The OMFIF Digital Monetary Institute is a high-level community which convenes key policy-makers, technologists, financiers and regulators to explore the challenges, opportunities and implications of digital finance in the 2020s.

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Banque de France’s wholesale CBDC experiment

27 May 2020

The meeting will begin shortly
BANQUE DE FRANCE’S WHOLESALE CBDC EXPERIMENT: WHAT BENEFITS?

OMFIF CONFERENCE CALL
DIGITAL MONETARY INSTITUTE

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27/05/2020
A CONDUCIVE ENVIRONMENT TO QUESTION ABOUT CBDC

Three solid underlying trends in the world of payments and in financial markets

- Digitalization of the economies (new technologies, research for economies of scale and optimization of processes in the functioning of financial markets)
- Bigtech incursion in the payment market and possibly in financial market (GAFA, BATX)
- Emergence of new tradable assets associated to new rights (e.g. utility tokens) and to respond to new needs

Central banks must meet important challenges

- Sustain financial innovation based on new technologies for consumers and to benefit from better market efficiency and better
- Preserve the central role of CBDC in particular in financial markets and improve the functioning of financial markets
- Reinforce AML/FT with adapted regulation and in fine the protection of consumers
  => FSB on-going work
« HIERARCHY » IN SETTLEMENT ASSETS

New assets pose new challenges to central banks to **conduct monetary policy** and ensure financial stability.
INCENTIVES TO ISSUE CBDC

**Preserve monetary sovereignty**

**Wholesale CBDC**
- Provide a liquid and free-risk settlement asset
- Offering a settlement in CeBM for assets registered on blockchain
- Enable financial actors to exchange new tradable assets

**Retail CBDC**
- Guarantee access to central bank money
- Reduce the costs related with cash management
- Complement cash (banknotes) in circulation

**Favorable context**
- Emergence of private initiatives tokenising financial assets calling for CBDC as settlement asset
- Stablecoins projects for financial intermediaries

**Maintained demand for cash**
- High levels of access to diversified banking services among consumers and businesses
- Attention paid to stablecoins projects
Wholesale CBDC

First call for applications

- Launched on 27 March 2020
- Many applications received on 15 May 2020

Objectives:

1. Experiment conventional use cases for CeBM with the private sector

2. Identify potential benefits for the current ecosystem

3. Analyze potential effects on financial stability, monetary policy and the regulatory environment
THE USE CASES TO ASSESS

1. **Delivery-versus-payment** of listed or unlisted real financial instruments

2. **Payment-versus-payment** against the digital currency of another central bank

3. Payment against real digital assets
THE PARAMETERS OF THE EXPERIMENTS

Open on
- Technologies
- Profile of candidates
- Financial instruments & assets to be used for experiments
- Innovativeness

Attentive on
- Solutions’ performance, security and continuity
- Absence of monetary creation
- Payment finality
- Compliance with regulatory framework

Experiments are carried out by the **Infrastructures, Innovation and Payments Directorate** with the help of the **BdF Lab**

**Eligible criteria:**
- Having a payment account in Target2-BdF
- Being a participant of a CSD in Target2-Securities, when needed (listed securities covered by CSDR)
The BdF successfully performed a first test on 14 May 2020, by creating a cash euro token to settle €40 million worth of covered bonds as security tokens realized by Société Générale Forge.
Will be an important element of the Banque de France's contribution to the more global reflection led by the Eurosystem on the interest of CBDC

Any decision on whether to set up a CBDC will be taken by the Eurosystem
Banque de France’s wholesale CBDC experiment: what benefits?

Thank you for your attention
Any questions?
Banque de France’s wholesale CBDC experiment

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