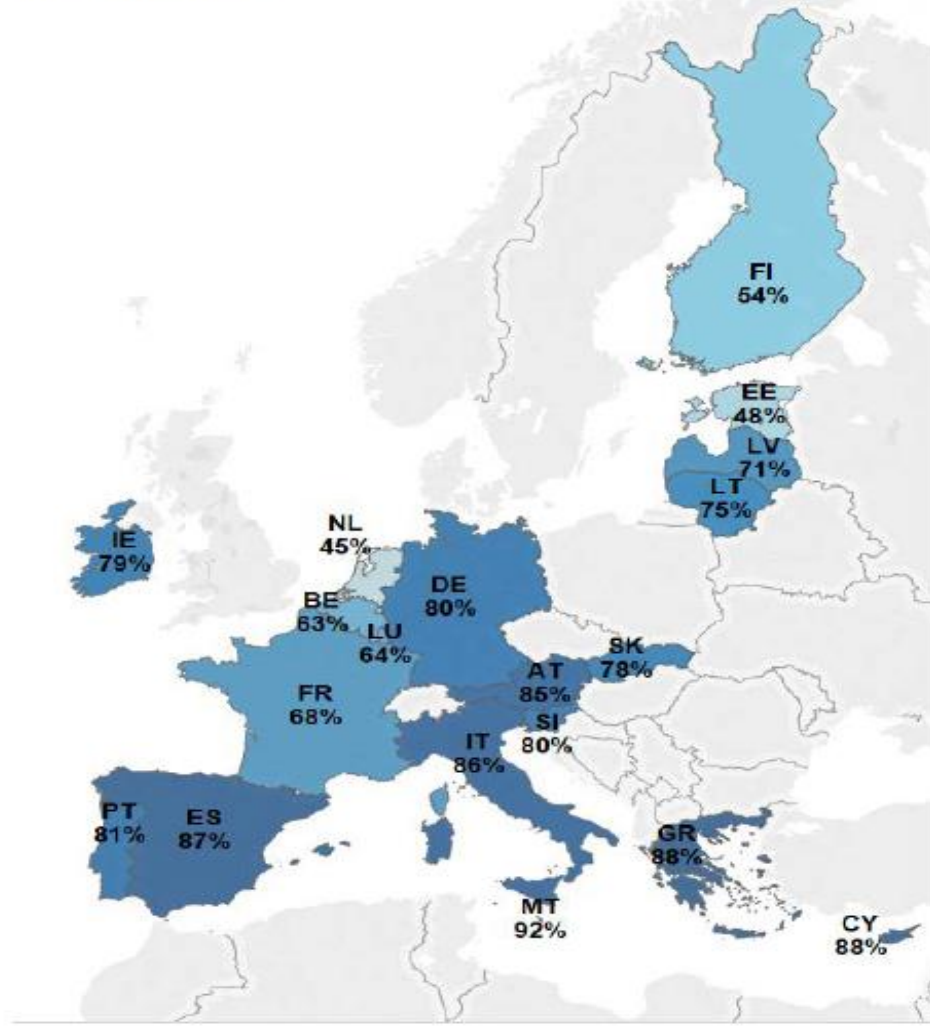


Why now? Access to central bank money

Usage of cash in the euro area

Share of cash transactions per country at points of sale

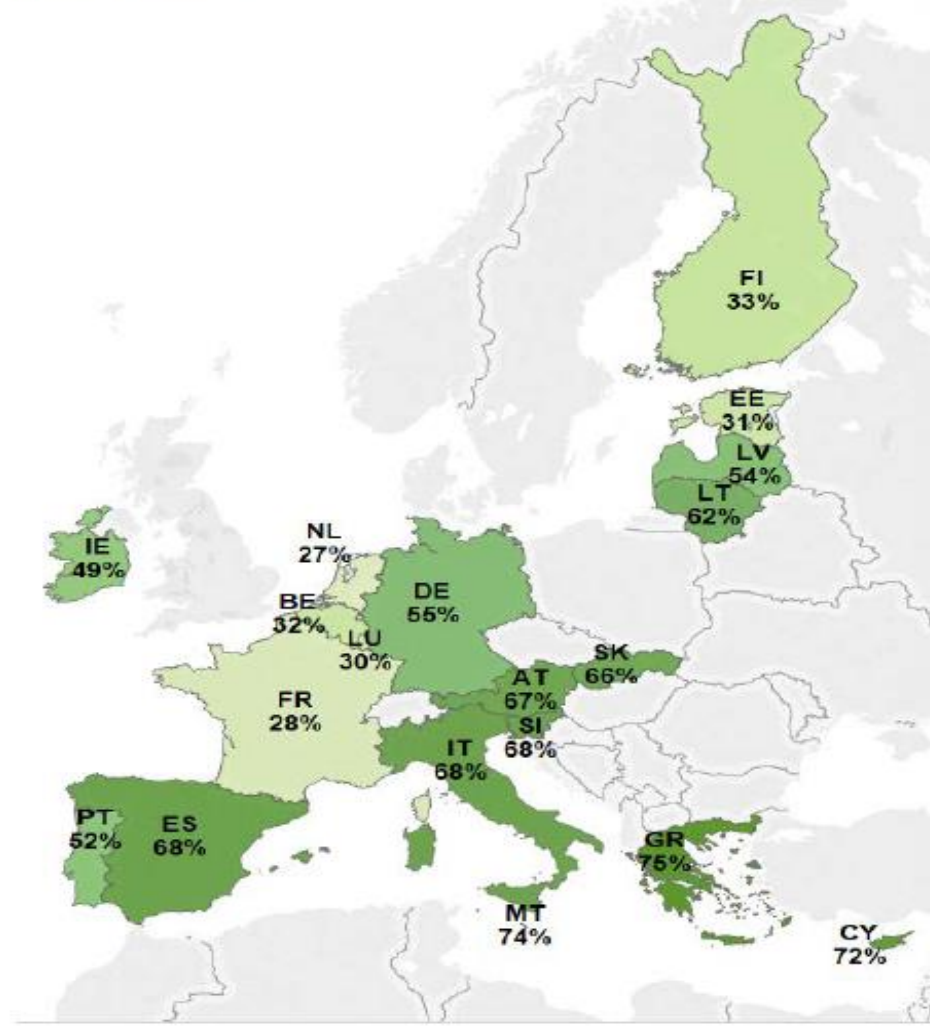
(number of transactions)



Sources: ECB, Deutsche Bundesbank and De Nederlandsche Bank.

Share of cash transactions per country at points of sale

(value of transactions)



Sources: ECB, Deutsche Bundesbank and De Nederlandsche Bank.

Source: the use of cash by households in the euro area, ECB, 2017

Why now? Application of new technology?

- Cryptos: conditional payments (programmable money/smart contracts)
- Distributed Ledger Technology
- Risks cryptos/ stablecoins (a.o. DNB, 2018; G7 rapport, 2019)
 - Money laundering/terrorism financing
 - Risks related to financial stability, monetary policy and payments
 - Market power and privacy

Which new technologies may be useful and mature enough to use for a public digital currency?

Possible objectives of CBDC

- Access to central bank money: digital money free of credit risk
- Diversity and innovation in the payments market
- Back-up for payments in commercial bank money

And maybe:

- More efficient cross-border payments
- Digital distribution may be a cheaper alternative to distribution of physical cash

DLT: two key lessons learned

1. Use of DLT does not give digital currencies properties similar to physical cash
2. Programmable money is not dependent on DLT infrastructure

Conclusions and next steps

- National central banks cannot issue CBDC in the euro area
- CBDC is not a panacea: the opportunities, risks and trade-offs are complex
- We will publish a study covering the objectives, preconditions and key trade-offs of CBDC in the coming months
 - Will be available in both English and Dutch
 - Will be used as input for the national and international discussion about CBDC