

DIGITAL MONEY: TENSION BETWEEN TECHNOLOGY AND REGULATION

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WHAT IS (DIGITAL) MONEY?

Central Bank		Commercial Banks		Households	
Gold Securities	Banknotes Reserves	Loans Reserves	Deposits	Banknotes Deposits Securities Real Estate	Loans

Money: $\text{Reserves} + \text{Banknotes} + \text{Deposits}$

Digital Money: $\text{Reserves} + \text{Deposits}$

Payment instruments: credit cards, debit cards, checks, ApplePay \neq money

Deposits are pegged to central bank money by law

WHAT DEFINES «MONEY»

- Properties as
 - i) store of value: stability of external value and/or prices
 - ii) medium of exchange: ease of transfer
 - iii) unit of account: divisibility and convention/decreed
- Additional forms of money



PROPERTIES OF NEW FORMS OF DIGITAL MONEY: BITCOIN AND ALIKE

STRENGTHS

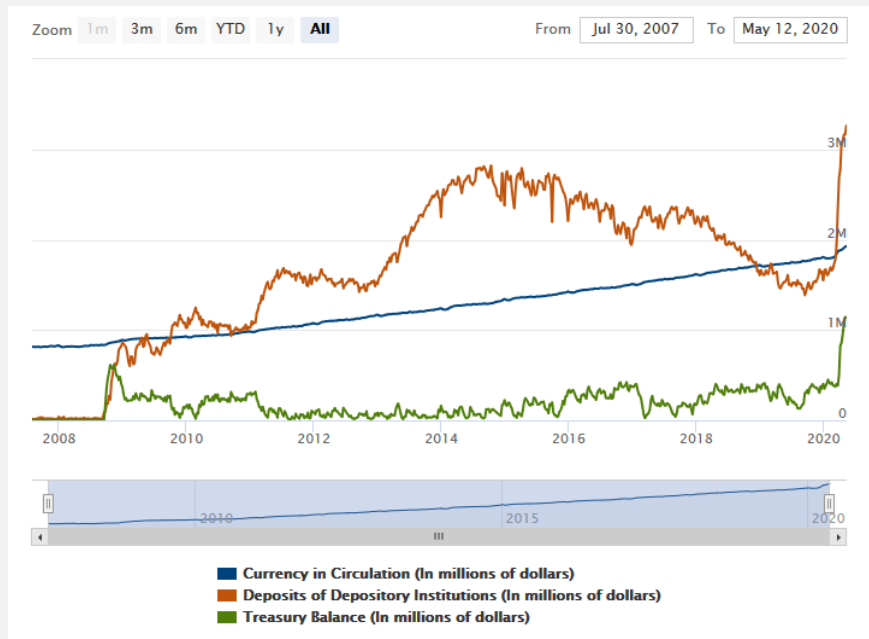
- Availability 24/7/365
- Fast transferability
- Borderless/global
- No need for intermediary: P2P

WEAKNESSES

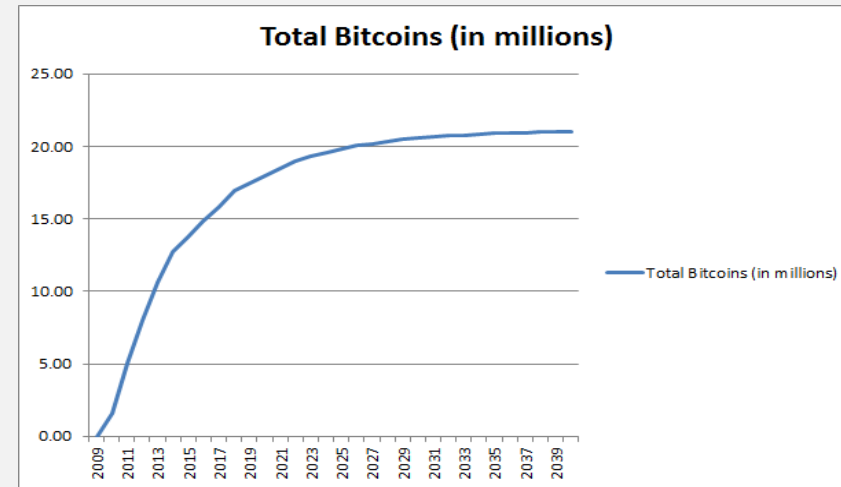
- Volatile price
- High risk weights and margin
- Lack of regulatory compliance

MONEY SUPPLY

US DOLLAR



BITCOIN



LIBRA: SURPRISED BY REGULATORS

JUNE 2019

Facebook has finally revealed [the details](#) of its cryptocurrency, Libra, which will let you buy things or send money to people with nearly zero fees. You'll pseudonymously buy or cash out your Libra online or at local exchange points like grocery stores, and spend it using interoperable third-party wallet apps or Facebook's own [Calibra wallet](#) that will be built into WhatsApp, Messenger and its own app. Today Facebook [released](#) its [white paper](#) explaining Libra and its [testnet](#) for working out the kinks of its blockchain system before a public launch in the first half of 2020.

APRIL 2020

16 April 2020

[Press release](#)

[2020](#)

Libra Association: FINMA licensing process initiated

The Swiss Financial Market Supervisory Authority FINMA has received an application from the Geneva-based Libra Association for a payment system licence. This marks the start of the licensing process under Swiss supervisory law. The outcome and duration of the procedure remain open.

«SAME BUSINESS, SAME RISKS, SAME RULES»

- AML/CFT Regulation: know your customer
- Principles for Financial Market Infrastructures: financial stability
- Securities regulation: investor protection, investment scheme
- E-money regulation; «electronic store of value on a technical device»
- Banking regulation: deposit taking

CONCLUSIONS

- Well managed sovereign currencies are basically impossible to replace
 - ♠ Peg of digital bank deposits to the sovereign numéraire (unit of account) is supported by laws and institutions
- Some new forms of money suffer from shortcomings in the supply mechanism
- Stablecoins are basically payment systems on DLT that need to comply with many different regulations