Central Bank Digital Currencies – A Bundesbank’s perspective

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Digital euro
Still many open questions

Content:
- Analysis of different scenarios and functional design possibilities for a potential introduction of retail central bank digital currency (CBDC)
- Main characteristics: CBDC as a market-neutral central bank liability – trusted by its users
- In any case: complement to cash

Looking ahead:
- Public consultation until 12 January 2021
- Eurosystem is conducting experiments on the digital euro on the basis of the report
- Eurosystem will decide by mid-2021 whether a project on the digital euro will be launched
Programmability
Ideally, the actual driver of the debate on CBDC?!

Smart Contracts enable the automatic settlement of contracts
… but need a facility for programmable payments

Central bank options to enable programmable payments:
− Support private solutions
− CBDC
  • is the most far reaching,
  • entails unknown implications,
  • and widens significantly the realm of public services
− “Trigger Solution“ can be implemented very fast, at low cost and without significant risks

Source: Deutsche Bundesbank.
Digital euro / CBDC
Most important question: Why?

- Economic wellbeing?
- Societal development?
- Political freedom?
- …

Economically conflicting objectives

- Replace cash?
- Increase efficiency in payments?
- Improve monetary policy transmission?
- Traceability of transactions?
- …

Cui bono?

- Self-determinined citizens?
- Government?
- Central Bank?
- Commercial banks
- …
To discuss
Theses on a digital euro

1. The design of the digital euro is key: But first the WHY, then the HOW

2. Digital money without programmability is like a self-driving car without navigation

3. Convenience is king – self-determined individuals will make no exception with the digital euro

Source: Deutsche Bundesbank.