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**Joint Statement by Mr. Huh, Ms. Lim, Mr. Nghiem, Mr. Yoo, Mr. Bautista, Mr. Becker,
and Mr. Chea on The Rise of Public and Private Digital Money—A Strategy to Continue
Delivering on the IMF's Mandate
(Preliminary)
Executive Board Meeting
July 7, 2021**

We thank staff for the comprehensive paper. As a product of technological evolution, digital money poses both opportunities and challenges for member countries as well as the international monetary and financial system (IMFS). We agree on the basic principles set out in the paper: new forms of money must remain trustworthy; domestic economic and financial stability must be protected; and the international monetary system should remain stable and efficient. We also concur with staff that the Fund has a mandate to help ensure domestic and international economic and financial stability with respect to the rise of public and private digital money. As shown in Box 1 in the paper, there is a wide range of potentially interesting policy questions that can be raised. While these questions reflect the speed of technological innovations relating to digital money, more importantly, they also reveal the fact that many things are unknown or undetermined in this developing realm. Against this background, we offer the following comments.

We encourage staff to set specific intermediate targets/goals on digital money at this juncture. Although the development of private-and public digital money implies little or manageable impact on the existing monetary and financial system, this is predicated on the assumption that their continued development would be well anchored in public money with appropriate regulatory and legal framework in place. For private digital money, it is well known that they have the potential to achieve scale very quickly should there be traction. Take for example, Facebook's announcement of issuing Libra as global stablecoins in 2019, which has provoked active discussions in the international monetary community. On the

other hand, many central banks are currently researching or pilot-testing with CBDCs, but most of them are at an early stage with a few exceptions. In this regard, we see a strong case for the Fund to prioritize its work on implications of digital money – both CBDCs and stablecoins such as upcoming Facebook’s Diem - for the IMFS as well as monetary autonomy, including currency substitution, capital flows, and interoperability of cross-border payment systems. It is also necessary to investigate the deficiencies that public digital money are trying to address, beyond as a response to the emergence of stablecoins, so as to guide subsequent policy advice and to assess where the most value can be added to the current payment system. Moreover, it is helpful to elaborate in greater detail the plausible structural changes of monetary and financial variables related to digital money, particular on transmission mechanism as it is relevant to the Fund mandate and would be very useful for authorities in setting policies.

While we are encouraged by staff’s ambitious proposal on operational strategy, we see the need for prioritization. It is crucial to strengthen the Fund’s analytical foundations, such as the development of policy views and tools and active participation in international working groups. We also see merit in further strengthening multilateral surveillance through flagships. We welcome staff’s view that capacity development in the digital money space should be facilitated further to avoid a digital divide, to promote peer-to-peer learning, to facilitate more convergent polices, to ensure that new solutions will work for most if not all countries, and to mitigate spill-over risks and other issues such as AML/CFT and tax evasion. At the current juncture, we do not see the urgency of dealing with digital money in the context of bilateral surveillance unless there is strong demand from the authorities. Regarding partnering, it is imperative to have greater coordination and collaboration with other IFIs such as the World Bank and BIS (CPMI and Innovation Hub) to tap into their domain of expertise and avoid overlapping work on the subject. We appreciate staff setting up guidelines of engagements and providing detailed plans in this regard.

On building internal capacity, we encourage staff to reassess the proposed additional resources to fulfill the Fund’s mandate. We take positive note of staff’s plan to foster work coordination across departments, internal debates about policy views, and seamless transfer of information and ideas within and from outside the institution. Hiring technology or payment system experts is necessary, but staff’s proposal to increase 55 FTE additional staff and experts needs further holistic assessment in association with the CSR proposal on expanding macro-financial talent. Though digital revolution is new, the economics of money and finance remain grounded in the basic principles above mentioned. And if digital technology becomes a defining feature in the monetary and financial system, issues relating to digital money would be central to macroprudential policy advice. In addition, the CD

implications and data generation and analysis on the part of authorities will be very important.

Lastly, we note staff's intention to publish this report, but it is hard to see a strong case for its publication. Staff may publish the earlier paper, with appropriate updates, which was presented at the Board on April 2 and is more focused on setting out the groundwork for the Fund's strategy. *Could staff provide the reasons for the publication of this report?*