

Central Bank Objectives in the Digital Era

ITU FG-DFC, New York July 17-20,
2018

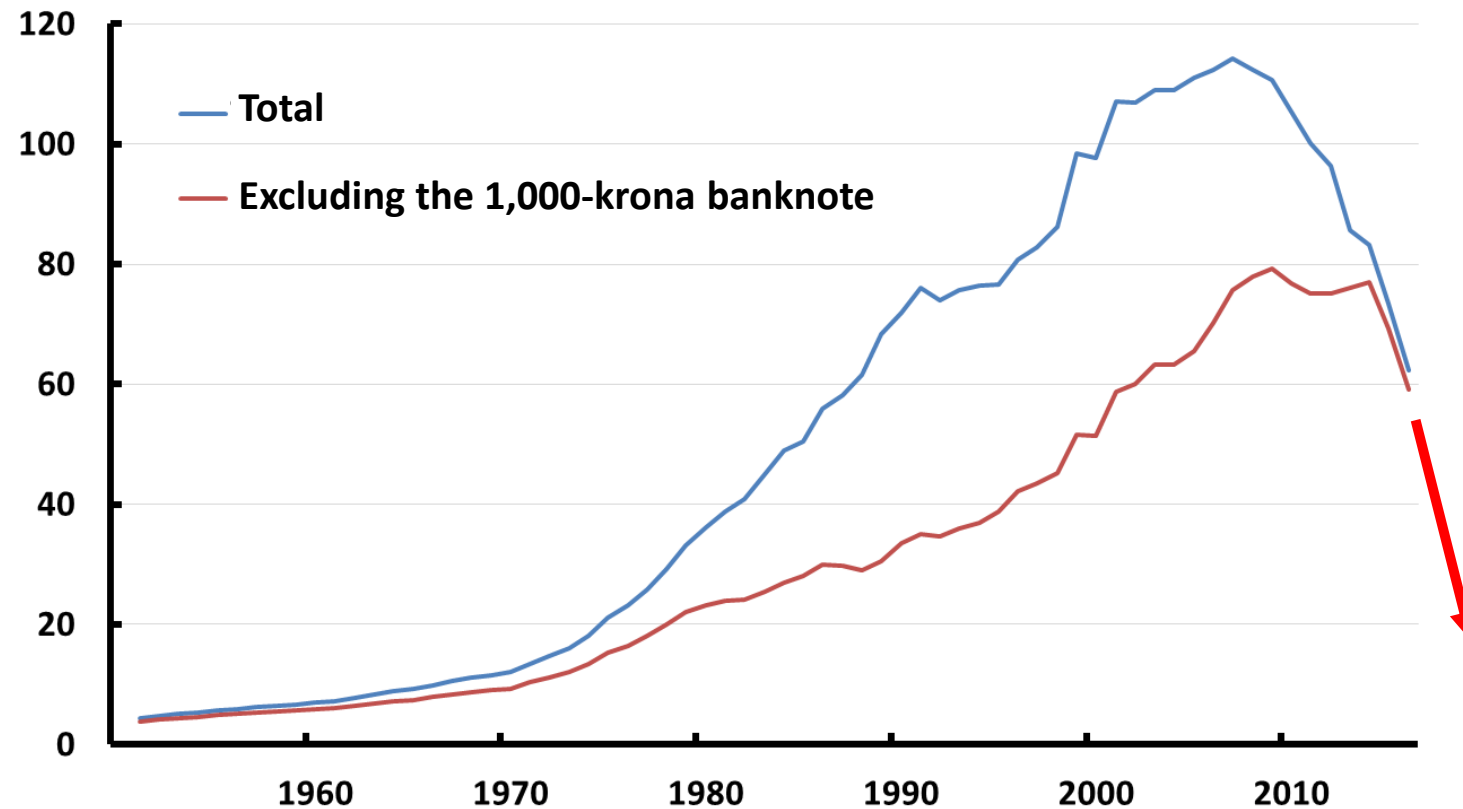
S V E R I G E S R I K S B A N K



Gabriela Guibourg



The demand for cash is falling

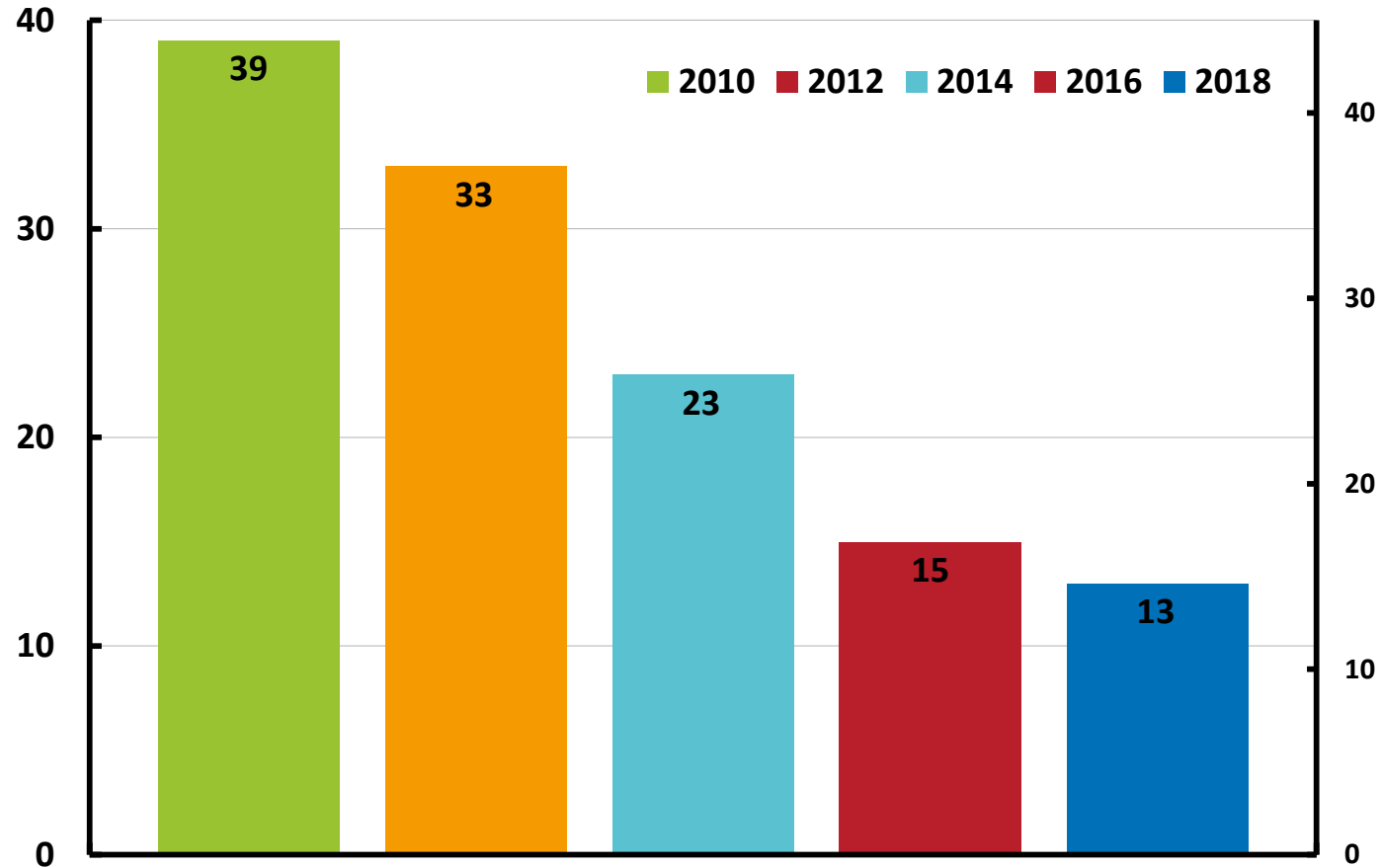


SEK billion (yearly average), cash in circulation. Yearly average

Source: The Riksbank

Did you pay with cash last time?

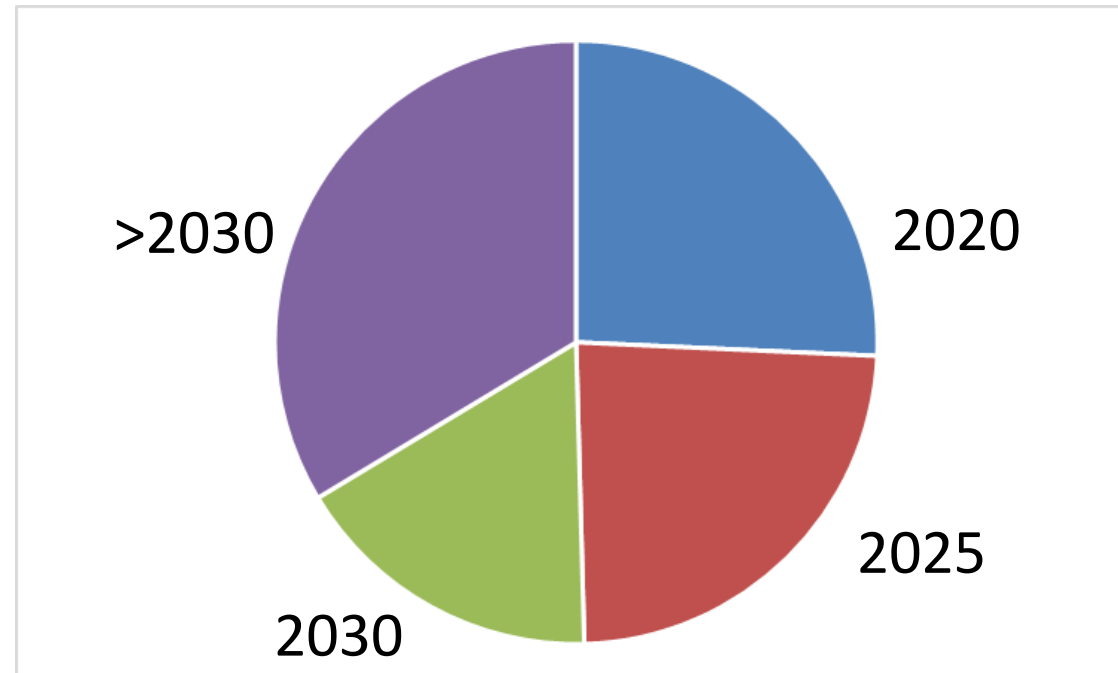
Survey of payment behavior of the Swedish population



Source: Riksbank; <https://www.riksbank.se/en-gb/statistics/payments-notes-and-coins/payment-statistics/>

What about the future?

When do shops think they will stop accepting cash?



Source: Andersson, Hedman and Segendorf (2018), "Cashless Society: When will Merchants Stop Accepting Cash in Sweden. A research model." Memo.

The Riksbank shall promote a safe and efficient payment system



- Traditionally it has been done through
 - Provision of a central large payments settlement system (RIX)
 - Facilitating role, coordinator, analysis and recommendations
 - ~~Issuance of notes and coins (central bank money to the public)~~ ?

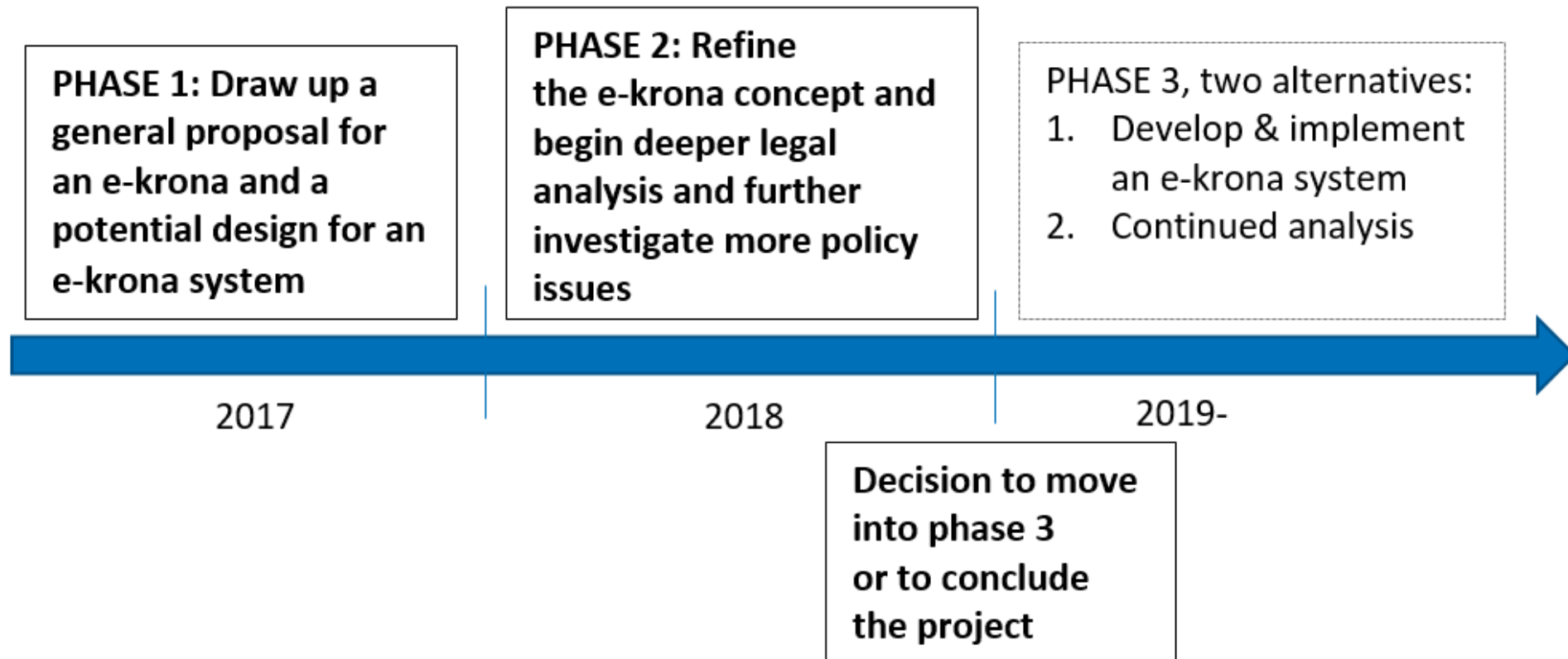


What can a central bank do?

- Subsidize the management of cash
- Argue for stricter regulation
- Do nothing
- Or....
 - Issue a CBDC?
 - Unknown territory and great complexity
 - No silver bullet



Overall timeline – the e-krona project



What can a CBDC do?

- Guarantee access to central-bank money
 - A basic duty of a central bank?
- It is an infrastructure! A payment system!
 - A national payment system that stands on its own feet
 - Reduce single-point of failure in some parts of the payment system
 - Competition: Increase non-bank access to settlement services in central bank money
 - Function as a platform for innovation
- The central bank can develop payment applications aimed for certain vulnerable groups

Impact of the e-krona (prelim. analysis)

- Gradual establishment on the retail payments market
 - No single "killer" property
 - Incumbent advantage of existing payment services
 - Economies of scale and network effect
 - Integration into businesses' administrative systems
- Limited effect on the banks' business models
 - Slow change, same access criteria, CB not active on end-user market
- Limited/small effect on balance sheets of central bank and banking sector
- Limited/small effect on monetary policy

→ But, arguable!

The 2018 project

- Three work streams
 - Legal issues
 - Infrastructure January – March: meetings with tech companies
 - April: meetings with other stake holders – authorities etc.
 - May-June: technology report
 - Policy issues
 - Monetary policy: transmission mechanism, effect on interest rates etc.
 - Riksbank services: channels to e-krona, cash supply, LoLR...
 - Financial stability: Demand, banks' financing etc
 - Impact on the retail payments market: pricing...

Thank you for your attention!