The future of central bank money

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Card payments and cash demand have generally increased since 2007.

Card payments and cash demand
(x-axis: value of card payments; y-axis: cash in circulation; percentages of GDP)

Negative household deposit rates are rare

Distribution of deposit rates on outstanding amounts across individual MFIs
**(x-axis: deposit rates in percentages per annum, y-axis: frequencies in percentages, weighted by volumes)**

Source: ECB.
Notes: Deposit rates on outstanding amounts as reported by individual banks, weighted by outstanding amounts. The numbers displayed show the weighted average deposit rates in June 2014 and February 2018.
Stronger pass-through of monetary policy beneficial for economy

**Euro area real GDP**  
(% deviation from baseline)

- Full-pass-through
- Benchmark

**Euro area HICP**  
(y-o-y rates, p.p. deviation from baseline)

- Full-pass-through
- Benchmark


Notes: Conditional simulations of a 100 basis point cut in the main policy rate for different degrees of retail deposit rate stickiness.
Pre-crisis: (all) short rates well anchored by policy rates

ECB key interest rates and EONIA
(percentages per annum)

Source: ECB.
Latest observation: 29 April 2018.
Spread between EONIA and deposit facility rate and excess liquidity
(x-axis: excess liquidity in €bn; y-axis: EONIA-DFR spread in percentage points)

Source: ECB.
Note: Dots represent pairs of average EONIA-DFR spread and excess liquidity by maintenance period, starting in 2010.
Latest observation: 2nd maintenance period 2018.
Now: dispersion across short-term money market rates

Developments in money market rates since June 2014

((percentages per annum)

Sources: ECB, BrokerTec and MTS.
Notes: Range refers to the minimum and maximum of the 30-days moving averages of the following rates: EONIA, TARGET2 rate, GC pooling, GC Italy, GC Germany and the special German repo rate. TARGET2 rate refers to an unsecured overnight rate derived from TARGET 2 payments system data.
Latest observation: 23 April 2018.
Increased scarcity of safe assets

Safe asset spread and Bund specialness premium
(percentages per annum, monthly weighted average)

Sources: BrokerTec, MTS and ECB calculations.
Notes: The series are monthly volume-weighted averages.
The Bund specialness premium is defined as the spread between the GC German and the special German repo rate, while the safe asset spread is the spread between the GC pooling and the GC German repo rate.
Latest observation: April 2018.
Financial conditions could be looser than intended

Financial Conditions Index

(index)

Sources: ECB and ECB calculations.
Notes: The FCIs are constructed as weighted averages of the 10-year OIS, the nominal effective exchange rate of the euro vis-à-vis its main 38 trading partners, the Euro Stoxx Index and the one-year OIS or the one-year German sovereign bond, respectively. The interest rates enter in percentage point deviations from their long-run mean, and the exchange rate and stock prices enter in percentage deviations from their long-run mean. The weights are derived from the cumulative impulse response of HICP inflation to a shock to each of the four financial variables at a 12-months horizon as gleaned from VARs, which include one indicator at a time and a number of macroeconomic control variables.
Thank you
commercial banks. Central bank money is normally in the form of: Functions of a commercial bank. Bank notes Normally exchanged against the reserves and kept in commercial. However, we understand from the different studies and proofs of concept of central banks that this scenario is not their preferred option, so the CBDC model of the future will most likely involve intermediaries between central banks and users. Scenario 2: Direct retail CBDC. Key: Communication Legal claim. According to the International Monetary Fund (IMF), a Central Bank Digital Currency (CBDC) is a widely accepted digital form of fiat money that could be legal tender. CBDC will act as a digital representation of a country’s fiat currency and will be backed by a suitable amount of monetary reserves in the form of gold or forex. CBDC will be issued by a country’s official monetary authority, the central bank. In order for a digital currency to become legal tender, formal legislation needs to be adjusted. The benefits and drawbacks of CBDC are being explored. Some countries have piloted a CBDC, while others are doing extensive research on the topic. Some countries central banks have stated they will not be moving forward in exploring CBDC. Benefits. Some of the benefits of CBDC include Central bank digital currencies could herald the dawn of a new type of money. They are unique in that they expand on the principles of central bank money, but leverage the recent developments in digital currencies, and importantly are state backed. Both Haydn and Maria will be drawing on their collective experience of working in cyber security, central banking and financial services. As part of the webinar, the authors will also be joined by Dave Birch. Dave is an author, advisor and commentator on digital financial services. He is an internationally-recognised thought leader in digital identity and digital money and was named one of the global top 15 favourite sources of business information by Wired magazine. Once again, Joe Lynam will also be hosting.