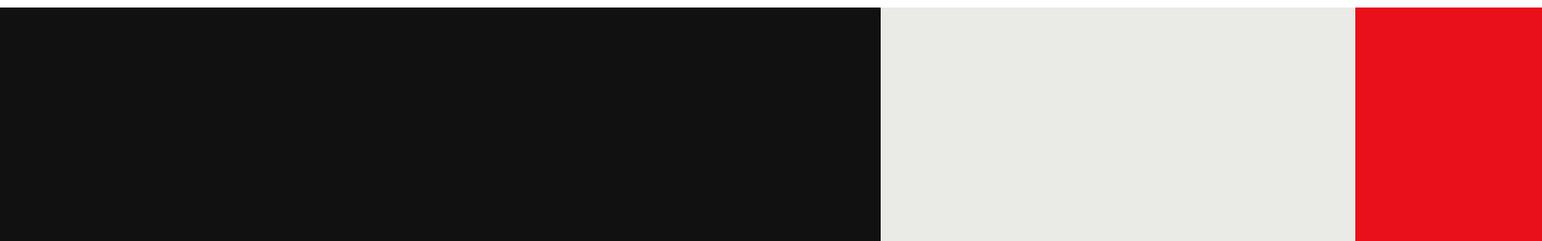


IMF's report shows there's no simple way to make CBDCs

Article



The news: The International Monetary Fund (IMF) released [a new report](#) outlining different case studies for central bank digital currencies (CBDCs), with examples spanning from consideration to full deployment.

Central banks' statuses at a glance: The examples cover six central banks and the status of their CBDCs:

- **Central Bank of The Bahamas (CBOB)**, which launched **Sand Dollar** in 2020.
- **People's Bank of China (PBOC)**, which is **piloting e-CNY** in multiple Chinese regions. It's used by close to 10% of the country's population, which is almost one and a half billion people.
- **Eastern Caribbean Central Bank (ECCB)**, which is piloting **DCash**.
- **Banco Central de Uruguay (BCDU)**, which ran a pilot for **e-peso** and may do a second one in the future.
- **Sweden's Sveriges Riksbank**, which did a proof of concept for an **e-krona**. The Swedish government is also conducting a digital-payments inquiry that covers a possible place for a CBDC.
- **Bank of Canada (BOC)**, which is building technical capacity for a CBDC but "has not found a pressing case for a digital currency, given the present state of the Canadian payments system."

Policy sets the foundation for CBDC: The IMF noted that central banks' policy goals help set guidelines for more detailed choices. Those goals include:

- **Financial inclusion**, with differing needs among case studies. In the Bahamas and in ECCU member nations, financial institutions have found it unprofitable to operate in certain locations. Meanwhile, Chinese residents who live in remote areas are underserved by mobile banking.
- **Payments access**, which remains a problem even in countries with fairly high financial inclusion. For example, the Riksbank highlighted lack of accessibility for elderly and disabled people amid a trend toward cashless transactions.
- **Payments resilience**, which covers disasters. For example, the ECCB hastened its DCash pilot to cover areas in St. Vincent and the Grenadines affected by a 2021 volcanic eruption.
- **Curbing illicit usage of money:** The IMF notes that the Bahamas is the sole example of a country that's taken on combating illicit usage as a goal.

Design differences: The report identifies a spectrum of design implementations among the six central banks, with categorical areas such as:

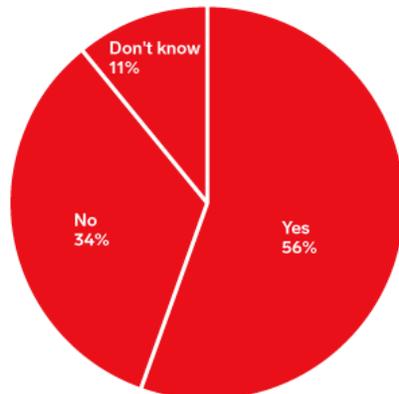
- **Whether to pay out interest:** The CBOB, PBOC, and ECCU don't offer interest; it's a tactic to limit competition between their CBDCs and existing bank deposits. The curbs are designed to avoid heightening the risk of bank runs and crowding out depository banks.

- **Quantitative limits:** These are also meant to cap competition with depository banks, and can entail limits on CBDC balances that people can hold. Examples include ECCB having an aggregate creation limit for DCash, and a forthcoming CBOB feature to direct excess Sand Dollar holdings to people's bank accounts.
- **Offline transactions:** This feature has been challenging to implement due to complex tech and no clear definition of what offline transactions entail. The CBOB and the PBOC have both been trying to implement offline usage.

The big takeaway: The IMF's report adds a useful and concise overview of different countries' policies and designs to the global knowledge base of CBDCs. The case studies could offer best practices for other central banks as they grapple with digital currencies. But their variations are also a reminder that every country has its own goals and needs. What is ideal for some may not make sense for others. IMF Managing Director Kristalina Georgieva, [said](#) the report's first lesson is that there's **"no one size fits all."**

Likelihood of Central Bank Digital Currencies (CBDCs) to Replace Physical/Fiat National Currencies in Their Country According to Institutional Investors Worldwide, March 2021

% of respondents



Note: numbers may not add up to 100% due to rounding
Source: The Economist Intelligence Unit, "Digital Currency From Fear to Inflation," May 27, 2021

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