

DMI



Digital Monetary Institute

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



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BANQUE DE FRANCE'S WHOLESALE CBDC EXPERIMENT: WHAT BENEFITS?

OMFIF CONFERENCE CALL
DIGITAL MONETARY INSTITUTE

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A CONDUCTIVE 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

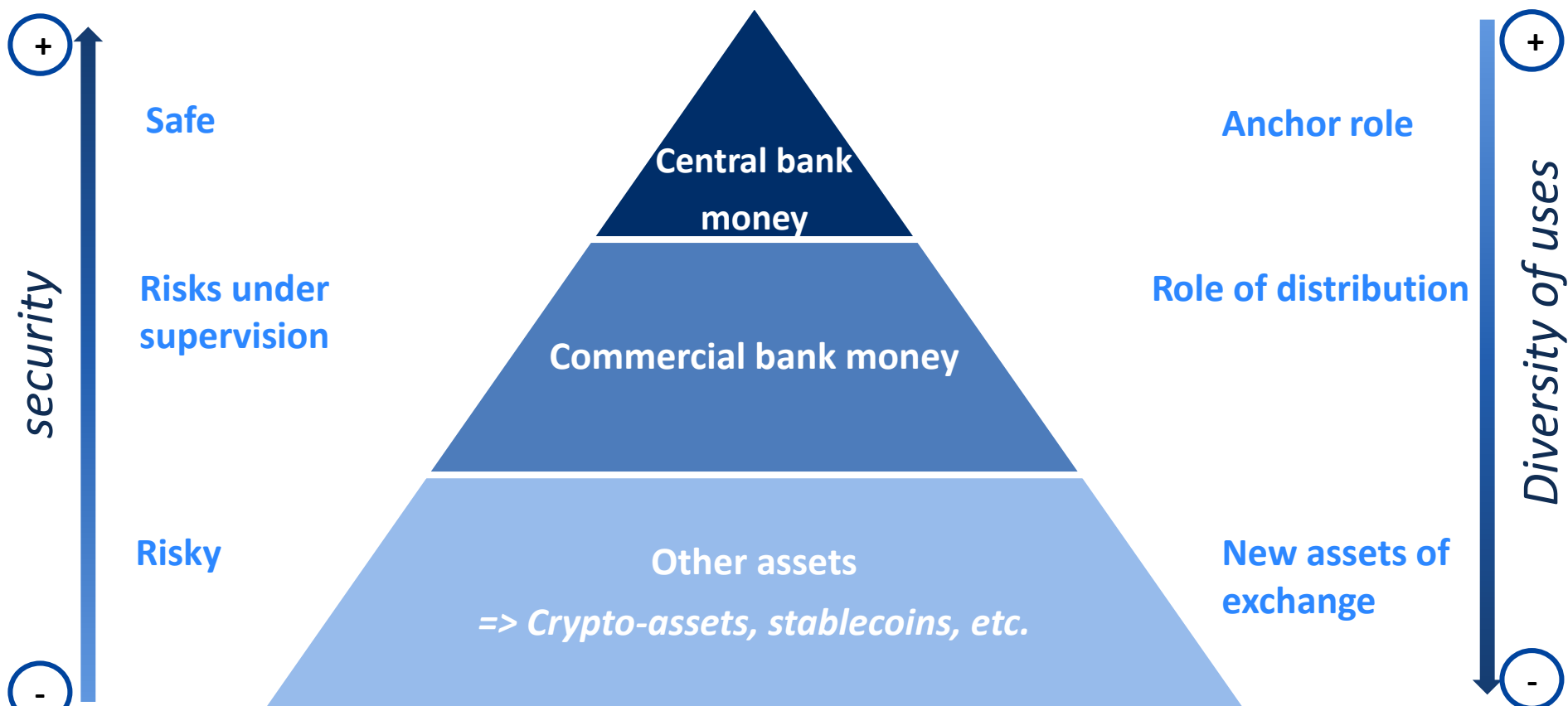
Preserve the central role of CBDC in particular in financial markets and improve the functioning of financial markets

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

Favorable context

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

Retail CBDC

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

Maintained demand for cash

- ✓ High levels of access to diversified banking services among consumers and businesses
- ✓ Attention paid to stablecoins projects

BANQUE DE FRANCE EXPERIMENTATION PROCESS

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



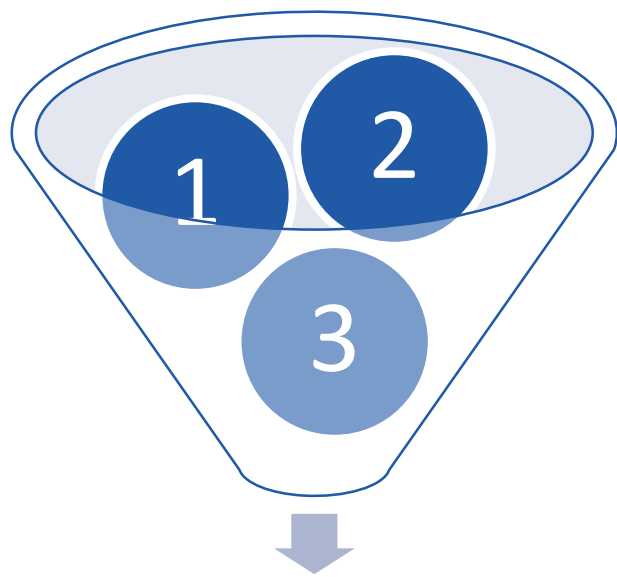
- 2 Identify potential benefits for the current ecosystem



- 3 Analyze potential effects on financial stability, monetary policy and the regulatory environment



THE USE CASES TO ASSESS



Experimentations



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

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

Attentive on

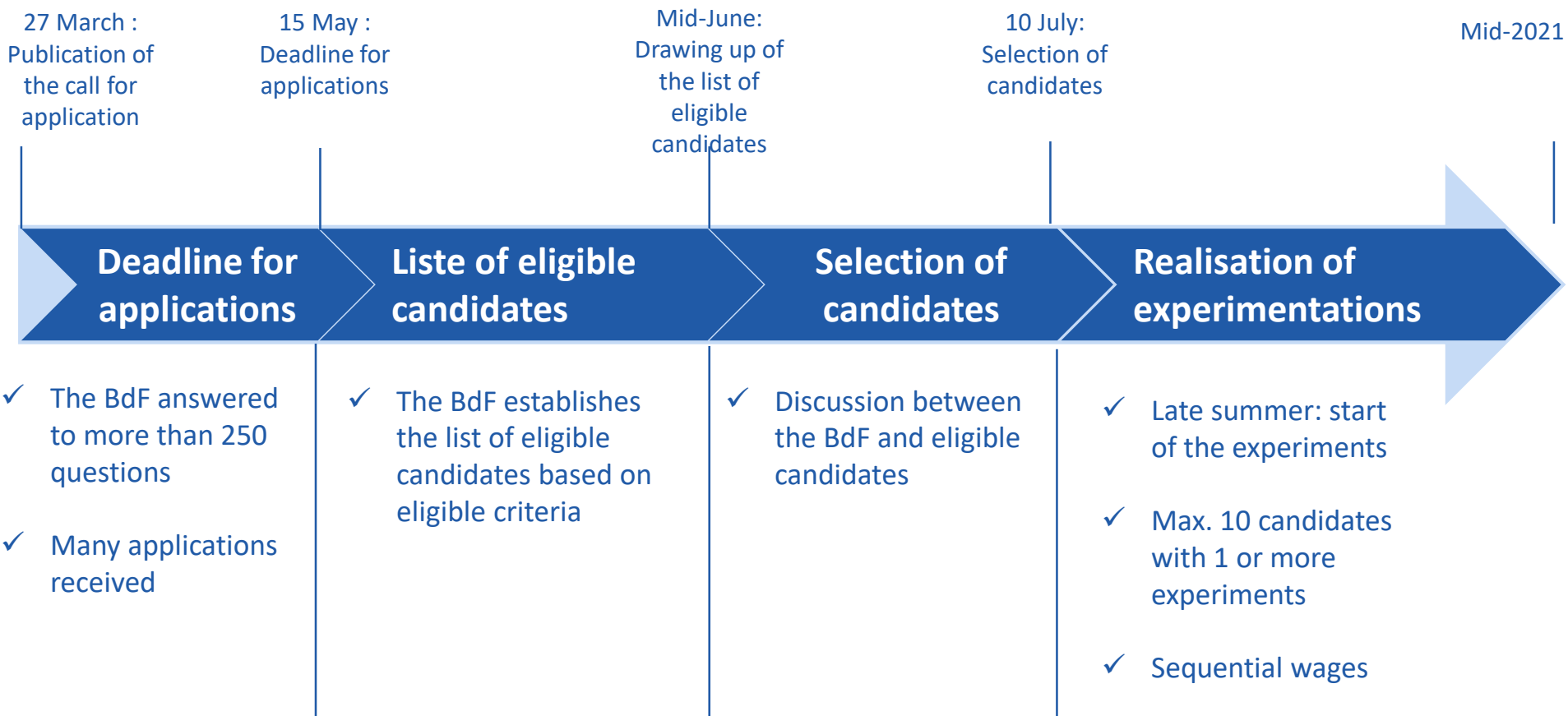
- Solutions' performance, security and continuity
- Absence of monetary creation
- Payment finality
- Compliance with regulatory framework

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)



TIMELINE OF THE EXPERIMENTS



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 Societe

Generale Forge

THE RESULTS OF THE EXPERIMENTS



- ✓ 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

Speakers



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