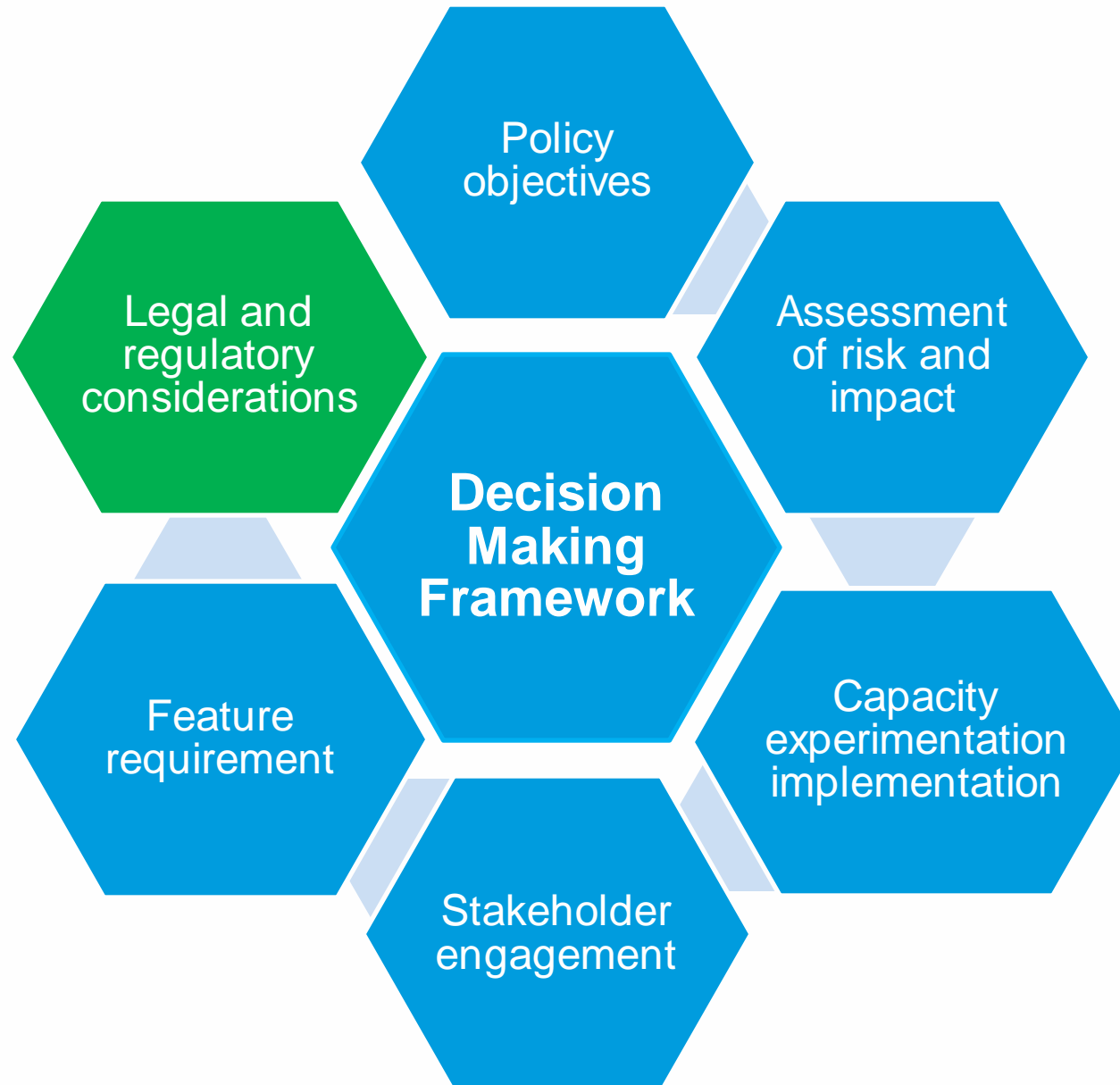**LEGAL**

CBDC Policy: *The Legal and Financial Integrity Element*

Yan Liu
Deputy General Counsel
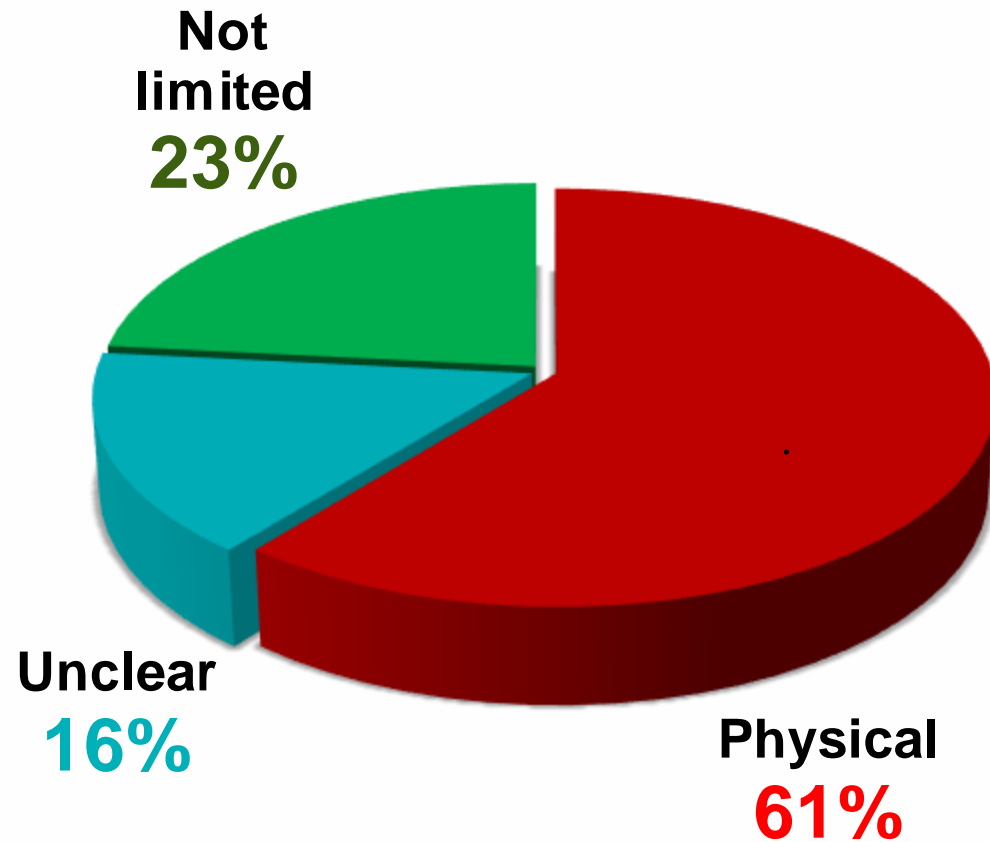**International Monetary Fund**

STI 25th Anniversary Seminar
November 14, 2023

CBDC - 6 policy elements

Q1: Authorization to issue?

Not limited 23%

Unclear 16%

Physical 61%

Q2: Authorization to open accounts?

Unclear 9%

Allowed 6%

Limited access 85%
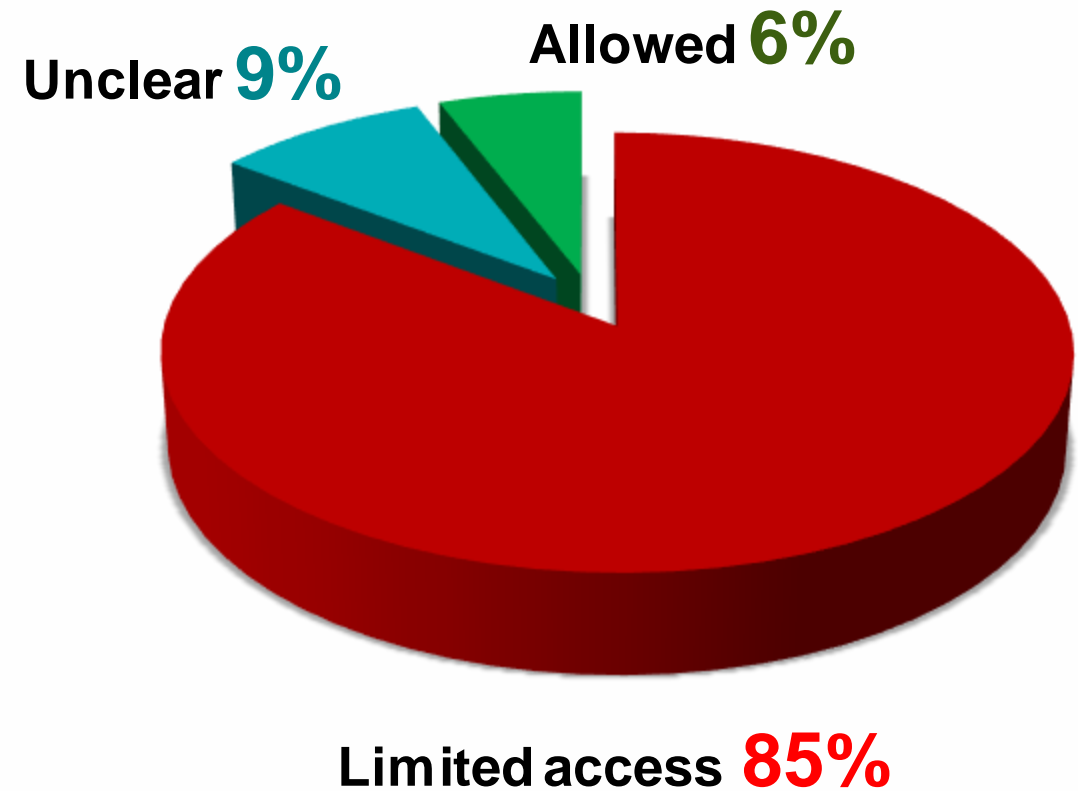
Q3: Currency under the law?

Is CBDC automatically a currency?

No!

Official means of payment with 5 key attributes

Monopoly of issuance
Private law privileges
Criminal law protection
Cours forcé
Legal tender status

Financial and Cross Border Considerations

Legal **settlement finality** protection to all CBDC payments?

Access to the central bank payment systems and facilities to all distributors?
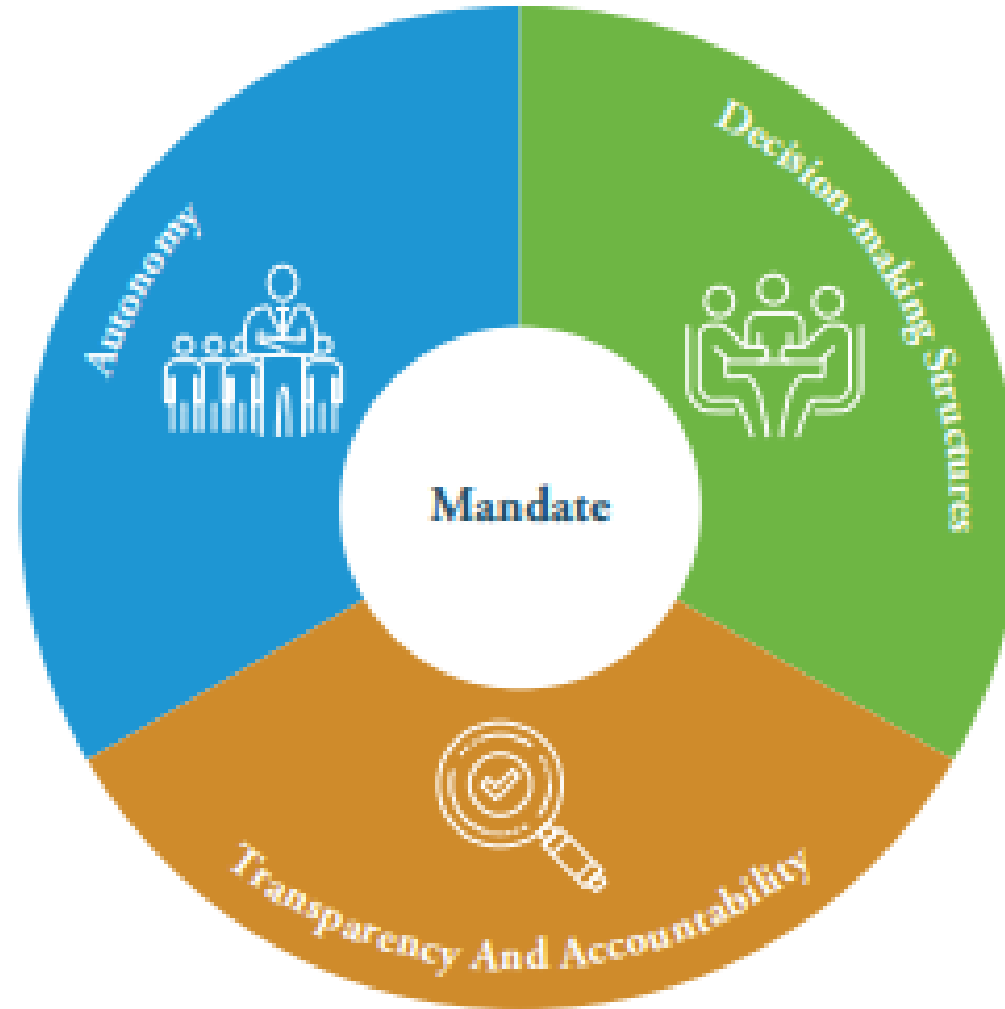
Traditional legal pain points in cross border payments?

Data sharing/localization laws and privacy?

Multilateral Governance and consistency with national laws?

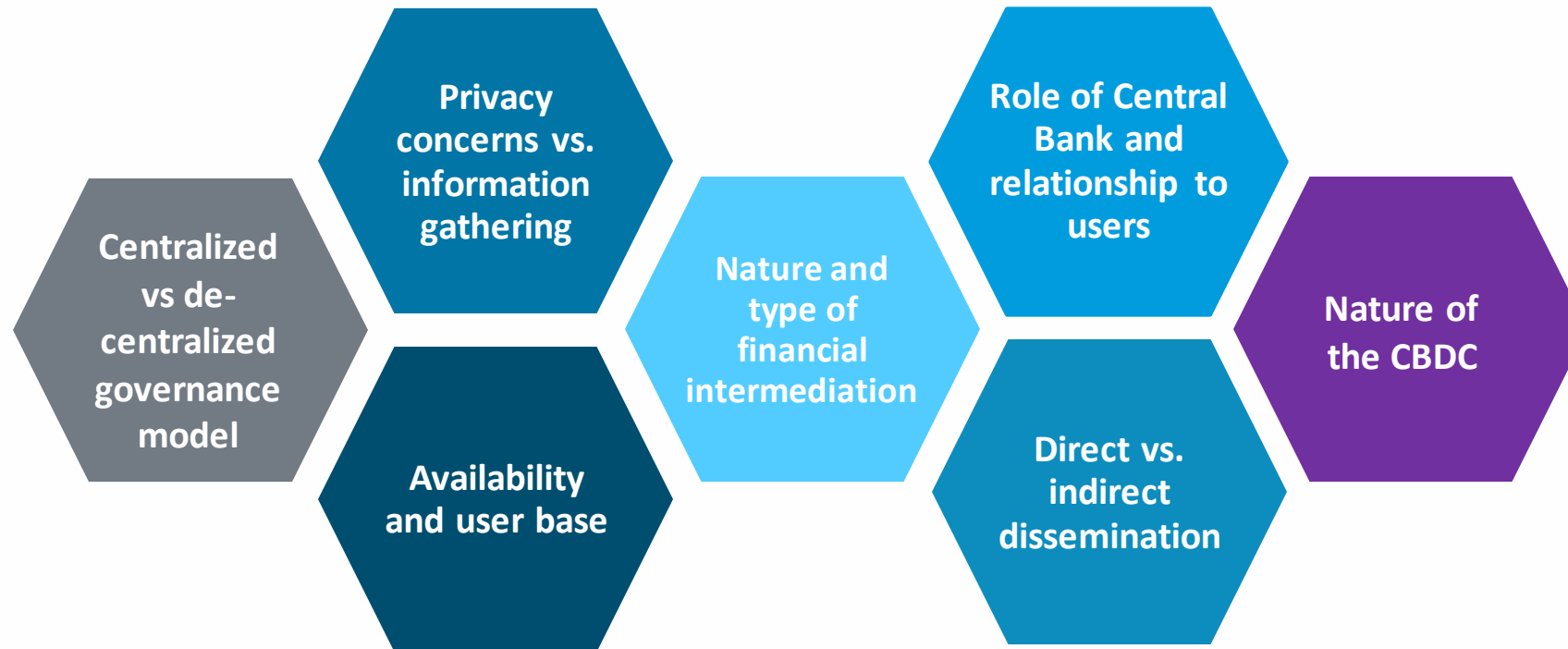**Governance** and consistency with national laws?

Central Bank Governance and CBDC

CBDCs: Financial Integrity Considerations

➢ CBDCs are **covered** under the Financial Action Task Force (FATF) standard

➢ Specific ML/TF risks associated with CBDCs may be **higher or lower** than those posed by traditional forms of money

➢ CBDC issuance could have **important AML/CFT implications**

➢ **Continuous** risk understanding, assessment and mitigation is needed.

➢ **Adaptation of AML/CFT regime** is likely needed for proper regulation, supervision, and criminal law enforcement efforts

➢ **Different design choices** will carry different financial integrity implications

Design considerations and AML/CFT Implications

Centralized vs de-centralized governance model

Privacy concerns vs. information gathering

Availability and user base

Nature and type of financial intermediation

Role of Central Bank and relationship to users

Direct vs. indirect dissemination

Nature of the CBDC

Key Takeaways

- CBDC issuance requires a solid legal foundation in:
  - **public law:** many central bank laws may need to be modified.
  - **monetary law**: CBDC will become **true "currency"?**

- CBDC comes with **risks to financial integrity**, which **need to be understood and mitigated.**

Questions?

Thank you!