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**Statement by Ms. Levonian, Mr. O'Brolchain, and Ms. Smith 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 their paper outlining the important and ambitious operational strategy to increase resources and deepen the Fund's work on digital money. A growing number of countries are investigating the adoption of digital currencies or have already launched them, and would benefit from advice on how to reap the benefits, such as improved efficiency, ease of doing business and financial inclusion, while mitigating the associated risks. Accordingly, as a trusted advisor, the Fund has an important role to play particularly in the areas of surveillance and capacity building. In this context, staff's proposal rightly emphasizes adapting and extending functions, partnering with key stakeholders, and building internal capacity.

We agree with staff that new forms of money must have built in protection for consumers, be anchored in sound legal frameworks, and support financial integrity. Moreover, economic and financial stability must be preserved and buttressed through efficient public-private partnerships and fair competition, with the international monetary system (IMS) remaining stable and efficient. Meanwhile the adoption of digital money should not compromise monetary policy transmission, capital account openness, or foreign exchange regimes and the Fund has a role to play in this regard. Therefore, we believe that efforts should continue to focus on the implications of digital money for cross-border capital flows, monetary and financial stability, the evolution of the international monetary system, and the Global Financial Safety Net (GFSN).

The focus on Fund's surveillance and capacity development functions are well placed. Further, incorporating digital money into bilateral and multilateral surveillance is appropriate. Nevertheless, as noted by staff, given differences across countries on the timing and nature of digital money adoption, the susceptibility to spillovers, policy implementation as well as countries' digital capacity, this may be challenging. Accordingly, we encourage

staff to be flexible and tailored in their approach to bilateral engagement, and to be diverse and comprehensive in their multilateral engagement.

Effective communication of the Fund's delineated roles, and areas of expertise will be important to manage expectations and stay on track. We note staff's foundational plan, which includes the development of policy views and tools, such as models, methods, frameworks, data, indicators, and standards, as well as internal training, and guidance notes. These are all important areas, but we caution staff to minimize overlap and duplicated efforts relative to other international stakeholders.

That said, we strongly agree that the Fund cannot do this work alone and welcome staff's plans for forming partnerships. We also find value in the outlined guidelines of engagement, particularly those of remaining within the Fund's mandate, building on core competencies, and minimizing overlap. Moreover, the groups of potential partners identified—including, the World Bank, the BIS, the G7 & G20, Central Banks and finance ministries, regulatory bodies—are appropriate. We strongly encourage staff to leverage the experience of its membership which can be considered as pioneers in the digital money domain. Consistent monitoring and dialog will be critical as well drawing out lessons and benchmarking. Staff should also keep close contact with key private sector actors to keep pace with emerging trends.

We would welcome more detail on staff's vision for collaboration, and how it ties into their plan for developing technical capacity.

We acknowledge the criticality of building capacity in digital money and appreciate staff's discussion of plans in this regard. We agree that macro and fiscal economists, financial sector experts, technology experts, lawyers and data specialists, are the key areas which can benefit from more support. Moreover, we take note of the estimated staffing needs to be built up over the next three years and the inherent challenge given the limited pool of high-caliber and experienced talent. Here, we believe that there would be mutual benefit in temporary employment, rotations or secondment from other organizations or central banks. This would allow the Fund to glean from their expertise, while giving them the exposure and knowledge associated with work at the Fund. It would also allow source countries to maintain or even build capacity in the medium to long term.

We look forward to further discussion on the issue of resources in the context of overall fund resources at the upcoming budget discussion.

Finally, but importantly, we encourage staff to remain mindful of small developing states as they flesh out the operational plan. Here we reiterate the importance of country specificity in capacity development and, as surveillance is scaled up, staff should be mindful of increasing demands on countries with limited capacity. To this end, we welcome the intention to tailor capacity development, including estimating the potential banking sector disintermediation from CBDC adoption as well as assessments of countries' readiness to adopt digital money solutions, along with guidance on continuously evolving topics. Small island states would also benefit from support with leveraging digital money to potentially

mitigate the loss of correspondent banking relationships and this is an area where further research is welcomed.

Looking ahead, cross-country analytical work on the competitive implications of new forms of money and new entrants, would add to the body of knowledge in one of the most complicated economic issues to domestic authorities. *Staff's comments on next steps and other key research plans are welcomed.*