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The Digital Money Revolution



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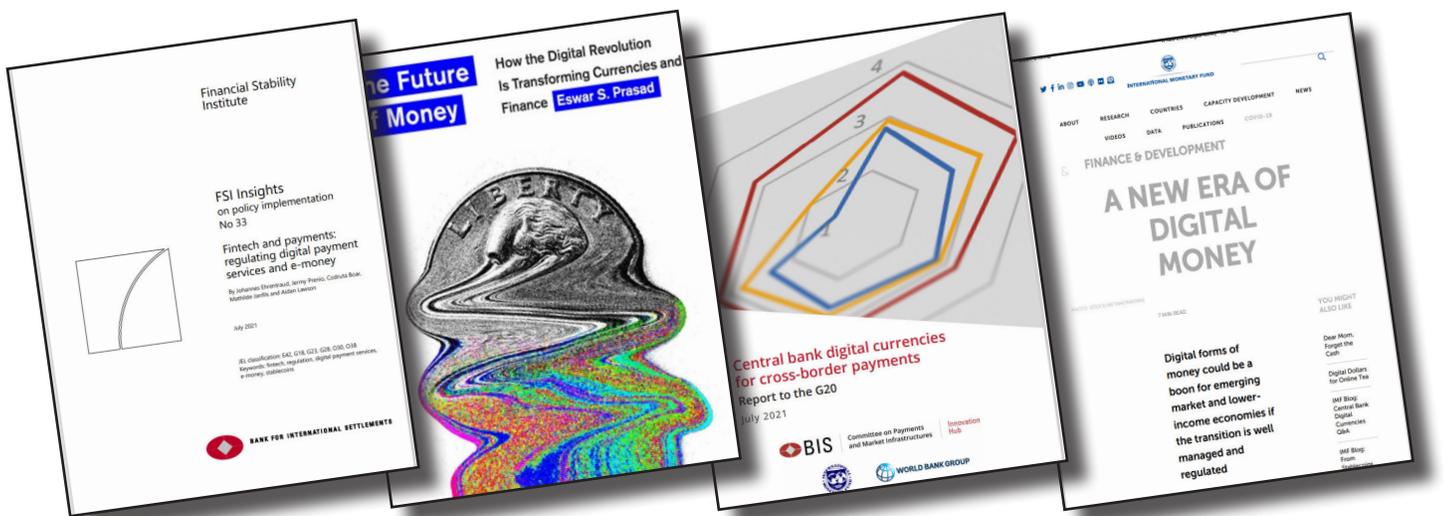
FRIDAY, October 15, 2021

1:30 PM - 2:15 PM, Virtual

The Digital Money Revolution

Sponsored by The Strategy, Policy and Review Department, Monetary and Capital Markets Department, Legal Department, Research Department, and Information Technology Department.

Digital finance innovations—central bank digital currencies, private eMoney, stable coins, or cryptoassets—may bring changes in the way we lead our lives. This seminar reviews the implications of this transformation for the international monetary system.



Adrian, Tobias, and Tommaso Mancini-Griffoli. 2021.

[“A New Era of Digital Money.” *Finance & Development*, June.](#)

Digital forms of money could be a boon for emerging market and lower-income economies if the transition is well managed and regulated. Digital money has the potential to transform the financial sector. Emerging markets and lower-income countries stand to gain the most from this dramatic shift. Broad and inexpensive access to digital money and phone-based transactions could open the door to financial services for 1.7 billion people without traditional bank accounts. And countries may grow increasingly connected, facilitating trade and market integration. The real-world impact is significant.

Adrian, Tobias, and Rhoda Weeks-Brown. 2021.

[“Cryptoassets as National Currency? A Step Too Far.” *IMFBlog*, July 26.](#)

New digital forms of money have the potential to provide cheaper and faster payments, enhance financial inclusion, improve resilience and competition among payment providers, and facilitate cross-border transfers. But doing so is not straightforward. It requires significant investment as well as difficult policy choices, such as clarifying the role of the public and private sectors in providing and regulating digital forms of money.

Balz, Burkhard. 2021.

[“Burkhard Balz: Central Bank Digital Currencies – the Future of Money?” *Speech by Burkhard Balz, Member of the Executive Board of the Deutsche Bundesbank, at the American Council on Germany. Virtual event, February 10.*](#)

Carstens, Agustín. 2021.

[“Digital Currencies and the Future of the Monetary System.” *Remarks by Agustín Carstens, General Manager of the BIS, at the Hoover Institution policy seminar. Basel, January 27.*](#)

A technological revolution is changing our economy and even money itself. In addition to improvements to existing payment systems, new digital currencies have

been unleashed. Yet societies face two forks in the road in designing digital money. First, should digital currencies rely on a central authority or a decentralized governance system? Second, should access be based on verification of identity, or purely on cryptography? The answer is that if digital currencies are needed, central banks should be the issuers and they should grant access based on identification. Central bank digital currencies (CBDCs) can combine novel digital technologies with the tried and trusted foundation of central banks. Developing CBDCs comes with a host of technological, legal and economic issues that warrant careful examination before issuance. Central banks – the guardians of stability – will proceed carefully, methodically and in line with their mandates. The BIS is supporting this international discussion, ensuring that central banks can continue learning from one another and can cooperate on key design issues.

Ehrentraud, Johannes, Jermy Prenio, Codruta Boar, Mathilde Janfils, and Aidan Lawson. 2021.

[“Fintech and Payments: Regulating Digital Payment Services and e-Money.” *FSI Insights on policy implementation No. 33, Bank for International Settlements, Basel.*](#)

Improvements in technology, coupled with growing demand for digital payment methods, are increasingly reshaping the way payments are made. Non-bank institutions now offer a wide range of retail payment services. This raises the question of where the regulatory perimeter should be drawn. Financial authorities now face the task of deciding whether the risk profile of different payment services are appropriately reflected in their regulatory frameworks. A sound understanding of the regulatory approaches in other jurisdictions contributes to this assessment. Adrian, Tobias, and Tommaso Mancini-Griffoli. 2021.

International Monetary Fund. 2021.

[“Central Bank Digital Currencies for Cross-Border Payments.” *Policy Paper No. 2021/048, International Monetary Fund, Washington, DC.*](#)

The G20 has made enhancing cross-border payments a priority and endorsed a comprehensive programme to address the key challenges. Faster, cheaper, more transparent and more inclusive cross-border payment

services would deliver widespread benefits for citizens and economies worldwide, supporting economic growth, international trade, global development and financial inclusion. To that end, this report takes stock of the international dimension of central bank digital currency (CBDC, see glossary) projects and the extent to which they could be used for cross-border payments. The report also investigates possible macro-financial implications associated with the cross-border use of CBDCs. The analysis does not imply that central banks mentioned in this report have reached a decision about issuance of a CBDC.

International Monetary Fund. 2021.
[“The Rise of Digital Money.” Policy Paper No. 2021/054, International Monetary Fund, Washington, DC.](#)

Rapid technological innovation is ushering in a new era of public and private digital money, bringing about major benefits in terms of efficiency and inclusion. To reap the full benefits and manage risks, authorities around the world will have to address new policy challenges. These are widespread, complex, rapidly evolving, and have profound implications. This paper identifies the main challenges currently arising regarding consumer protection and financial integrity, domestic financial and economic stability, as well as the stability and efficiency of the international monetary system. The paper argues that many of these challenges intersect the Fund’s mandate. The Fund must therefore monitor, and advise on, this rapid and complex transition for all members. The paper ends with a broad vision of how to deliver on this mandate and serve its members, including by enhancing resources, and collaborating closely with other institutions. This is the first of two papers, the second of which lays out a more detailed operational strategy.

International Monetary Fund. 2021.
[“The Rise of Public and Private Digital Money.” Policy Paper No. 2021/055, International Monetary Fund, Washington, DC.](#)

Following the companion paper on the new policy challenges related to the adoption of digital forms of money, this paper presents an operational strategy for the IMF to continue delivering on its mandate of ensuring domestic and international financial and

economic stability. The paper begins by summarizing the forces driving the adoption of digital forms of money, and the new policy questions that emerge. It then focuses on how the IMF’s core activities and output will need to evolve, including surveillance, capacity development, and analytical foundations. It ends by discussing how the IMF intends to partner with other organizations, and to grow and structure internal resources to fulfill this vision.

Prasad, Eswar, 2021.
[The Future of Money: How the Digital Revolution Is Transforming Currencies and Finance. Cambridge, MA: Harvard University Press.](#)

A cutting-edge look at how accelerating financial change, from the end of cash to the rise of cryptocurrencies, will transform economies for better and worse. We think we’ve seen financial innovation. We bank from laptops and buy coffee with the wave of a phone. But these are minor miracles compared with the dizzying experiments now underway around the globe, as businesses and governments alike embrace the possibilities of new financial technologies. As Eswar S. Prasad explains, the world of finance is at the threshold of major disruption that will affect corporations, bankers, states, and indeed all of us. The transformation of money will fundamentally rewrite how ordinary people live.

Prasad, Eswar, and David Dollar. 2021.
[“Digital Currencies are Transforming the Future of Money.” Produced by The Brookings Institution. Dollar and Sense Podcast. June 21, 2021.](#)

Digital currencies like Bitcoin often make headlines for the massive swings in their value, but beyond the intrigue of skyrocketing and plummeting prices the rising popularity of cryptocurrencies poses serious questions for financial institutions and monetary policy. Eswar Prasad joins David Dollar for a conversation on the digitalization of money and what digital currencies could mean for the future of cash, international payments, and the strength of the U.S. dollar. Prasad also explains why some central banks have hesitated to introduce digital currencies while others have embraced them. services would deliver widespread benefits for citizens and economies worldwide, supporting economic growth, international trade,

global development and financial inclusion. To that end, this report takes stock of the international dimension of central bank digital currency (CBDC, see glossary) projects and the extent to which they could be used for cross-border payments. The report also investigates possible macro-financial implications associated with the cross-border use of CBDCs. The analysis does not imply that central banks mentioned in this report have reached a decision about issuance of a CBDC.

Allen, Sarah, James Grimmelmann, Ari Juels, and Eswar Prasad. 2020.

[“Design Choices for Central Bank Digital Currency.”](#)
Brookings Institute: Up Front (blog), July 23.

Central bank digital currency (CBDC)—fiat currency issued by central banks in digital form—has progressed in the past few years from a bold speculative concept to a seeming inevitability. More than 80 percent of central bank respondents to a Bank for International Settlements survey in 2019 reported engagement in CBDC projects. One in 10 central banks, representing approximately one-fifth of the world’s population, expected to offer CBDCs within the next three years. The People’s Bank of China has begun to pilot a digital yuan, while the United States and European Central Bank are exploring CBDC development. At the same time, a Facebook-initiated fiat-backed cryptocurrency called Libra has raised the prospect of an industry alternative.

Bank of Canada, European Central Bank, Bank of Japan, Sveriges Riksbank, Swiss National Bank, Bank of England, Board of Governors Federal Reserve System, and Bank for International Settlements. 2020.

[“Central Bank Digital Currencies: Foundational Principles and Core Features.”](#) Report No. 1 in a series of collaborations from a group of central banks, Bank for International Settlements, Basel.

Joint report by The Bank of Canada, European Central Bank, Bank of Japan, Sveriges Riksbank, Swiss National Bank, Bank of England, Board of Governors of the Federal Reserve and Bank for International Settlements. Central banks have been providing trusted money to the public for hundreds of years as part of their public policy objectives. Yet the world is changing. To evolve and pursue their public policy objectives in a digital world, central banks are actively researching the pros and cons of offering a digital currency to the public (a

“general purpose” central bank digital currency (CBDC)).

Bech, Morten Linnemann, and Jenny Hancock. 2020.
[“Innovations in Payments.”](#) In *BIS Quarterly Review*.
Basel: Bank for International Settlements.

Technological innovation is transforming payments. Domestic payments are increasingly convenient, instantaneous, and available 24/7. However, shortcomings in access to payments and cross-border payments remain. Lack of access to payments is a problem in some emerging market and developing economies. Improving cross-border payments will require international coordination. Initiatives to improve cross-border payments would benefit from better data to quantify both the extent and the drivers of the problems.

International Monetary Fund. 2020.
[“Digital Money Across Borders: Macro-Financial Implications.”](#) Policy Paper No. 2020/050,
International Monetary Fund, Washington, DC.

Rapid ongoing progress with digital technologies has increased the prospects for adoption of new forms of digital money for both domestic and international transactions. These include central bank digital currencies (CBDCs) and the so-called global stable coins (GSCs) proposed by large technological companies or platforms. This paper explores the complex interactions between the incentives to adopt and use CBDCs and GSCs across borders and discusses the potential macro-financial effects.

Cœuré, Benoît. 2019.

[“Digital Challenges to the International Monetary and Financial System.”](#) Panel remarks by Benoît Cœuré, Member of the Executive Board of the European Central Bank, at the Central Bank of Luxembourg-Toulouse School of Economics conference on “The Future of the International Monetary System.” Luxembourg, September 17.

Cœuré, Benoît. 2018.

[“The Future of Central Bank Money.”](#) Speech by Benoît Cœuré, Member of the Executive Board of the European Central Bank, at the International Center for Monetary and Banking Studies. Geneva: May 14.

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