

Innovation
Hub



EP FinTech Working Group, 27 October 2020

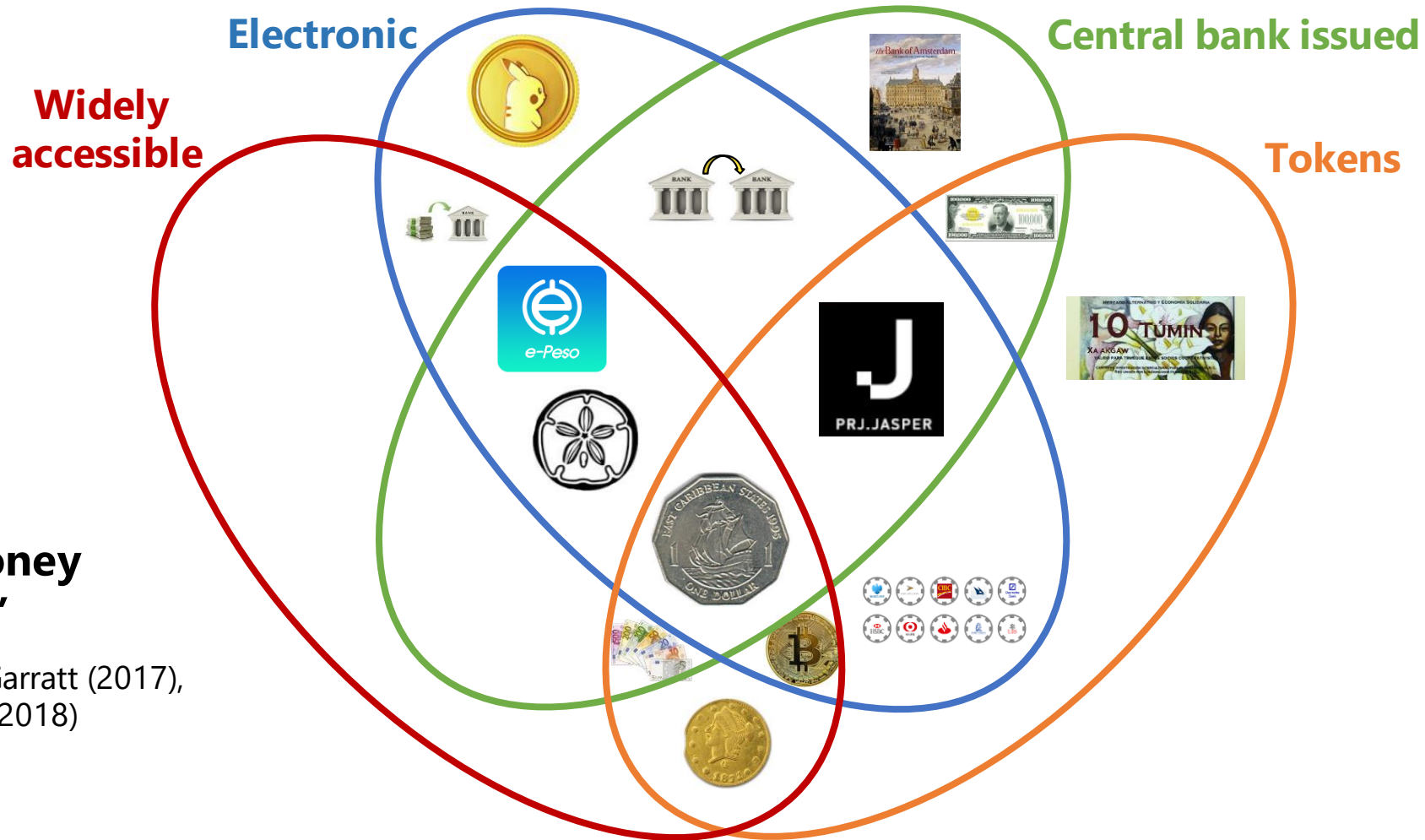
Central bank digital currencies:
foundational principles and core features

Benoît Cœuré
Head of the BIS Innovation Hub



- What is a CBDC and why issue it?
- A new report
- From foundational principles to key features
- Next steps and BIS Innovation Hub contribution

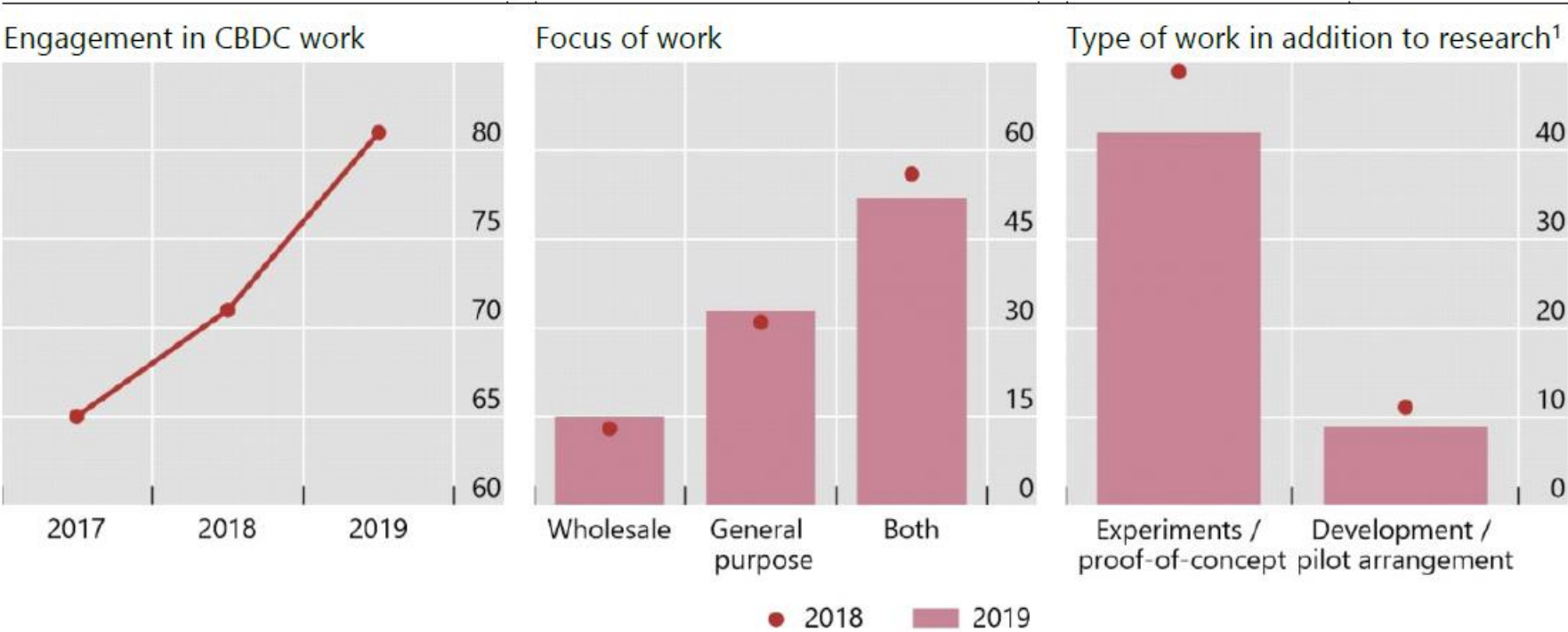
What is a CBDC?



"The money flower"

Bech and Garratt (2017),
CPMI-MC (2018)

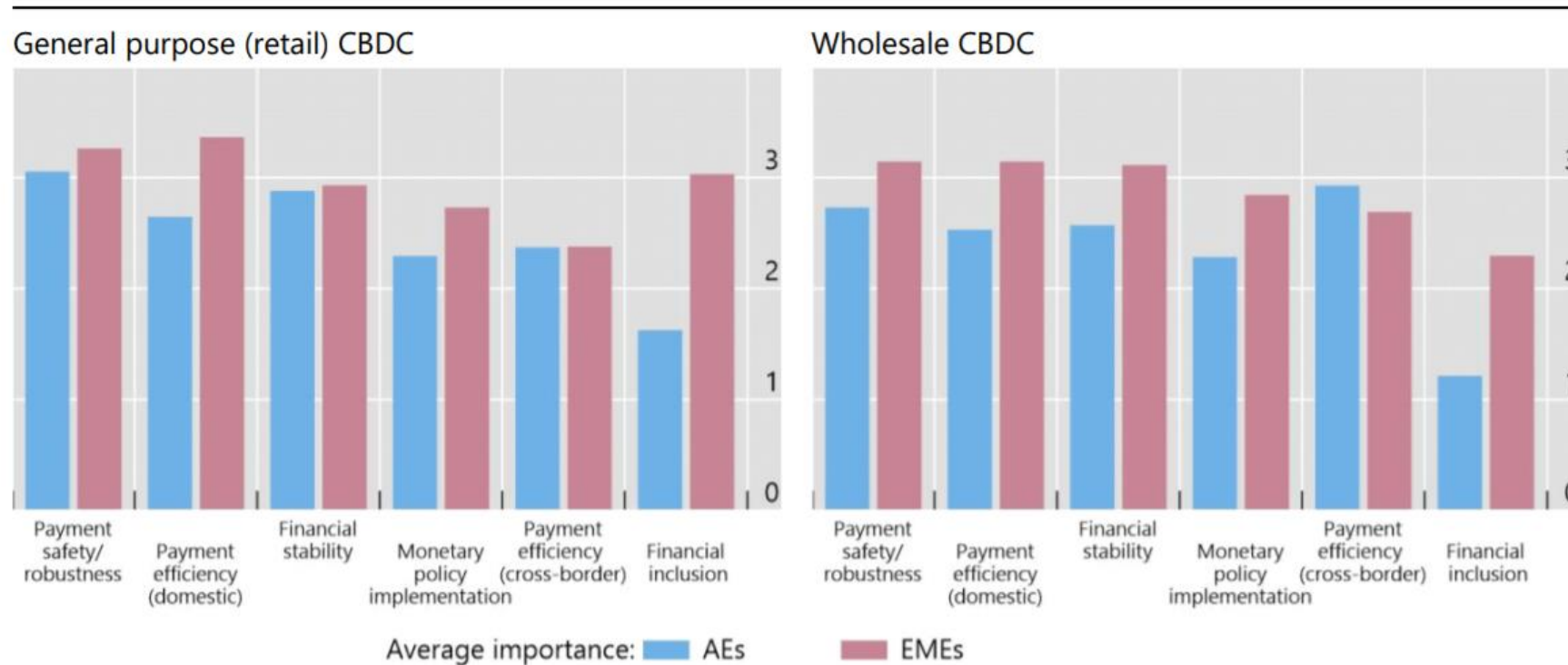
Central banks are moving into top gear



¹ Share of respondents conducting work on CBDC.

Source: Boar et al (2020)

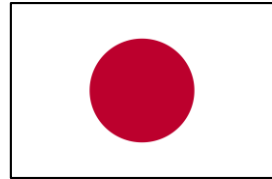
Why issue a CBDC?



1 = not so important; 2 = somewhat important; 3 = important; and 4 = very important.

Boar et al (2020)

A collaboration from seven central banks and the BIS



Foundational principles and core features

- Issuance and design is a sovereign decision and designs will vary
- Nonetheless, the central banks agreed on common “foundational principles” and the resulting “core features” of a CBDC



Do no harm to
wider policy
objectives



Ensure
coexistence and
complemen-
tarity of public
and private forms
of money



Promote
innovation
and efficiency

- A CBDC robustly meeting these could be an important instrument for central banks to deliver their public policy objectives

Next steps



SPRINGBOARD



PRACTICAL POLICY
QUESTIONS



TECHNICAL
EXPERIMENTS

The BIS Innovation Hub: who are we?

The BIS IH is headquartered in Basel and operates in partnership with host central banks

Current centres

- Hong Kong SAR
- Singapore
- Switzerland

To be opened in 2021-22

- Canada (Toronto)
- Eurosystem (Frankfurt, Paris)
- Nordic countries (Stockholm)
- UK (London)

Strategic partnership with the Federal Reserve (New York)

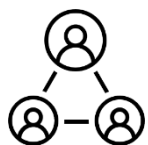


Our strategic priorities



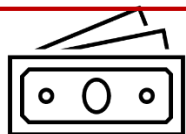
Effective supervision

AI/ML and big data, regtech/suptech, Bigtech in finance



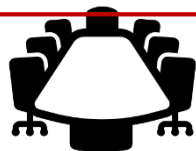
Modern payments and transaction banking systems

Tokenisation, settlement, trade finance



CBDC and cross-border payments

Support to G20 work on cross-border payments



Data platforms and open finance

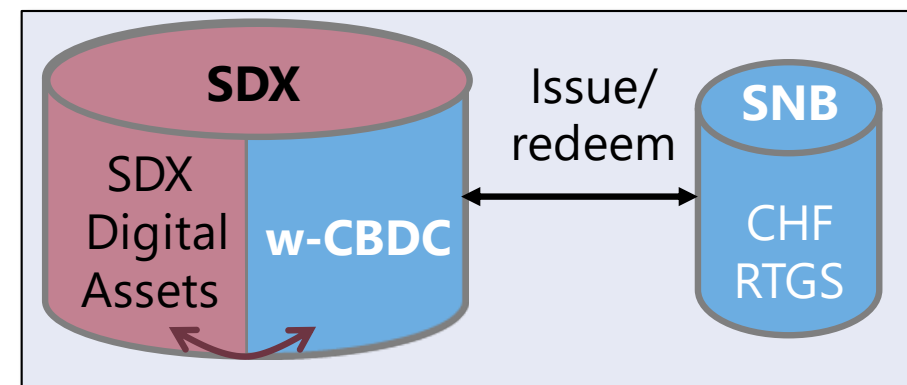


Cyber security

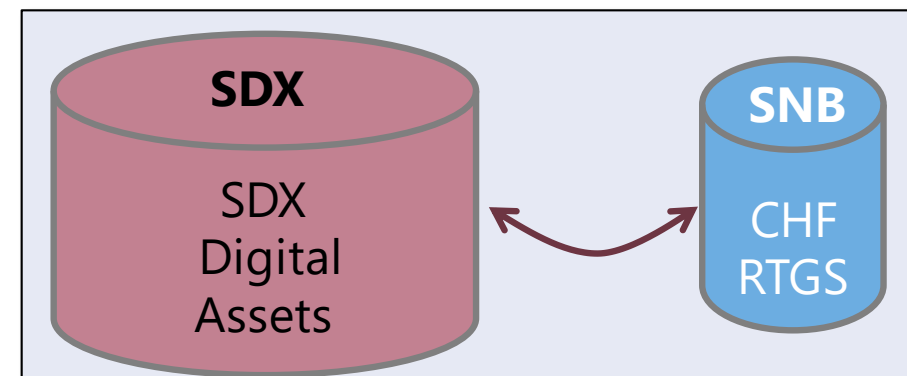
Our contribution to CBDC work

- Building DLT capacity
- Advancing work on wholesale CBDC
 - 2020: work with the SNB and SDX on settling tokenised transactions with central bank money ► ► ►
 - 2021: work on practical policy challenges and cross-border dimensions
- Kick-starting work on retail CBDC
- Co-leading with CPMI two building blocks of the G20 cross-border payments agenda:
 - New multilateral payment platforms
 - International dimension of CBDC

Token vs token settlement



Token vs account settlement



Thank you for your attention