



Creando Oportunidades

Central banking in a new technological era

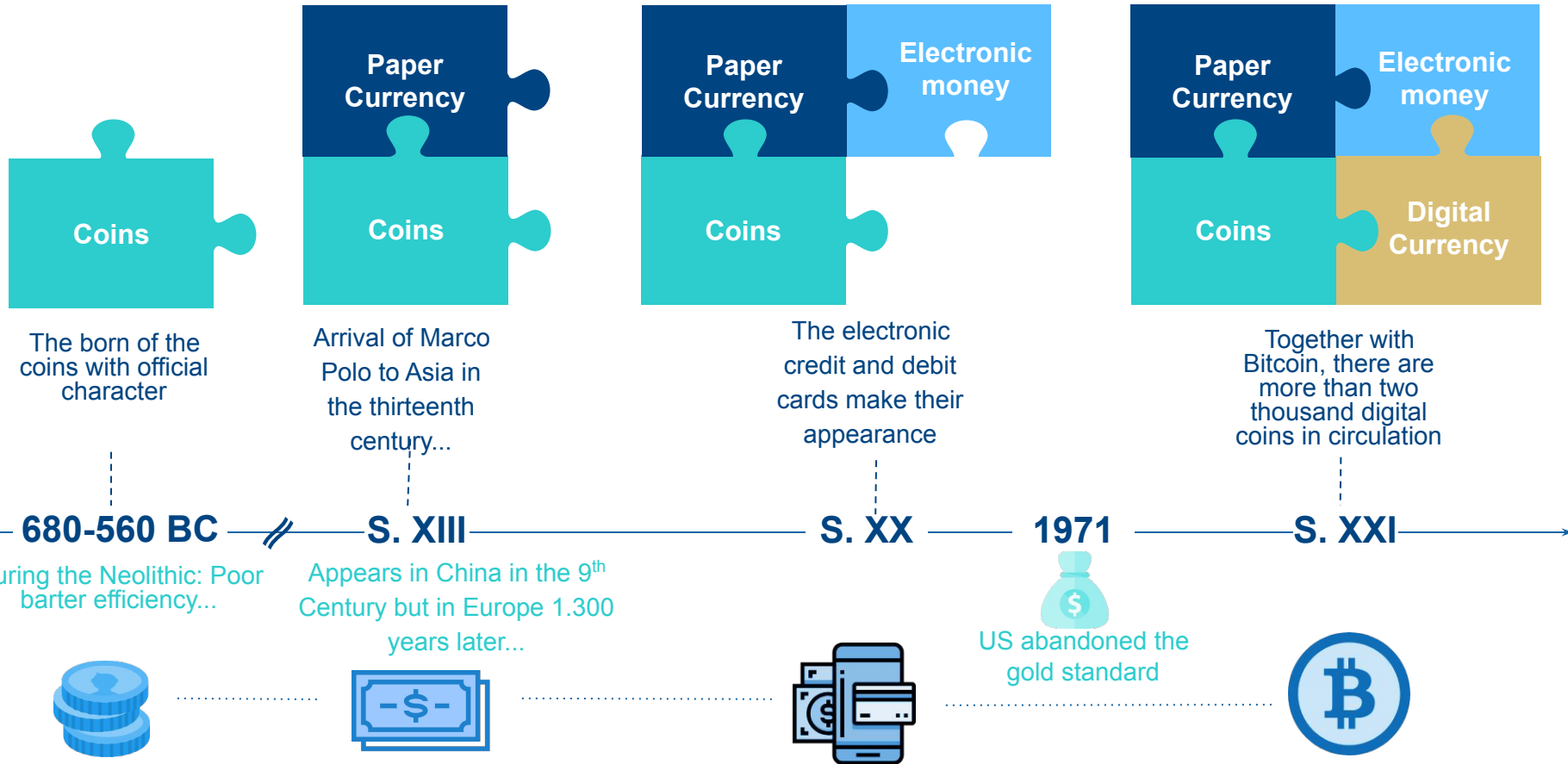
11th Annual Conference RBWC & CRBP

José Manuel González-Páramo













Member of the Board of Directors and Head of Global Economics & Public Affairs, BBVA

19th of July 2019

About the history of money

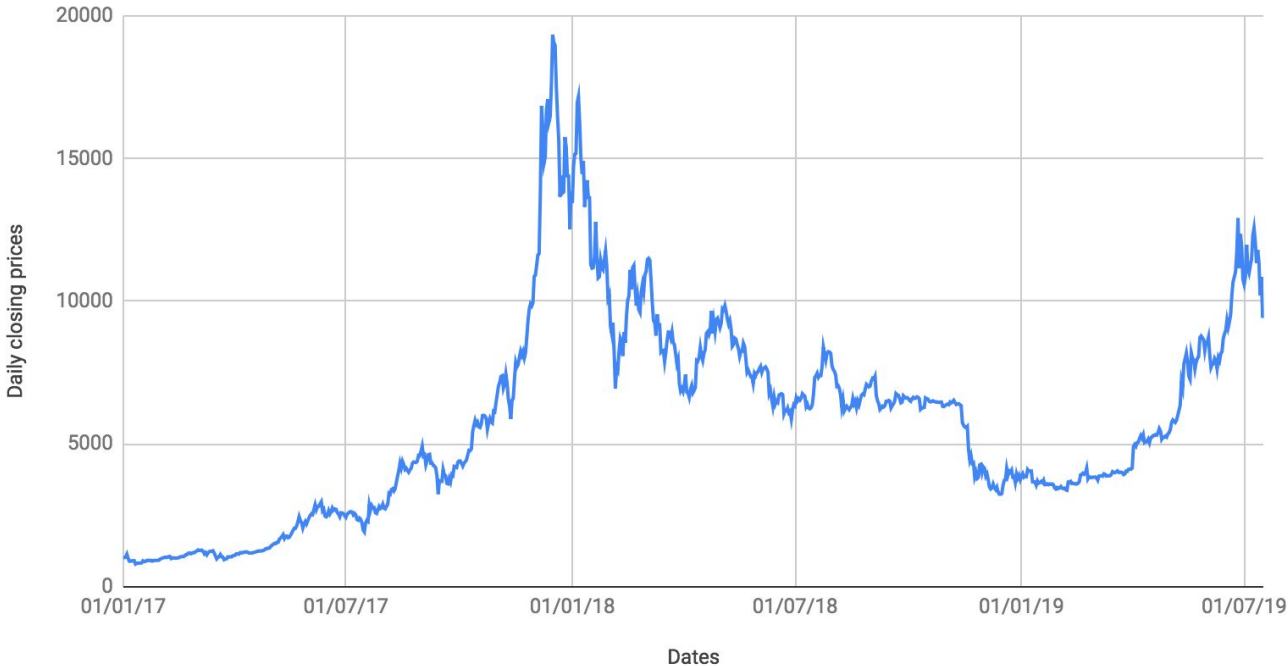


Issuance of digital currencies by central banks

| | | Universal Access | Anonymity | Zero Yield |
|---|--------------------------------------|---|---|---|
| 1 | CBDC to improve interbank settlement |  |  |  |
| 2 | CBDC similar to cash |  |  |  |
| 3 | CBDC as new policy tool |  |  |  |
| 4 | CBDC as public deposit |  |  |  |

Cryptocurrencies: main weaknesses

Bitcoin quotation



Source: Own elaboration based on data from Bolsamania. Date from: 01/01/17 to 17/07/19 (Close price:\$9.696,15)



Volatility



Anonymity



**Operational
risks**



**Electrical
energy
consumption**

Stablecoins: a potential alternative to cryptocurrencies

Main characteristics

Fiat backed

Reduce the volatility

Key to succeed: fiat assets stored in a secure and transparent manner



“J.P. Morgan Creates Digital Coin for Payments”

(J.P. Morgan February 14, 2019) It is a digital coin representing United States Dollars held in designated accounts at JPMorgan Chase N.A. In short, a JPM Coin always has a value equivalent to one U.S. dollar.

<https://www.jpmorgan.com/global/news/digital-coin-payments>



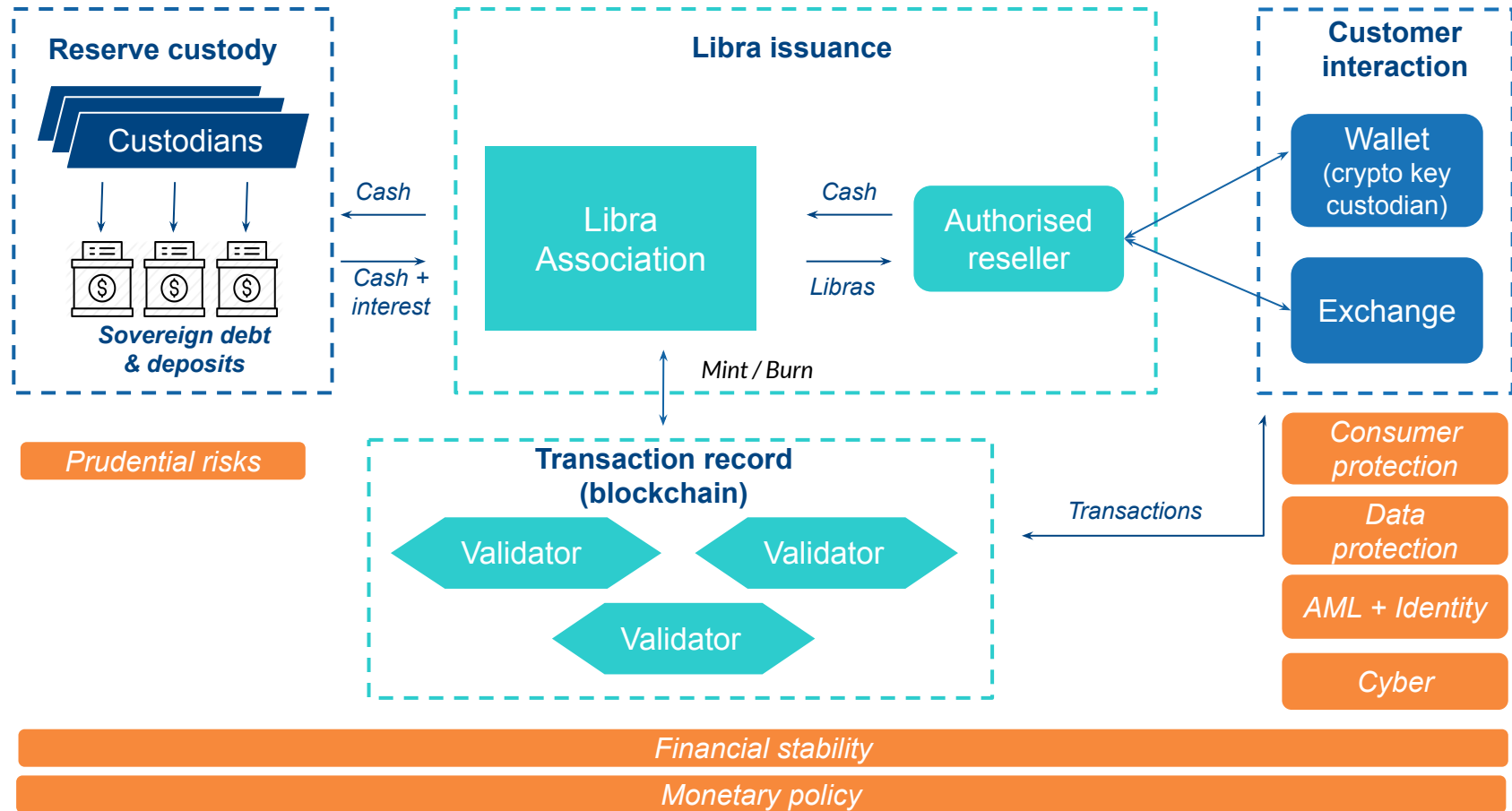
“Coming in 2020: LIBRA”

≈libra

(Facebook June 18, 2019) Facebook and its partners unveiled a global digital coin called Libra. Facebook will build a wallet, called Calibra, though a wholly owned subsidiary that it says won't share financial data with the social network.

<https://newsroom.fb.com/news/2019/06/coming-in-2020-calibra/>

Libra structure and regulatory risks



Challenges for Central Banks

Fiat or asset-backed?



- Libra would be backed by government bonds
- Libra would be backed by “bank deposits”
- Financial stability risks could materialize if Libra became systemic

How supported?



- Support from CB's in exchange of regulation
- Entering the business of maturity transformation
- Risk to “credit originations” (narrow banking) if Libra is so successful

How regulated?



- Regulation on deposits in foreign currency
- Electronic money regulations differ across jurisdictions
- Regulate KYC, AML and other policy goals would be ensured

Monetary policy: Additional open questions



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- 1 How would the analysis and monitoring of inflation be carried out?
- 2 What would be the transmission channels of monetary policy?
- 3 What instruments would central banks count with under such scenario?

01

Annex

Expected outcomes of four CBDC schemes

Interbank settlement

1

-  Improved efficiency
-  Lowering management costs
-  Increasing competition





Payment system

2

-  Improved efficiency
-  Risk on CB Infrastructure
-  Risk to increase informality
-  Impact on international flows

New policy tool

3

-  Getting rid of the zero lower bound
-  Cash is either banned or abandoned
-  Financial repression
-  Legitimacy issues

CB Deposit

4

-  Financial stability and lower informality
-  Credit might be extremely reduced
-  Questionable role for CB if they redirect funds to the financial system



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