University of Basel

Center for Innovative Finance

Bitcoin, Blockchain and Cryptoassets

CBDC and Stablecoins

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CBDC Background

Established model of central banks as issuer of physical cash and lender of last resort.

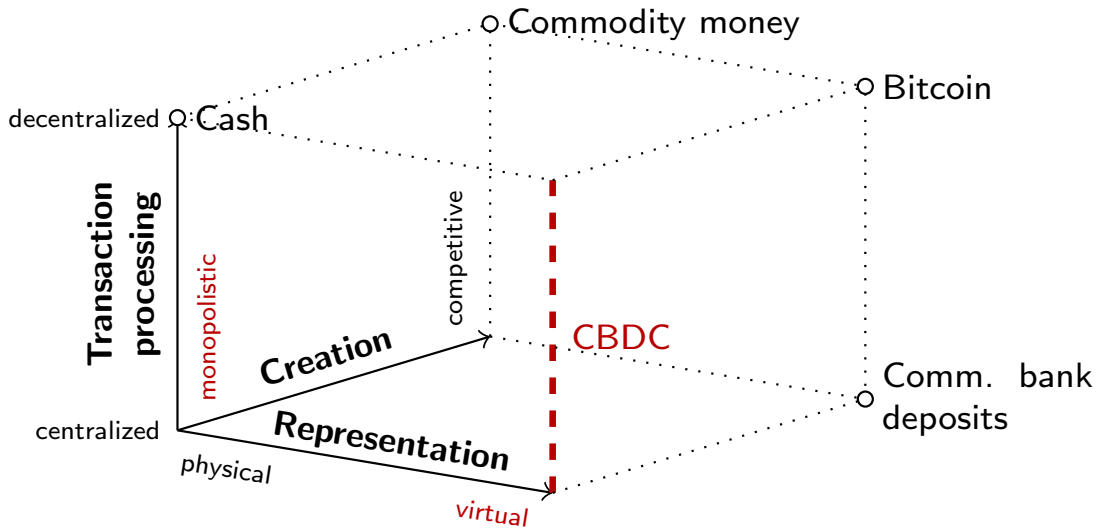
But: General public can only hold legal tender in the form of cash. No access to Central Bank ledger. This may change.

Important Factors:

- **Drop in physical cash use** and growing importance of digital payment systems as essential infrastructure.
- **Emergence of new payment solutions** from private sector, with large actors outside the banking industry.
- **Ongoing debate on mandate** of central banks around money issuance and payment infrastructure provision.

CBDC Overview

CBDC as any digital form of money issued by a central bank.



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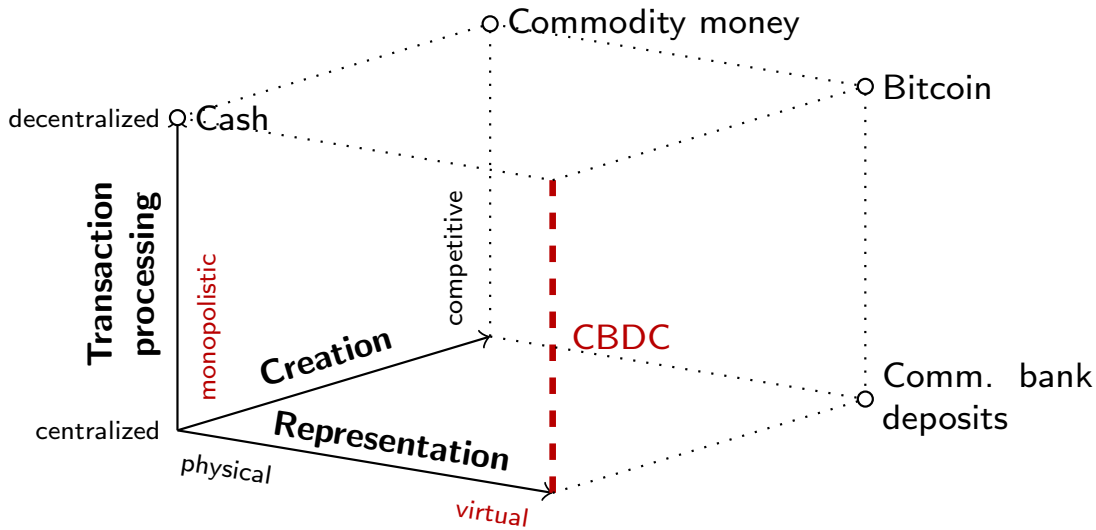

Selected CBDC design dimensions:

- Centralized vs. decentralized
- Retail vs. wholesale
- Token-/Object- vs. Account-based

CBDC Status and Arguments

- Research in the area of e-money/e-cash since the 1990s.
- Various pilots since 2014.
  E.g., Dinero Electronico, eKrona, project Jasper, digital yuan.
- Becoming increasingly more important with a large variety of pilots all around the world: ↗ Infopage: cbdctracker.org

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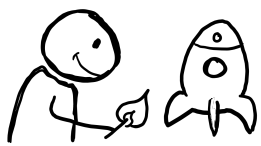
Proponents



- Enhanced transmission of monetary policy
- Mitigation of incentivisation issues in the banking sector
- Potential in counteracting money-laundering

Critics

- Undesired structural disintermediation of banks
- Unknown effects on financial stability
- Privacy concerns and severe centralization risks

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  - Examples: *USDT, TUSD, USDC*
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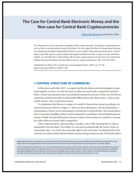
- Algorithmic stablecoin
  - Examples: *...*
  - Risks: Flawed economics.

References and Recommended Reading


The Case for Central Bank Electronic Money and the Non-case for Central Bank Cryptocurrencies

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1 CONTROL STRUCTURE OF CURRENCIES

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