

Insights into the e-krona project

The future of money
Frankfurt, November 24, 2018

S V E R I G E S R I K S B A N K



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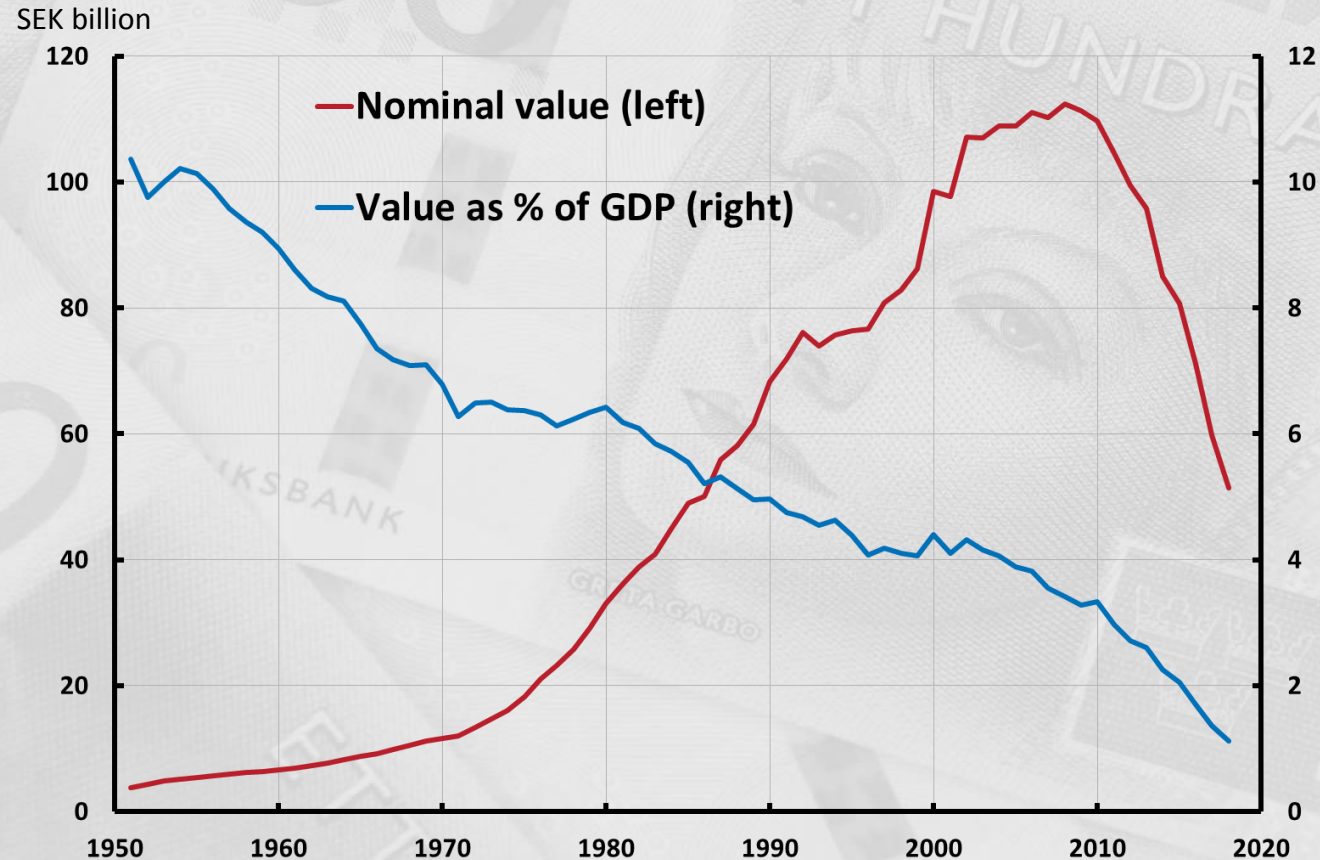
Senior advisor





- **Why** an e-krona project?
- **What** have we done?
- **When** (what will we do/plans)?

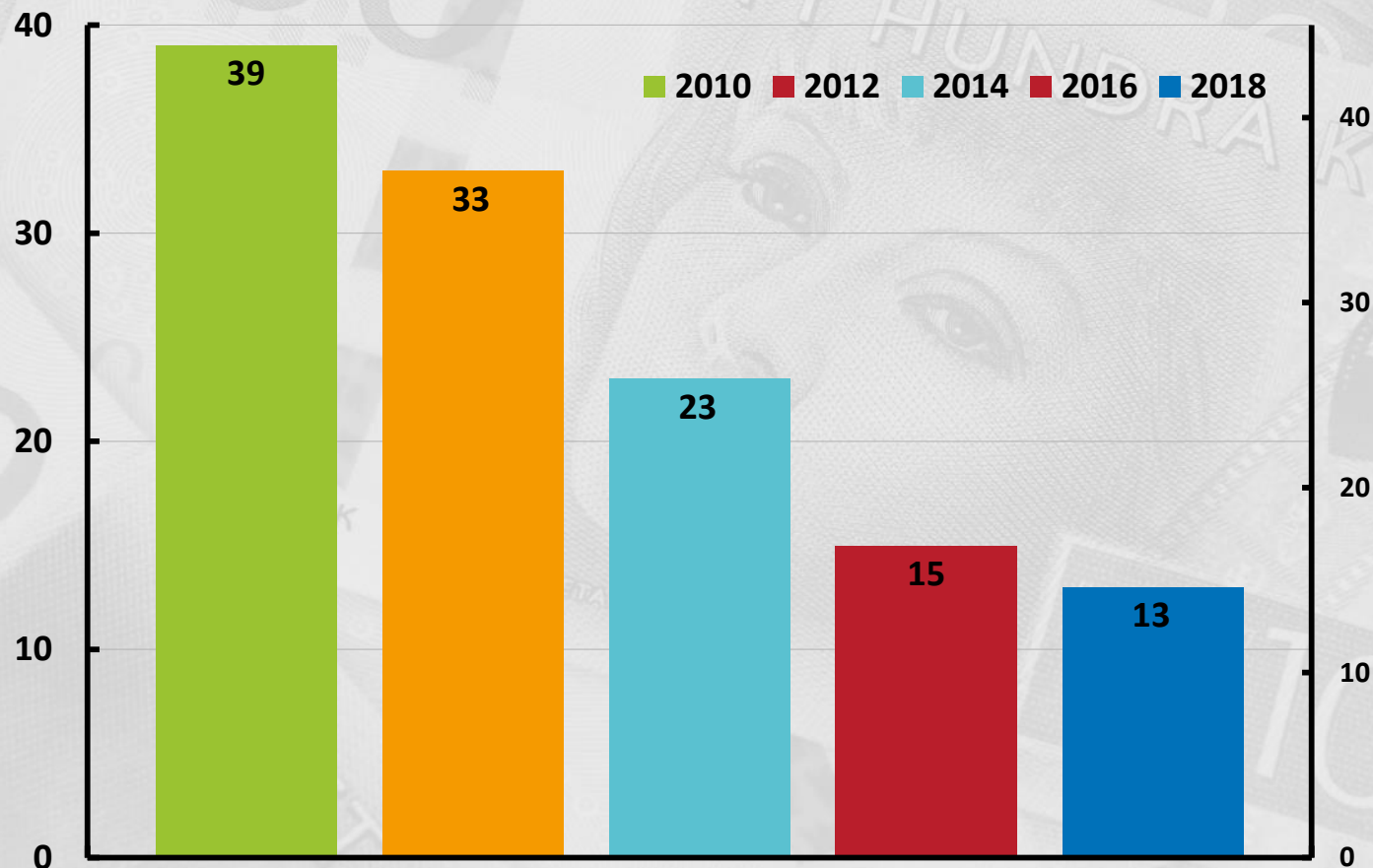
Cash in circulation is falling in Sweden



Source: The Riksbank

The Swedes pay less and less with cash

Did you pay with cash last time?



Source: The Riksbank, Survey of payment behavior of the Swedish population

Half of Swedish retailers say they won't accept cash in 7 years¹



1. Andersson, Hedman and Segendorf (2018), "Cashless Society: When will Merchants Stop Accepting Cash in Sweden. A research model." Memo.

The Riksbank shall promote a safe and efficient payment system



- Traditionally it has been done through
 - Provision of a central large payments settlement system (RIX)
 - Facilitating role, coordinator, analysis and recommendations
 - ~~Issuance of notes and coins (central bank money to the public)~~ ?



Alternatives at the current juncture

- Subsidize cash
- Argue for stricter (cash) regulation
- Do nothing

Won't help?

Issues:

- Public access to central bank money?
- National payment system?
- Competition?

- ...or issue an e-krona?
 - Unknown territory and great complexity



- **What** have we done?
- **When** (what will we do/plans)?

What have we done?

- **2017: "Brainstorming"**
 - What is an e-krona?
 - What can it do
 - Consequences
 - Legal issues
- **2018: Deeper analysis**



The e-krona concept

- A claim on the Riksbank (as cash and reserves)
- SEK
- Value and/or account based
- Available real time
- Initially non-interest-bearing

→ A “CBDC” ... “digital base money”

Some takeaways

- The e-krona ensures public access to central-bank money
 - It is an infrastructure. A payment system
 - A national payment system that stands on its own feet
 - Competition: Increase non-bank access to settlement services in central bank money
 - Function as a platform for innovation
 - Consequences for monetary policy and financial sector and stability?
- Further analysis and research needed in all areas
- Need political and legislative support



- **When** (what will we do/plans)?

What will we do?

2019-2020

- Start developing one or more technical solutions for the e-krona
 - Value based, interest free but with built in features for register based and interest payments
- Further analysis + dialog
 - Rational for an e-krona
 - Consequences
 - Appropriate features

→ No decision on issuance yet!

Thank you!



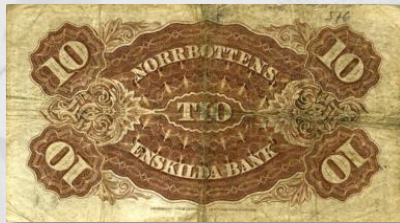
Extra pictures

History repeats itself

Metall coin



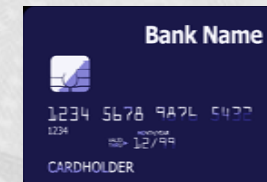
Private banknotes



Fiat currency



Private digital money



Fiat digital currency

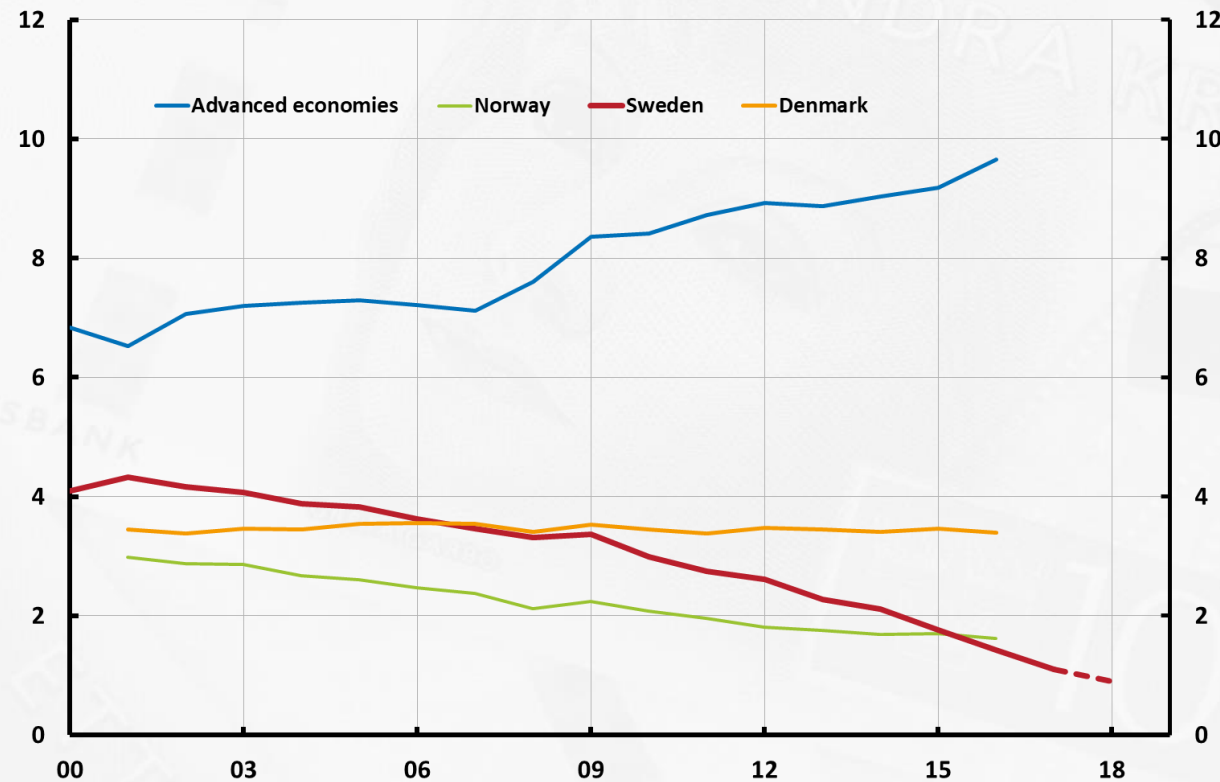


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Cash usage is declining rapidly in Sweden

Cash in circulation

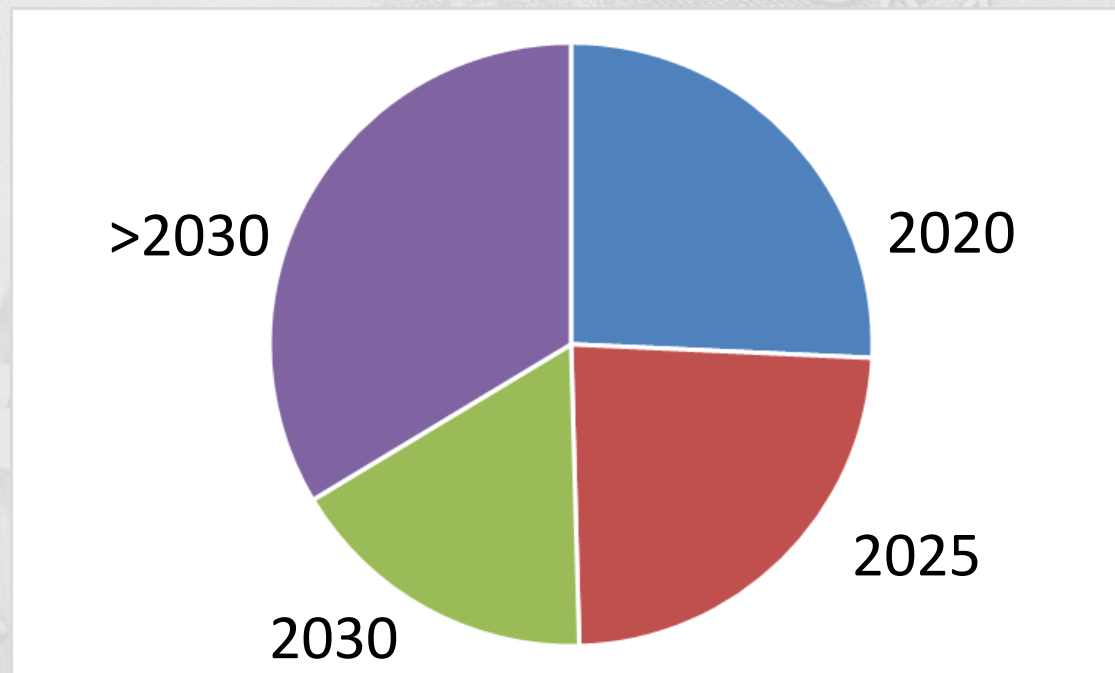
Percent of
GDP



Source: Bech et al. (2018)

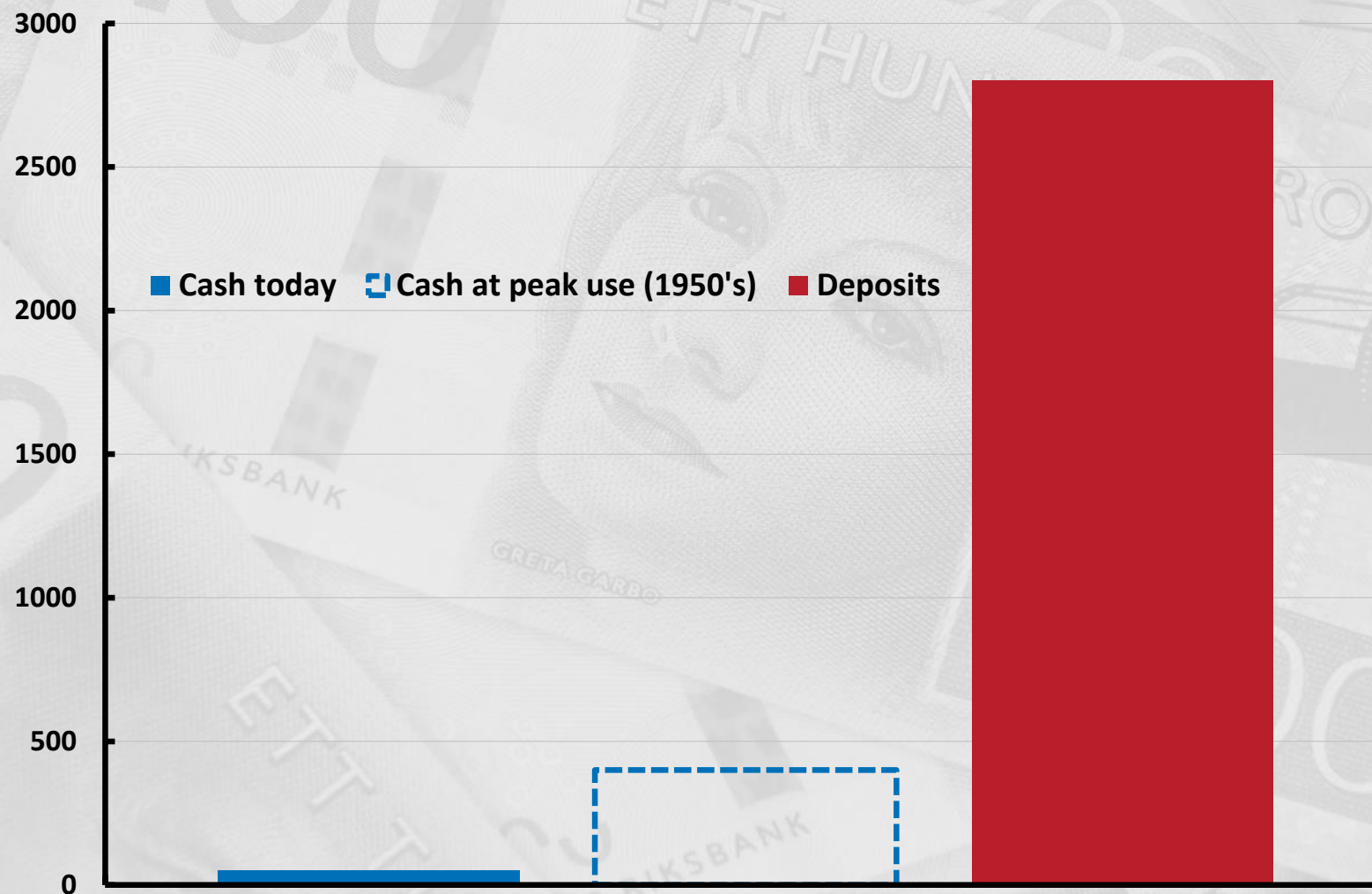
Half of retailers think they will not accept cash in 7 years

When do shops think they will stop accepting cash?



Source: Andersson, Hedman and Segendorf (2018), "Cashless Society: When will Merchants Stop Accepting Cash in Sweden. A research model." Memo.

Risk of disintermediation seems low



Central bank money foundation for trust in monetary system?



BIS (2003) “the perception of the public is such that it uses the various forms of money interchangeably so long as they are denominated in the same currency.

Two factors explain this: first, **the existence of a form of money (central bank money) which has the support of public authorities** and, second, **convertibility of other monies into central bank money at par value**. The combination of these two factors gives rise to the currency’s single character, the certainty that “one dollar is one dollar”, whatever form it takes (whether central or commercial bank money).”



BIS and IMF think countries where cash is disappearing should analyse CBDC



“In circumstances where the traditional approach to the provision of central bank money – in physical form to the general public and in digital form to banks – was altered by the disappearance of cash, the provision of CBDC could bring substantial benefits” BIS, 2018

“I believe we should consider the possibility to issue digital currency. There may be a role for the state to supply money to the digital economy”

Christine Lagarde, 2018

