

DANMARKS NATIONALBANK

CENTRAL BANKS AND DIGITAL CURRENCIES – A SOLUTION WITHOUT PROBLEMS?

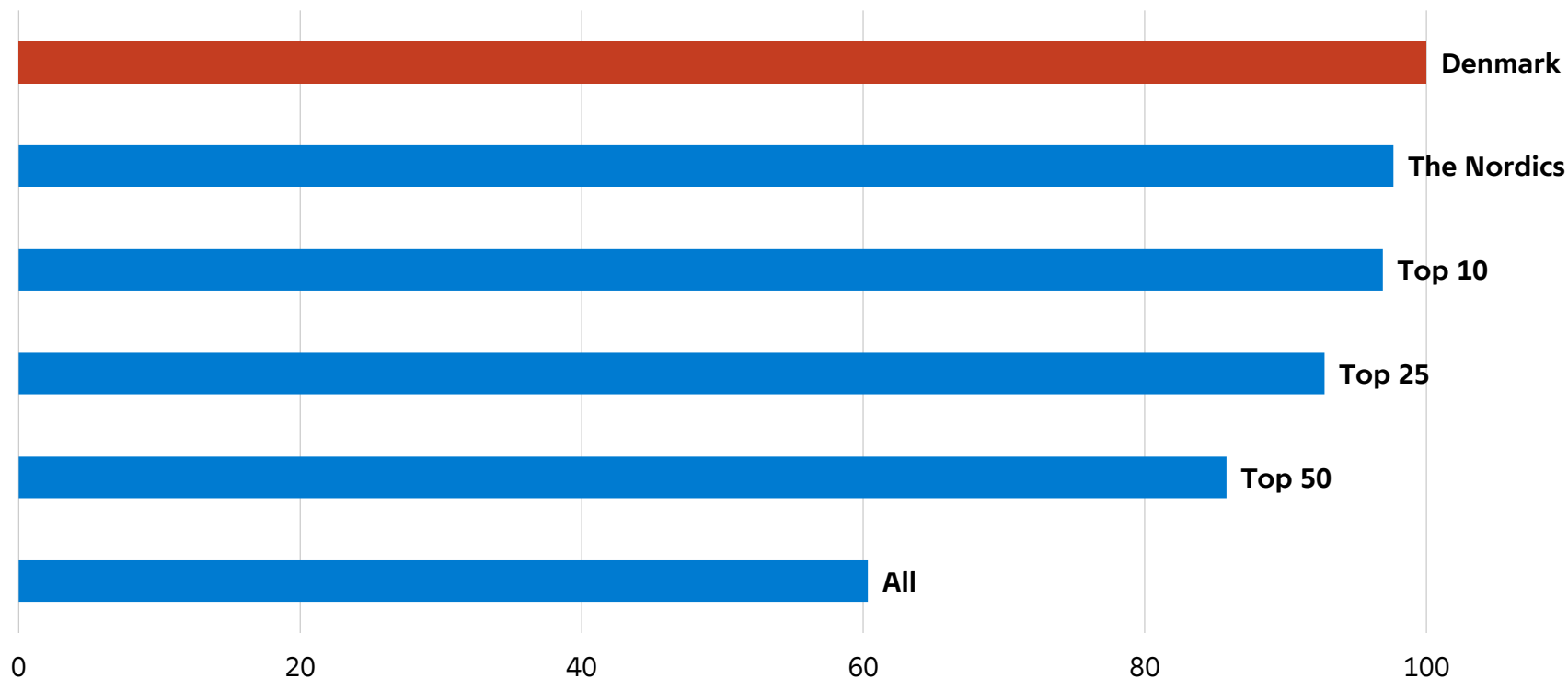
Governor Hugo Frey Jensen, 30 October 2017



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The Nordic citizens are among the digital front runners

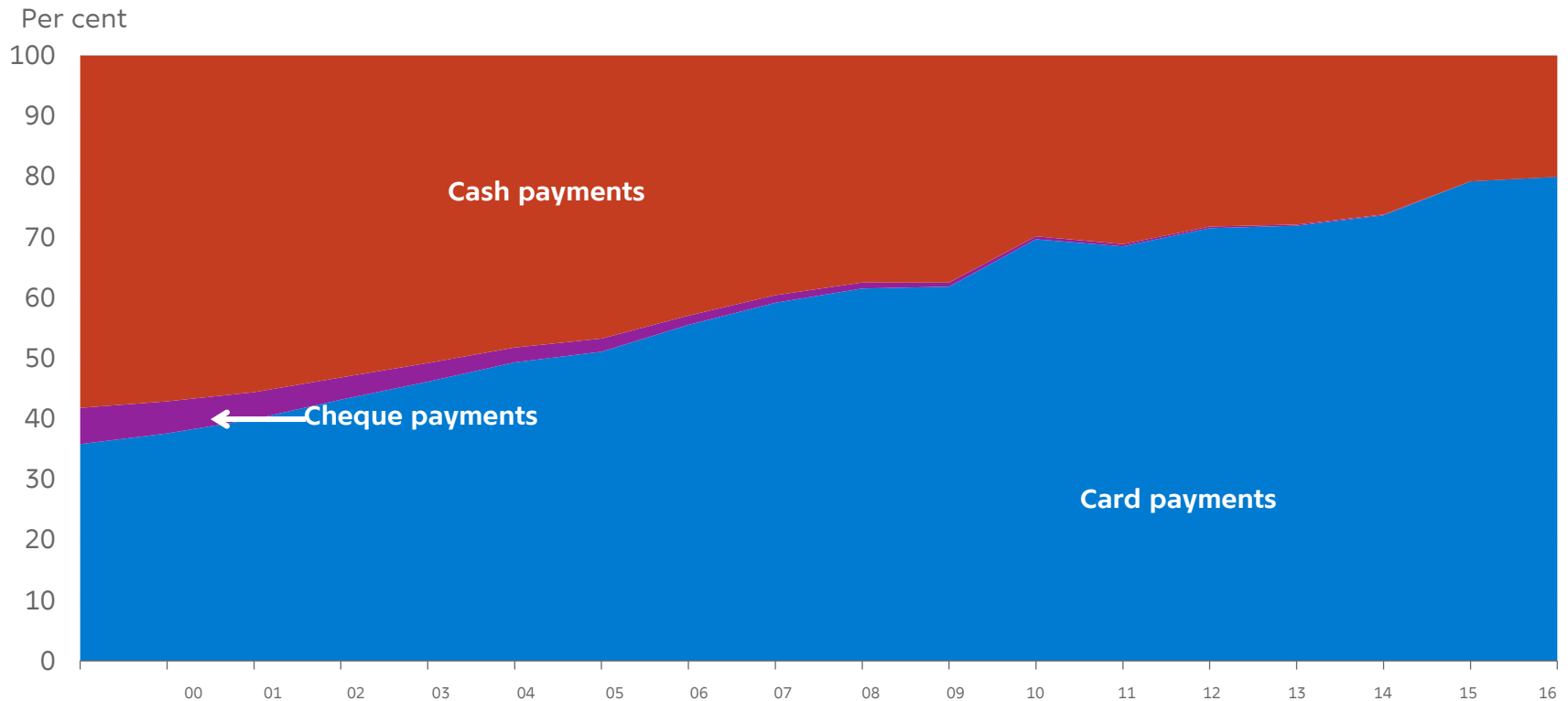
Networked Readiness Index, The individual usage pillar (World Economic Forum, 2016)



Denmark = Index 100
Source: World Economic Forum

We are headed for a society with cashless payments

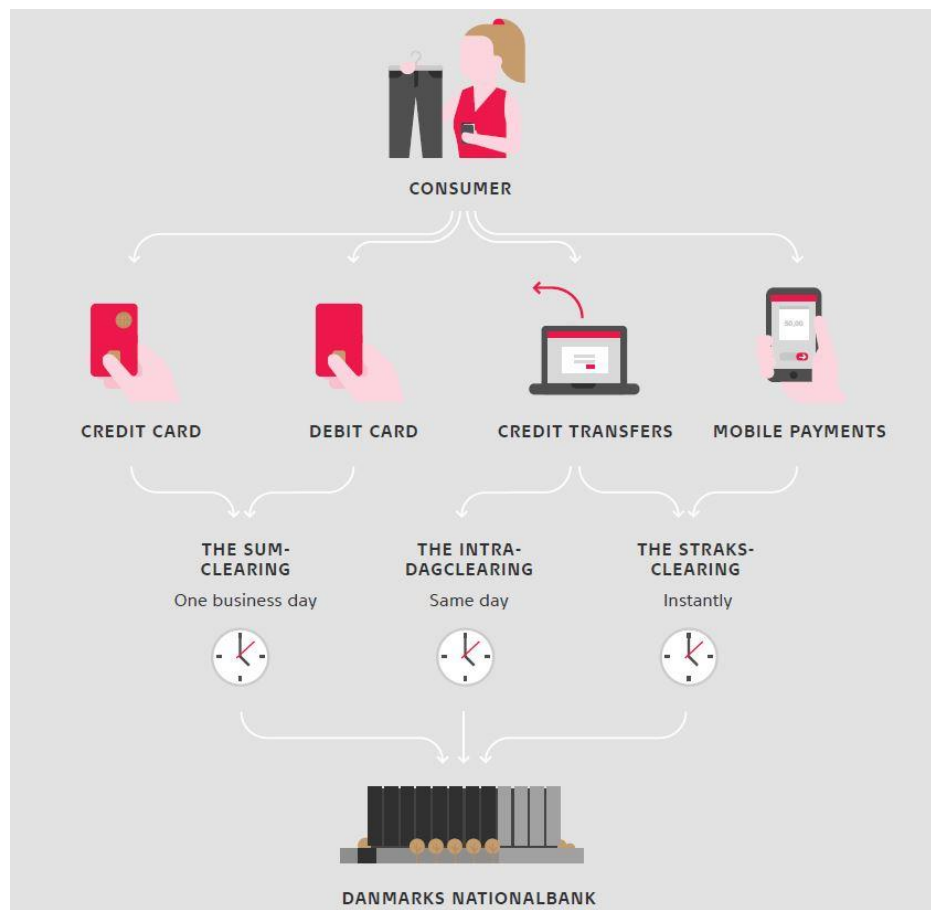
Retail turnover etc., broken down by cash, cheque and card payments



Sources: Statistics Denmark, Danmarks Nationalbank, Finance Denmark, Nets and own calculations

A common payments infrastructure supports competition

The transfer of funds through the systems



Source: Danmarks Nationalbank

Central bank digital currencies – a solution without problems?

More effective payment system?

- We have deposit guarantee, full access to bank accounts and instant transfers
- Digital money already exist in the form of deposits in private banks



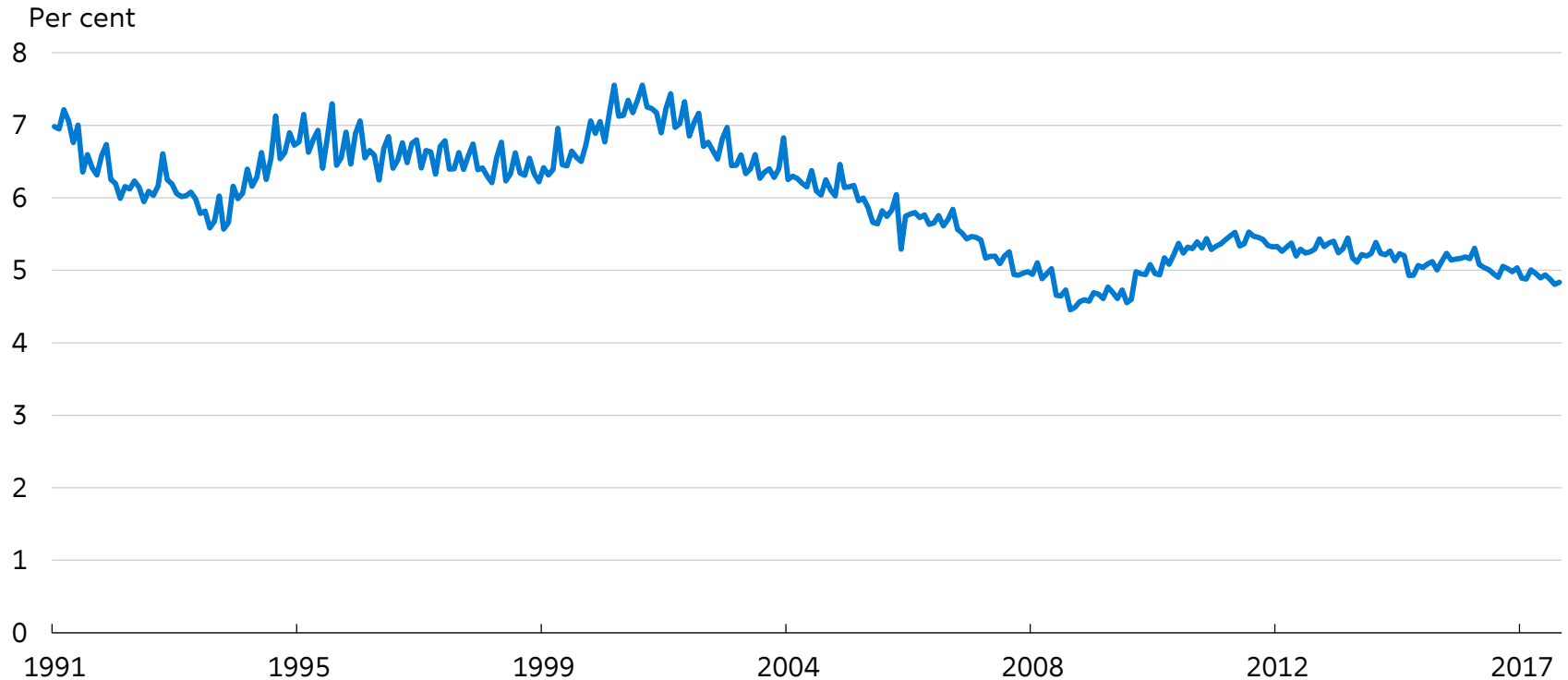
Back up in case of fall-out in IT systems?

- Better to focus on making existing payment systems more resilient
- Central bank in close cooperation with the private sector in addressing operational risks



Cash has a very limited role today

Proportion of cash in the money supply (M2)



Source: Danmarks Nationalbank.

Going from bank of banks to bank for all is a major change

- Not a matter of digitisation. Central banks could have offered deposit accounts for the general public years ago
- Competition?
- Anonymity?
- Moral/statutory obligation to offer risk transfer, shelter for financial savings/assets?

Financial stability and monetary policy

- Bank run vehicle?
- Risk transfer to central banks (balance sheet expansion)?
- New monetary policy tool?

Conclusions

- A central bank digital currency would be a solution to a non-existing problem in a country with an efficient payment system
- A central bank digital currency would change the role of central banks and increase risks for financial instability
- Prefer to stick to a well-regulated bank based system with a deposit guarantee and a EU resolution regime
 - A central bank should remain bank for the banks