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**Statement by Mr. Moreno, Mr. Guerra, Mr. Romero Tarazona, and Ms. Arevalo Arroyo
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 document on the Digital Money Strategy. Digitization is advancing at an increasing rate as countries are taking policy measures to increase productivity and to further increase financial inclusion. This, however, is a strategic discussion for the International Monetary System (IMS) and thus warrants the Fund's engagement with a larger number of country members about the Fund's capacity to fulfill its mandate. Moreover, even if the regulatory framework is still evolving, our membership is already facing policy challenges and trade-offs. This calls for a decisive and timely response by the Fund in order to garner the potential benefits, understand its consequences, and manage the risks this issue entails. **We support the strategy as presented in the report, while noting that the challenges of the digital money agenda are increasing and might require swifter and further action in the near-term.**

Digitization is a reality, and the Fund cannot afford to be behind the curve given the fast pace of events and the high costs of failing to support the membership in the transition and adaptation phase. We must recognize that we are already late in building the capacity to respond and analyze the evolving digital landscape. We underscore the urgency for the Fund to play a role given the relevance this agenda has to its core mandate. A reactive strategy is not an option; the IMF cannot be a bystander while the regulatory framework is developed. The Fund must contribute to the process by providing a broader vision of the challenges and solutions for the whole membership. The need to adapt and confront the blooming challenges of the digital payments' agenda will be a constant issue in the next decade as new technologies surface, probably with disruptive consequences for financial intermediation. In this regard, we support staff regarding the fact that the strong network effects of digital payments can lead to sudden changes in products, services and related policy challenges. The COVID-19 pandemic has exacerbated these trends – for example, the

exponential growth of mobile means of payments in developing countries. *We would appreciate staff comments on the next steps of the overall digitization agenda and how the topics are planned to be prioritized.*

The IMF has a narrow window of opportunity to engage with countries in an effective manner before the policy challenges of the digital money agenda materialize. As the report states, more than 80 percent of the central banks in our membership are already analyzing the possible introduction of CBDCs, with many developing countries looking for solutions to make transformational changes to boost the economic recovery. While countries are already working on this, we underscore that it is the role of the Fund to oversee and advise member countries in the transition to a world in which digital money, both public and private, is adopted and thus ensure that the IMS remains stable and efficient. We acknowledge that international standards have not been fully developed and, given the continuous evolution of digital money, this endeavor has become more complex. While the Fund's business is not to set standards, it is mandated to support countries to identify, evaluate and respond to policy tradeoffs. Thus, the IMF cannot wait until the standards are fully developed to assist countries, since they are facing many challenges now. At least two thirds of our membership will look to the IMF as their main trusted source of policy advice. The Fund has the responsibility of building the human, analytical and technical capacity to respond to the growing demand for knowledge, best practices and the implementation of the regulatory framework.

The Fund should harness its extensive analytical expertise and keep it up to date to be prepared to help countries foster domestic economic and financial stability as digital money will have implications for wide-ranging relevant aspects of the IMS. The demand for this expertise and guidance is already here and requires that the Fund's country teams be prepared to swiftly engage in the policy discussions averting risks and help to strengthen the policy measures in the digital developments to further increase productivity and financial inclusion. This will require new areas of expertise to be incorporated through surveillance and capacity development at regional centers and headquarters. An early engagement with the authorities is of the essence, given that the digital regulatory agenda will continue to evolve and adapt during the next few years. The ongoing and fluid development of the regulatory agenda cannot be used as an argument for inaction by the IMF. *Can staff comment if there is agreed international guidance on the main characteristics of CBDCs? What other guidance and regulatory frameworks have been agreed upon or are expected to be finished before the end of 2022? Can staff comment on how and if digital money considerations are being included in the analysis related to CFMs and the upcoming review of the Institutional View?*

We fully endorse the strategy to partner with other organizations in order to address the digital money agenda in a more cost effective and efficient manner. A close coordinating strategy with the World Bank and the BIS, among others, will be instrumental, looking for complementarities and minimizing overlaps. Additionally, we believe that the IMF will benefit from close engagement with major central banks from advanced economies that have already invested a considerable amount of resources in the digital money agenda and with authorities in LMICs that are developing policies to adopt digital currencies. Furthermore, regional organizations of central banks, like CEMLA in Latin-

America and similar bodies in other regions, can be effective partners in promoting and disseminating best practices and general policy advice. Learning from the experience in different regions could also add to the shared knowledge allowing the membership to better be served. *Can staff provide information about the human resources that major central banks and other IFIs are devoting to the digital money agenda? This can be useful to quantify the relevance of this topic to other institutions.*

We need to ensure that adequate resources are available for the strategy's timely and effective implementation. We welcome the detailed analysis of the resource implications for the implementation of the digital money agenda. We note that the execution of budgetary resources will be phased, and, for example, in order to implement bilateral and multilateral surveillance, the tools and analytical framework must be developed beforehand. From these activities, capacity development demand will surely follow. Thus, we consider that capacity should be built on all fronts accordingly if we want the strategy to succeed and have a timely and meaningful impact in supporting our membership. In this regard, we fully support the proposal to strengthen the role of the regional technical assistance centers with the use of permanent experts as a budget-saving model. In this vein, we look forward to the discussion of the required financing in the context of the structural budget augmentation.