

# Currency in the Digital Era

(Working Paper)

**CENTRAL BANK OF BRAZIL**

July/2018

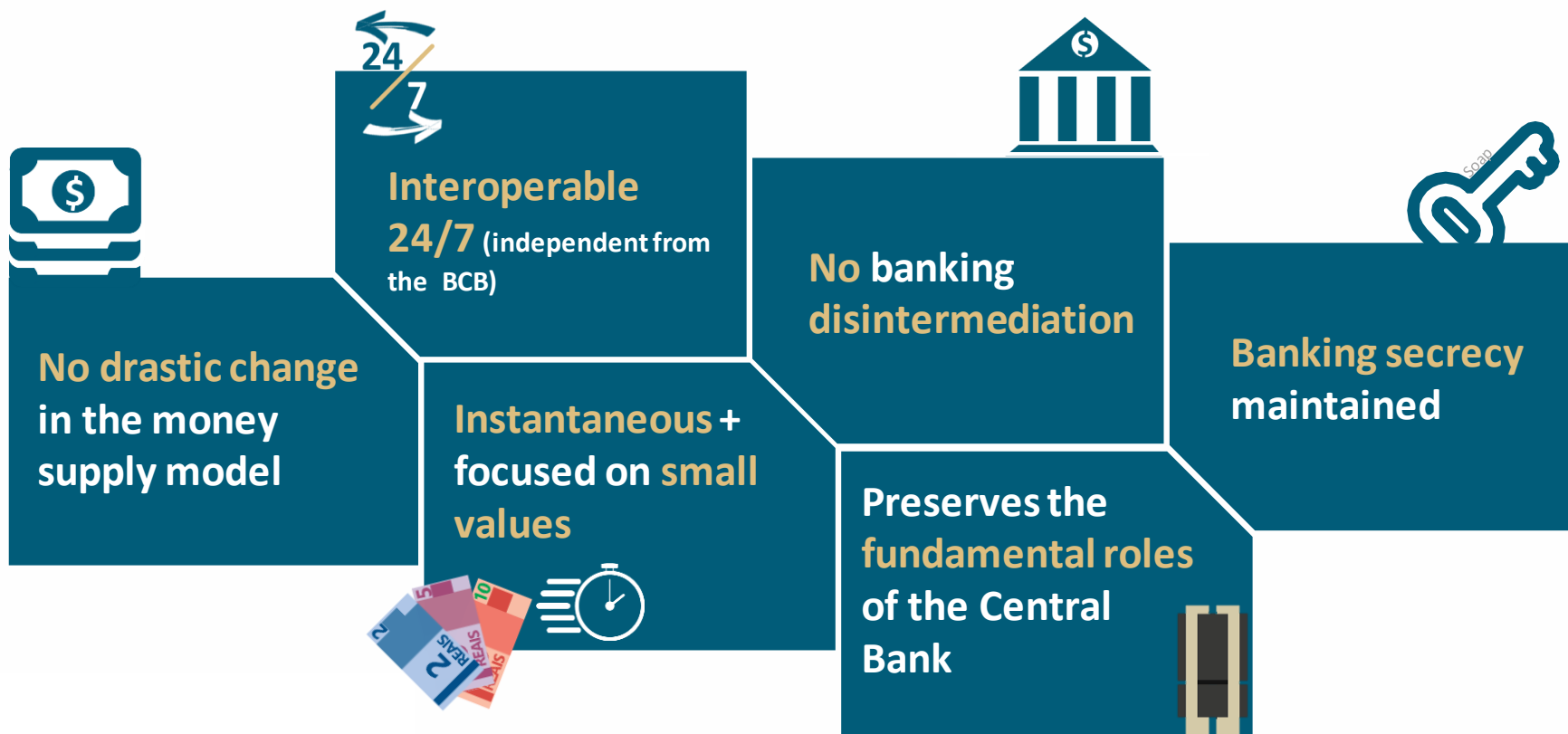
# Disclaimer:

“The views expressed in this work are those of the authors and do not necessarily reflect those of the Banco Central do Brasil”

July/2018

# Objective

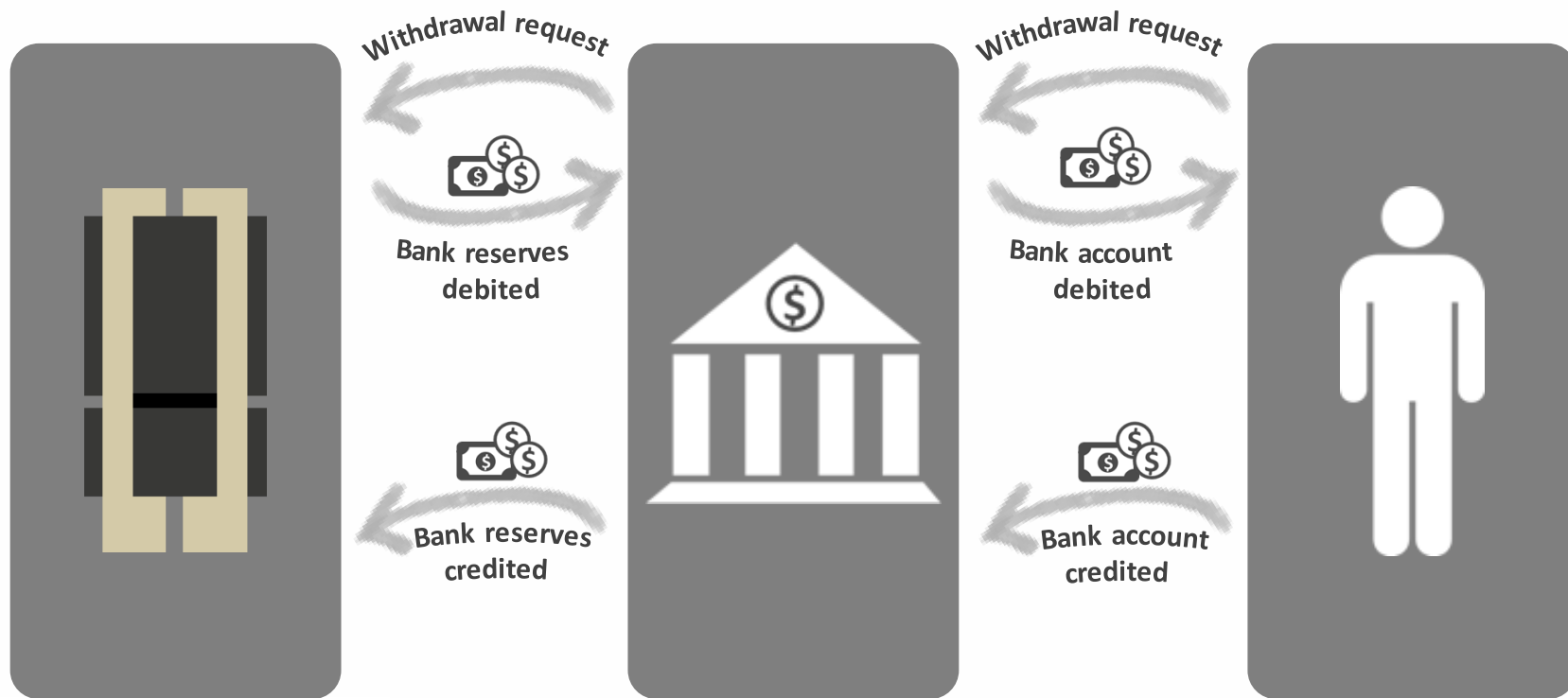
The study explores the creation of an alternative digital payment solution as a de facto substitute for our fiat currency



# PC Physical Currency



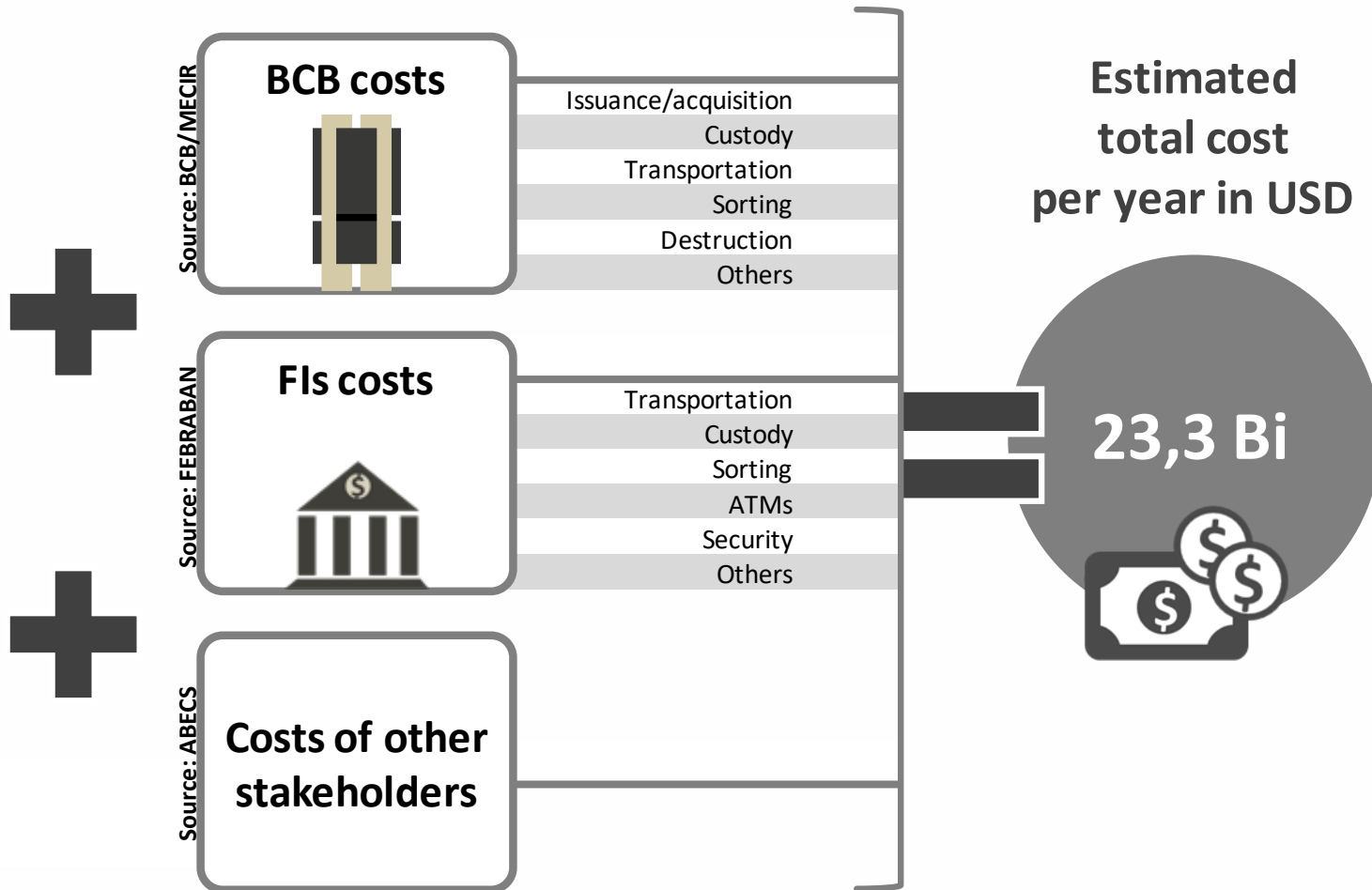
# DFC Digital Fiat Currency



# PC Cash Cycle in Brazil



# DFC Digital Fiat Currency



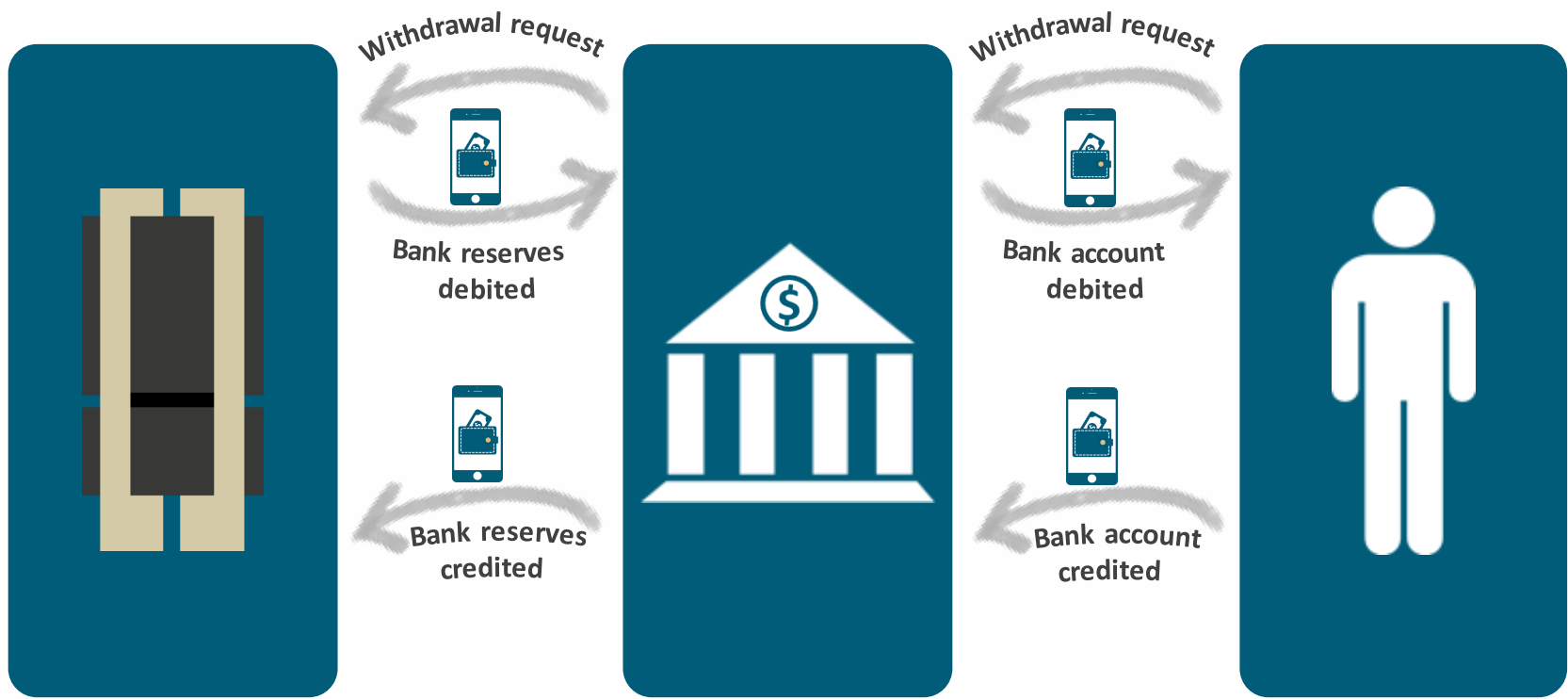
# PC

Physical Currency



# DFC


Digital Fiat Currency



# Advantages



↓ Expenditures related to the cash cycle



↑ Overall efficiency and resiliency of payment systems and money supply



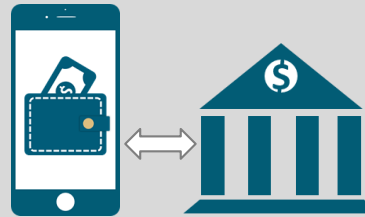
↑ Traceability and data



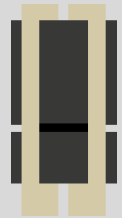
↑ Financial inclusion and digital citizenship

# Characteristics of the proposed architecture

**NO**  
Banking desintermediation



Digital wallets are associated with FIs



No direct accounts with the Central Bank

**PRESERVES**  
The essence of physical cash



Reserve requirements do not apply to withdrawn DFC



Non-bearing interest

**AVOIDS**  
Bank runs during financial crises



Limits:

- Withdrawal and transfer sizes
- Amount deposited
- Number of accounts/users



# Relevant tasks to accomplish



## Monetary Policy

Map **opportunities** and **risks**

## Legal and Regulatory

Evaluate the need to **adapt** legal and regulatory **frameworks**

## Economic Policy

Identify **economic impacts** related to the model and its effects on **GDP**

## Payment Systems and Infrastructure

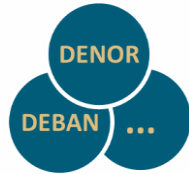
Conciliate **potential competition** with other payment methods

Overcome limitations in **mobile and data infrastructure**

Promote the **adoption** and disseminate **knowledge**

# What could be next?

How to **Advance**  
the agenda:



**Involvement of specialists** from different backgrounds



**Implement a prototype** as a Proof of Concept (PoC)



**Integrate with other initiatives** within the Brazilian Financial System



**Promote studies and academic debates** to consolidate knowledge in the field



Download:





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