Connecting Europe and Asia

Reinventing Bretton Woods Committee
Österreichische Nationalbank
Financial connectivity, risks, challenges and opportunities: The case for central bank digital currencies

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The international payments world is “round”*

International liquidity transmission clogged as bank intermediation falling and highly concentrated

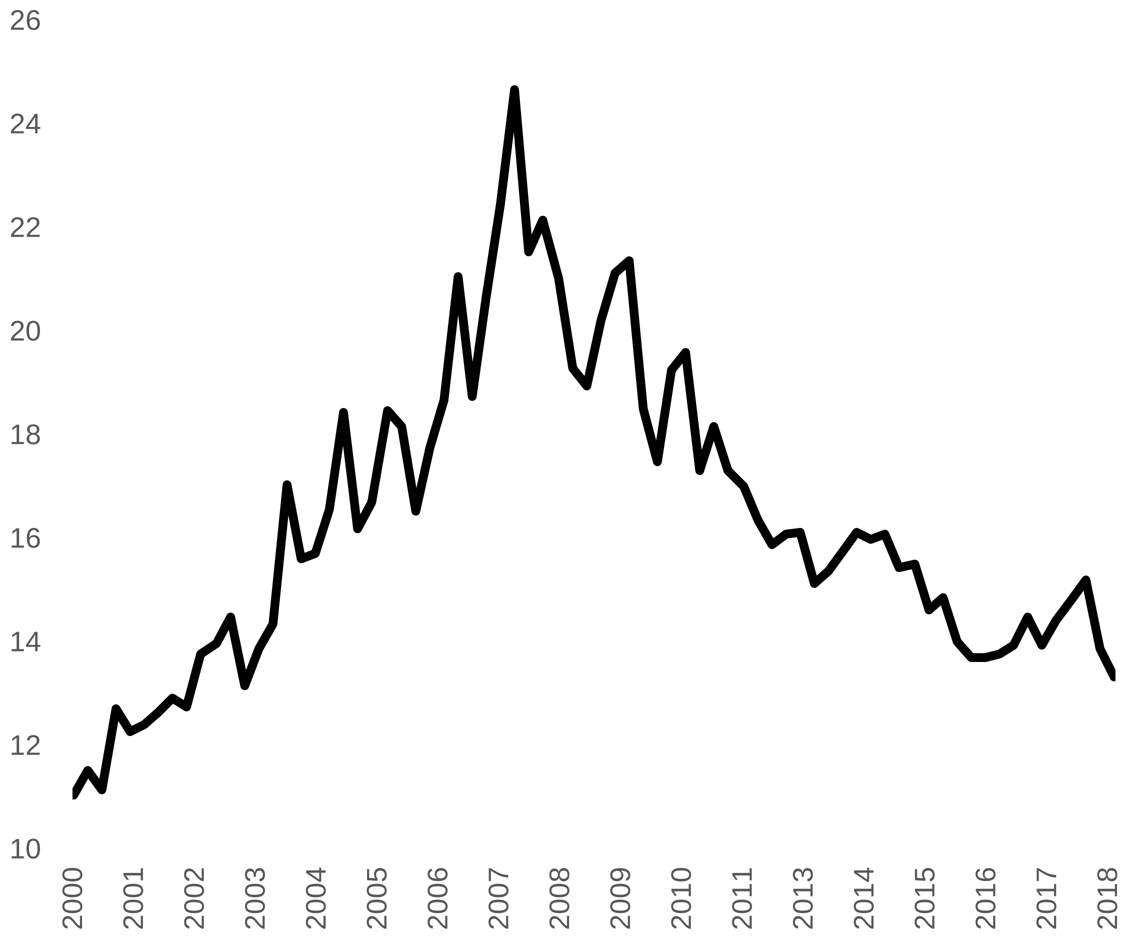
Reliance on few international currencies reduces scope for payments intermediation

CBDC is essential catalyst to establish flatter liquidity architecture

* Reference to Thomas Friedman’s 2005 book “The world is round”

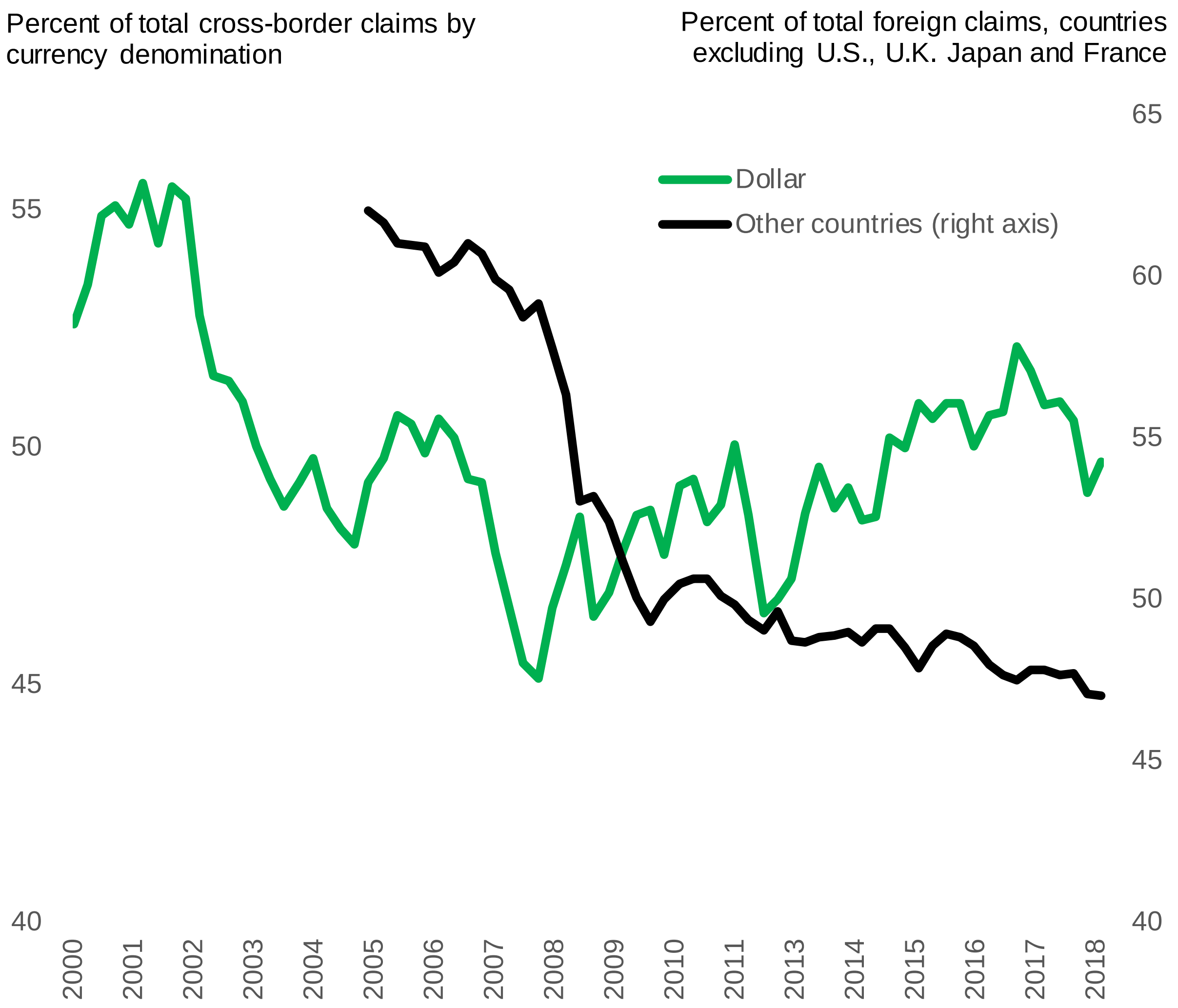
Bank disintermediation

Banks' cross-border and local foreign currency claims on Belt and Road Initiative countries, percent of GDP*



Source: BIS. *Consolidated banking statistics, all reporting countries, domestic banks, immediate counterparty basis, total claims, all instruments, total (all maturities), all currencies, all sectors. Belt and Road countries as per Belt and Road Portal https://eng.yidaiyilu.gov.cn/info/iList.jsp?cat_id=10076&cur_page=1 excluding Greece and South Korea.

Bank and currency concentration



Source: BIS.

Central bank digital currencies

International integration requires flexible and equitable relations

Create decentralised, more diversified and flatter international payments architecture

Respond to regulator demands for increasing resiliency in payment systems

Forward to the past

Establishment of the Federal Reserve

Victor Morawetz (1913): "The reason it seemed to be advisable to have in this country what practically amounts to five central banks or reserve banks […], is that in this way you are able to avoid the conflict which arises from the great difference in the requirements of the different sections of the country for credits and for currency."

Hearings before the Committee Banking and Currency, United States Senate (sixty third), 20 October 1913