

# CBDCCs and Multilateral Payment Platforms

Tobias Adrian

Financial Counsellor and

Monetary and Capital Markets Department Director, IMF

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*The views expressed in this presentation are those of the author and do not necessarily represent the views of the IMF, its Executive Board, or IMF management.*



# New forms of digital money and the role of IMF

Support countries' policy making on:

Exploration of CBDC and Digital Money

Cross-border payments



Technical Assistance

How to leverage new technologies for policy purposes:

Multilateral payment platforms for cross-border payments

# Supporting countries' CBDC exploration



# CBDC Exploration: Diverse International Landscape

- CBDC has the potential to improve payment systems and support a role for central bank money even as other solutions proliferate (if appropriately designed).
- Jurisdictions have **launched, are exploring, or have paused** their CBDC exploration
- International organizations are also **partaking** in CBDC exploration: BIS, IMF, WB.
- Many central banks are **approaching** the IMF for advice and technical assistance.
- **IMF's virtual CBDC Handbook** offers **initial guidance to policymakers** on how to explore CBDC and investigate its macro-financial implications.



# Virtual CBDC Handbook: An Approach to Addressing Frequently Asked Questions

Objectives and framework	Foundational requirements and readiness	Design process, considerations, and choices	Project approaches and technology	Potential macro-financial impacts
<ul style="list-style-type: none"> <li>• Digital Money: Positioning CBDC</li> <li>• Identifying pain points and objectives</li> <li>• Elements of thinking through CBDC</li> </ul>	<ul style="list-style-type: none"> <li>• Legal Considerations</li> <li>• Operational and cyber resilience</li> <li>• Required Capacity within Central Banks</li> <li>• Regulation and supervision</li> </ul>	<ul style="list-style-type: none"> <li>• Design choices</li> <li>• Business models and adoption</li> <li>• Financial integrity considerations</li> <li>• Data Use and Privacy Protection</li> <li>• Capital Flow Management Measures</li> </ul>	<ul style="list-style-type: none"> <li>• Project management (5 Ps)</li> <li>• Technology landscape and innovation</li> </ul>	<ul style="list-style-type: none"> <li>• Impact on monetary policy transmission</li> <li>• Impact on bank disintermediation and financial stability</li> <li>• Cross-border payments</li> <li>• Financial-sector market structure and contestability</li> <li>• Promoting Financial Inclusion</li> </ul>

# Supporting enhancement of cross-border payments



# Cross-border payments do not work well...

Basic  
functions

## Clearing

- Messaging
- AML/CFT & other checks
- Other: reconciliation, netting,...

## Settlement

- Foreign exchange
- Movement of funds (& checks)
- Extinguishing debt

Cost drivers/  
frictions

- Different rules & processes
- Lack of trust/ oversight
- Manual work

- No common infrastructure...
- ... nor settlement asset
- Fragmented liquidity





# Cross-border payments do not work well...

	Clearing	Settlement
Basic functions	<ul style="list-style-type: none"><li>• Messaging</li><li>• AML/CFT &amp; other checks</li><li>• Other: reconciliation, netting,...</li></ul>	<ul style="list-style-type: none"><li>• Foreign exchange</li><li>• Movement of funds (&amp; checks)</li><li>• Extinguishing debt</li></ul>
Cost drivers/ frictions	<ul style="list-style-type: none"><li>• Different rules &amp; processes</li><li>• Lack of trust/ oversight</li><li>• Manual work</li></ul>	<ul style="list-style-type: none"><li>• No common infrastructure...</li><li>• ... nor settlement asset</li><li>• Fragmented liquidity</li></ul>
Solutions	<ul style="list-style-type: none"><li>• Incremental fixes (overlapping RTGS hours, standardization, ...)</li><li>• Linking fast payment systems</li></ul>	<ul style="list-style-type: none"><li>• Multilateral payment platforms?</li></ul>



# Cross-border payments do not work well...

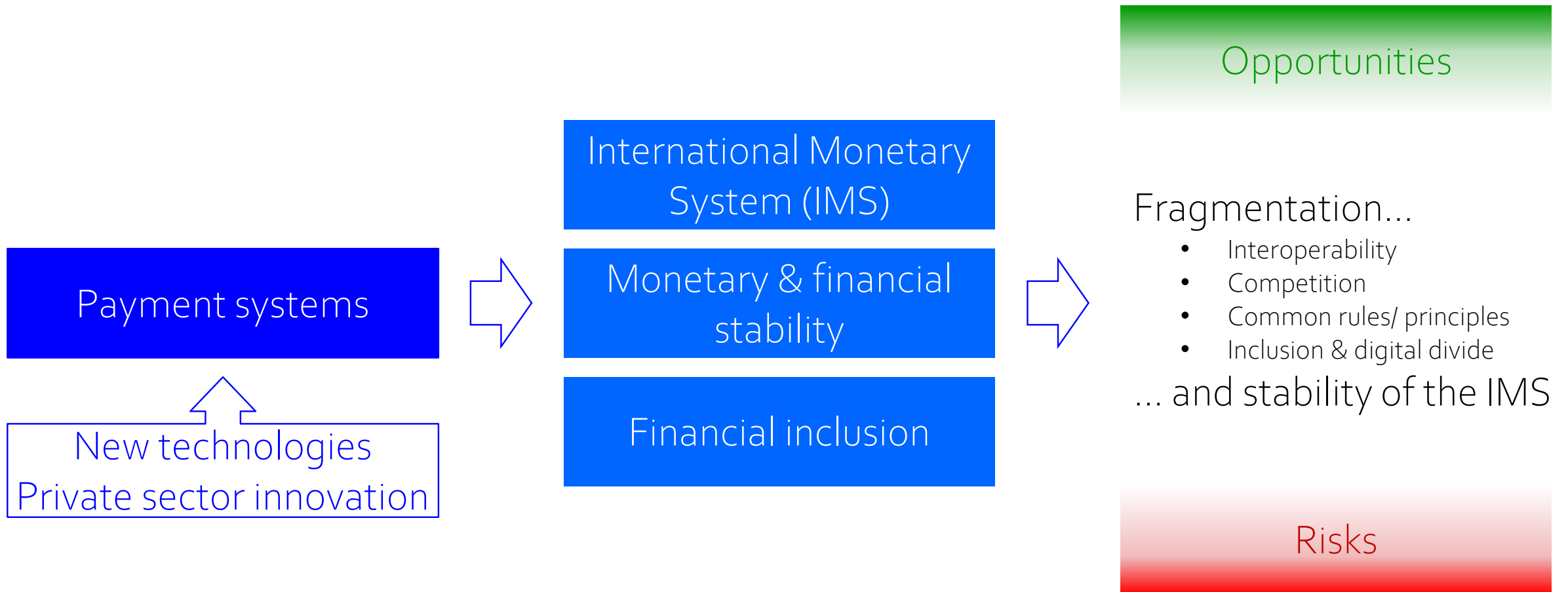
...problems are heterogeneous around the World

	High value payment	Low value payment
AEs		
LICs, EMs		

Joint IMF-WB technical assistance

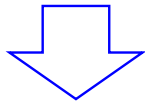


# Rapid Change in Cross-border Payments with Macro-Critical Opportunities and Risks

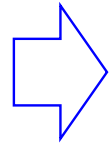


# A Role for the Public Sector to Reach Opportunities

Role for public sector  
to provide means of payments  
and infrastructure

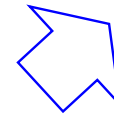


Payment systems



International Monetary  
System (IMS)

Monetary & financial  
stability



Financial inclusion

New technologies  
Private sector innovation



Opportunities

Fragmentation...

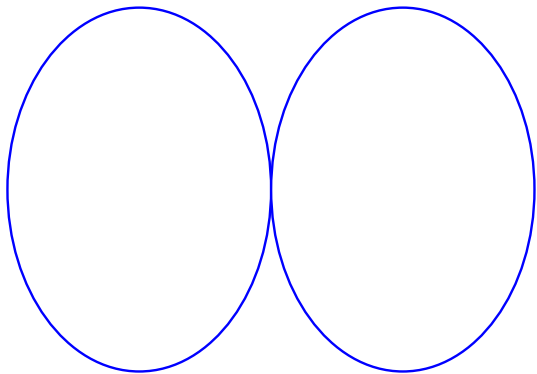
- Interoperability
- Competition
- Common rules/ principles
- Inclusion & digital divide

... and stability of the IMS

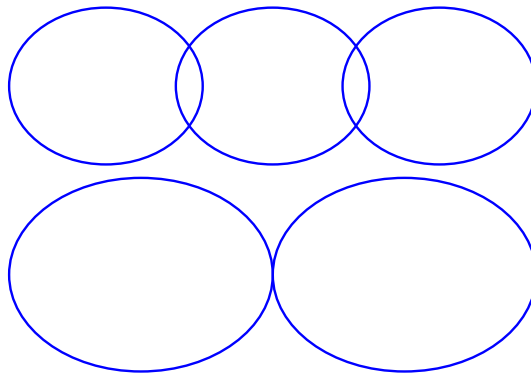
Risks

# Avoiding Fragmentation in Payment Connectivity and Rules

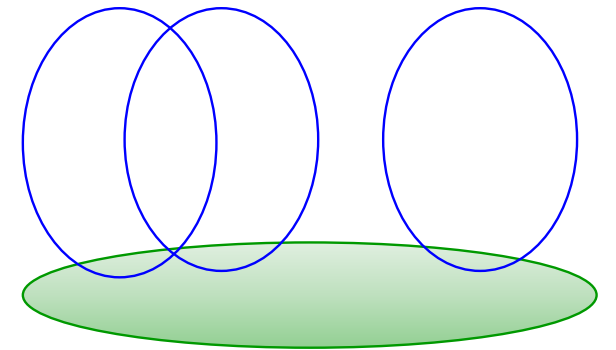
1 Disjointed payment blocks



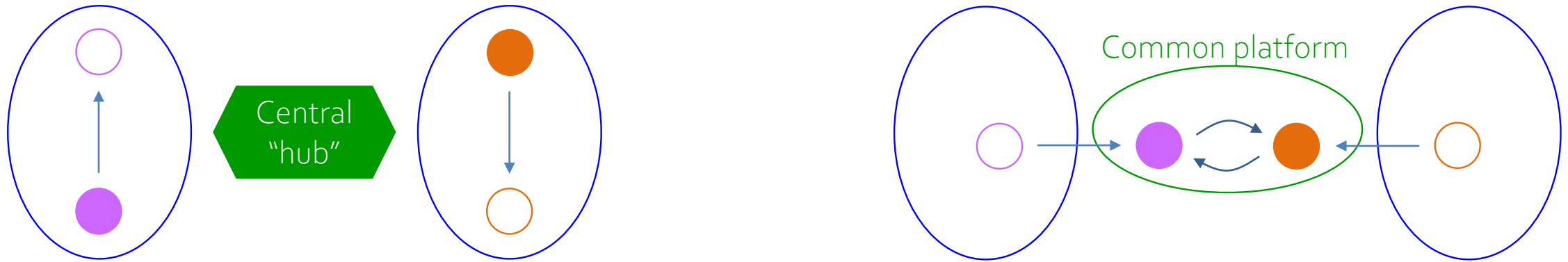
2 Connected entities (where profitable) and disjointed remainder



3 Basic connectivity & rules underlying a diverse environment



# Two Models of Payment Connectivity Exist



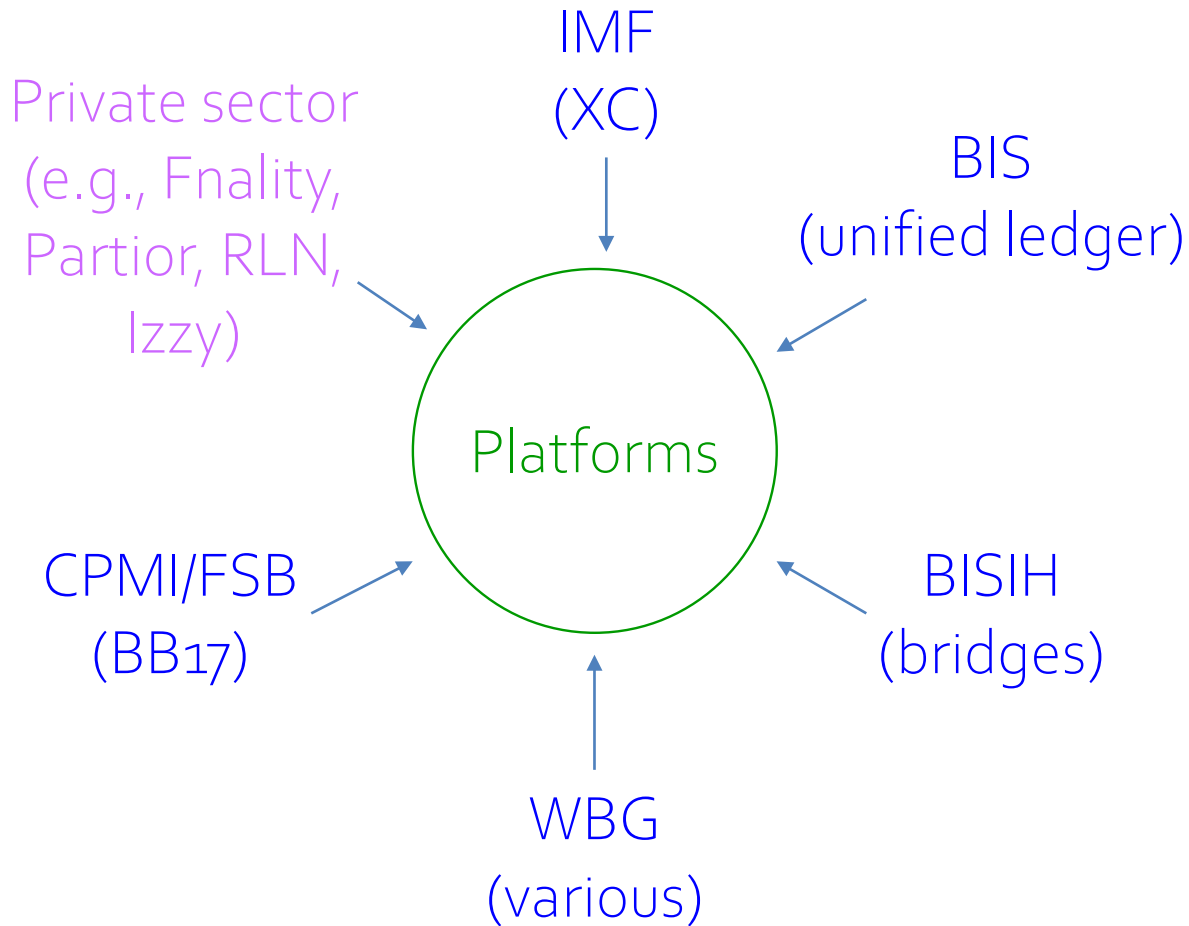
## Interlinking model (of fast payment systems)

- Central hub gathers necessary information.
- Coordinates settlement in respective networks.
- More rapidly implemented (where fast payments and established correspondents exist).
- But not universal...
- ... nor easy to expand functionality.

## Platform model (common network)

- Platform is connected to each network.
- Money is moved to platform (or issued backed by escrowed money)
- Offers settlement and other services on a trusted, integrated, scalable, widely accessible environment.
- More exploratory, blue-sky thinking...
- ... with potential advantages and hurdles.

# A Common Focus on Platforms



Some IMF exploratory work



Workshops with CPMI, BIS, WB, national authorities\*

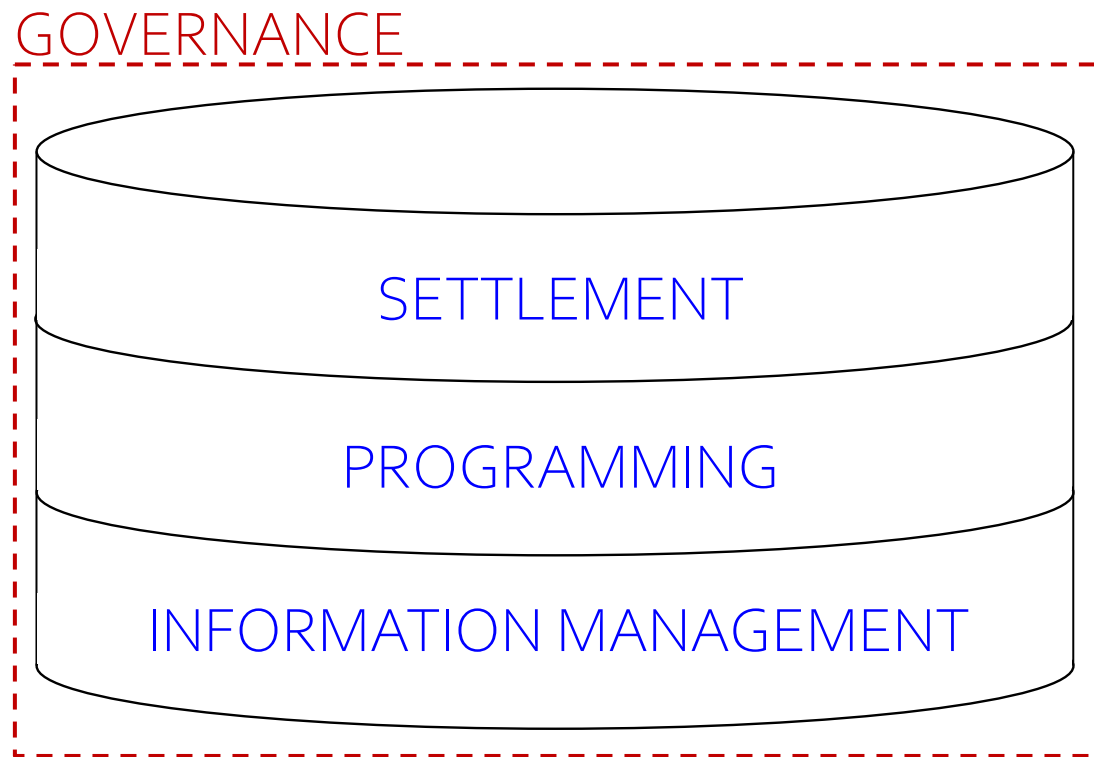
\* Brazil, France, India, Indonesia, Italy, Singapore, South Korea, Thailand, United Kingdom, United States

A more approachable version for policy makers: Adrian and Mancini-Griffoli (2023), "The rise of payment and contracting platforms," IMF Fintech Notes.

A more technical version: Adrian, Grinberg, Mancini-Griffoli, Townsend, and Zhang (2022), "A multicurrency exchange and contracting platform," IMF Working Paper.

(\* Including Fnality, Izzy, Partior, RLN.

# A Solid Governance Structure to Strengthen the Stability of the IMS



## Facets of governance (widely defined)

- Rules: AML/CFT compliance
- Procedures: dispute resolution
- Functionality: CFMs, exchange & payment restrictions
- Participation (access) and responsibility
- Features and upgrades: quality, smart contract vetting
- Tasks: oversight, operations, enforcement, suspension, cost sharing

# And Legal Challenges to Governance

Trust in AML/CFT compliance checks – key to safeguard financial integrity!

- Responsibility for (i) the application of AML/CFT measures and (ii) monitoring compliance
- Effective mitigation of AML/CFT risks as a condition to join – but what benchmark? And who establishes whether it is met?

## Other legal issues

- Legal framework: jurisdiction to incorporate platform; coherence of legal requirements among participating jurisdictions
- Legal arrangements: licensing of platform in participating jurisdictions; arrangements with central banks
- Legal uncertainties including smart contracts (contract formation, authentication, performance, enforcement)
- Other legal issues: data protection; roles and responsibilities of operating and oversight bodies



# Exploring a Public-Private Partnership

The private sector alone has run/ is running into difficulties

- Closed loops: too exclusive, insufficient scale, fragmentation
- Consortia: coordination & internal governance difficulties
- Public networks: costs, front-running, security, resilience

But the private sector **should** have a role



# Taking a Step Back: An Opportunity

- Technology offers new functionalities
- Competition from purely private solutions (including stablecoins and cryptoassets) pushes the public sector to improve services
- The public sector is coming together and developing capacity
- Forces of fragmentation and rapid change could undermine the IMS
- A window of opportunity to jointly explore platforms, their ability to improve cross-border payments and reinforce the IMS

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