



**WORLD BANK GROUP**  
Equitable Growth, Finance & Institutions

# Digital Currencies and the Challenges for Central Banks

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## Disclaimer

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# Retail CBDC is a promising public good, but not a panacea and without consensus it always add value

1. What problem or market failure is CBDC meant to solve?
2. Are there potential risks and unintended consequences?
3. What are the practical implications for design and implementation?
4. What else can be pursued to achieve similar objectives?

# 1. What problem or market failure is CBDC meant to solve?

## CBDC is a promising public good, not a “silver bullet”

### Strengthening financial inclusion

- Address limited private sector competition
- Overcome geographical barriers
- Strengthen cross-border payments (G20)
- However, binding constraints remain that CBDC can't address alone

### Bigtech challenges

- Network and scale effects...
- ...compounded by data monopolies and data centrality
- Privacy concerns
- Smooth functioning of payments
- “Digital currency areas”

### Risks stemming from new private forms of “money”

- Provide liquid and safe settlement asset in the context of a rise in (global) stablecoins, crypto assets, and DeFi

**Value added depends on country features, including economic conditions and the prevailing financial and payments landscape**

## ***2. Are there potential risks and unintended consequences?*** **Much remains unknown and depends on design**

**Bank funding &  
intermediation**

**Crowding out the  
private sector**

**“Oneness” of  
money**

**Complex privacy /  
illicit finance  
tradeoffs**

**New concentration  
risks and checks  
and balances on  
new central bank  
powers**

**Resource  
constraints**

### ***3. What are the practical implications for design and implementation? Some broad considerations***

**“First, do no harm”**

**Limited footprint (e.g., ceilings, remuneration)**

**Co-exist with physical cash**

**Domestic and cross-border interoperability**

**Distribution through intermediaries**

**Account based, linked to digital ID**

**Privacy protected / tiered KYC and SDD**

**Public buy-in: commercial viability and trust**

## 4. What else can be pursued to achieve similar objectives? A few examples, with a focus on financial inclusion

### Transaction accounts

- Build on fintech successes
- Devise inclusion strategies
- Raise awareness & financial literacy
- Promote e-KYC & digital ID
- Leverage recurrent payment streams

### Access points

- Promote entry of non-banks
- Enhance agent-based models for “last mile” delivery
- Leverage fintech solutions (e.g., QR codes)

### Domestic infrastructure

- Consider fast payments systems
- Support “open banking” and “open data” initiatives and APIs

### Cross-border payments (G20)

- Coordinate on regulatory, supervisory and oversight frameworks
- Strengthen existing infrastructures
- Increase data quality