COMMENTS ON “RISE OF THE CENTRAL BANK DIGITAL CURRENCIES: DRIVERS, APPROACHES AND TECHNOLOGIES”

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The paper in a nutshell

- **Comprehensive stock taking: Project Status, Speeches and Motivations:** Increasing and more favorable trend


- **Stocktaking on all the projects on CBDC: Architecture, Infrastructure, Access and Cross Border use.** [empirical analysis for the first three]: Direct and Hybrid (development), DLT (remittances) and account based (Remittances)

- **Update analysis of three projects:** DC/EP, E-krona and BoC CBDC studies
General comments

- Overview of the discussion: Two levels, focus on design, operational possibilities and effects on payments system infrastructure and discussion on “collateral” or “unintended” effects of CBDC (monetary policy, financial system, fiscal policy...). (some shift from one to another?)

- Surprisingly lack of discussion on the specific use cases: what will it be possible to do with a CBDC that is not feasible now?, How will change the customer experience in payments?

- Wholesale/Retail it has some sense to mix them up in the index? Different underlying reasons, different implications.

- What about the speed/ambition of the project? Trade off between ambition and disruptive use cases and be ready as soon as possible.

- Broad picture: CBDC domestic projects, CPMI-FSB Cross border payments BB (1-19); is the coalition of Central Banks the missing link? Role of technical standards (BoJ paper)
State of a CBDC Project: A General taxonomy

- Some confusing terms, i.e. "Research project"
- Broadening the range of cases: PoC with the aim of creating knowledge vs PoC with the purpose of creating a prototype and launch the production.
- Broadening the scale?

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**Research Project**
- Analytical effort to explore one or several dimensions
- Purely theoretical or conceptual
- Involve prepare documentation for next step

**Proof of concept**
- Testing and validation of a given technology or approach
- Limited window, limited functionalities
- Internal use
- Improve Knowledge and feasibility

**Prototype**
- Test of a Working model
- Combine design, usability and functionality
- Could involve customers

**Minimum viable Product**
- Simple, appealing, bug-free version
- Only core functionalities
- Feedback from the market

**Mature Product**
- Stable set of functionalities
- Wide adoption/mkt share
- Not preclude evolution
Minor comments

- Sentiment on central bank speeches is based on author’s judgement, could be introduce some kind of NPL techniques?

- Potential demand variables to test:
  - *FX volatility*
  - *Trade partners interest on CBDC*

- DC/EP: Distribution of roles (CB core infrastructure, intermediaries provides the public services to avoid disintermediation (Fan 2020)). Two ways of disintermediation from a CBDC: 1. funding 2. banking relationship

- DC/EP: Cross border coordination despite the lack of representativeness on international forums

- Cross border Interoperability in a world where CBDC will not be homogeneous
Open questions

- Cross border Interoperability in a world where CBDC will not be homogeneous?

- The “Three principles”: coexistence, not harm and innovation/efficiency apply only with current infrastructures or including possible alternatives:
  - Complete cost-benefit analysis: consider other alternatives
  - Define a clear/neutral framework for other payment alternatives (stable coins)
  - BoE consultation paper on “new forms of money”, looking for a holistic approach.

- Collateral effects: the role of banks on credit provision: separate transition from steady state.

- Not only most use cases are still not available but also need to fix important issues on a digital economy:
  - How to regulate competition?
  - Privacy/Anonimity
  - Digital Identity