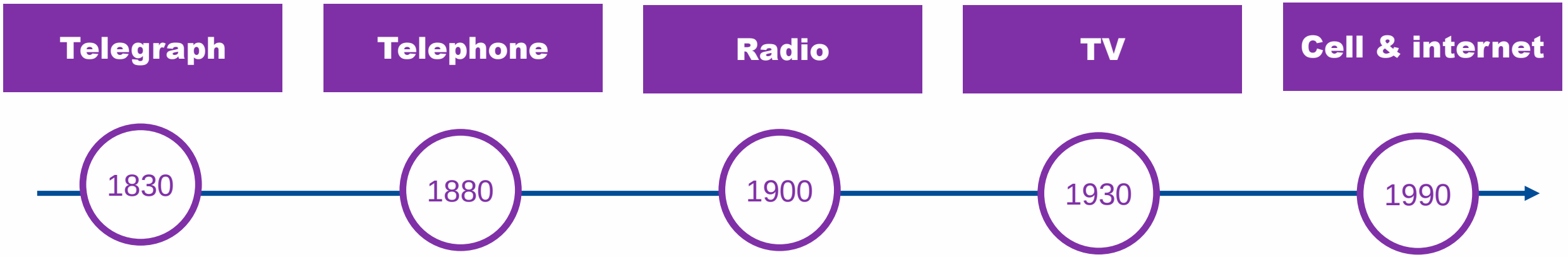
Digital Money & Assets: An Overview

NOVEMBER 15, 2023

Arif Ismail
Monetary and Capital Markets Department, IMF

What?

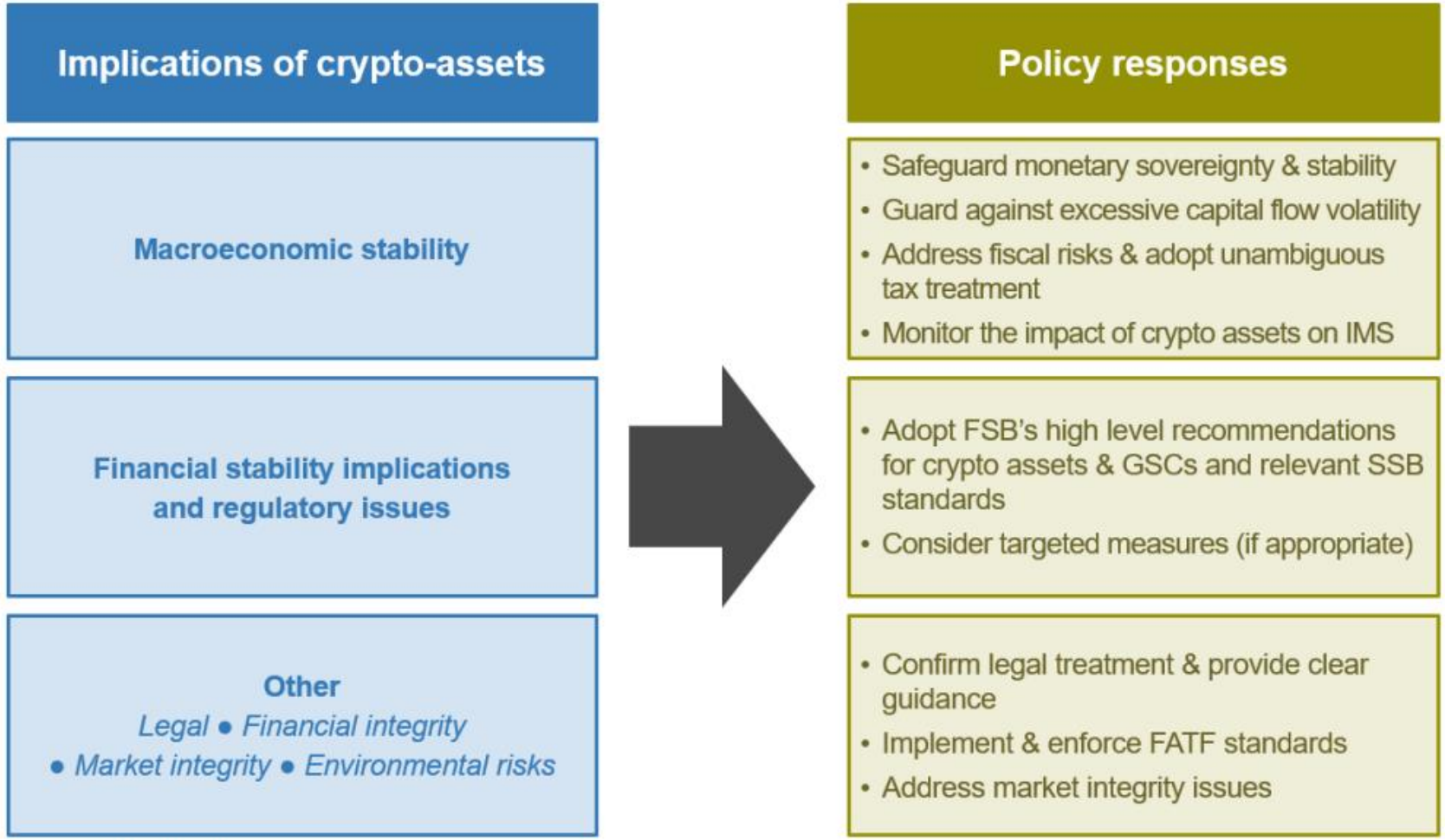
History moves in uneven steps



”Things take longer to happen than you think they will, and then they happen faster than you thought they could.”
— R. Dornbusch

Is “digital money” of equivalent caliber?

Potential macro & stability implications warrant attention



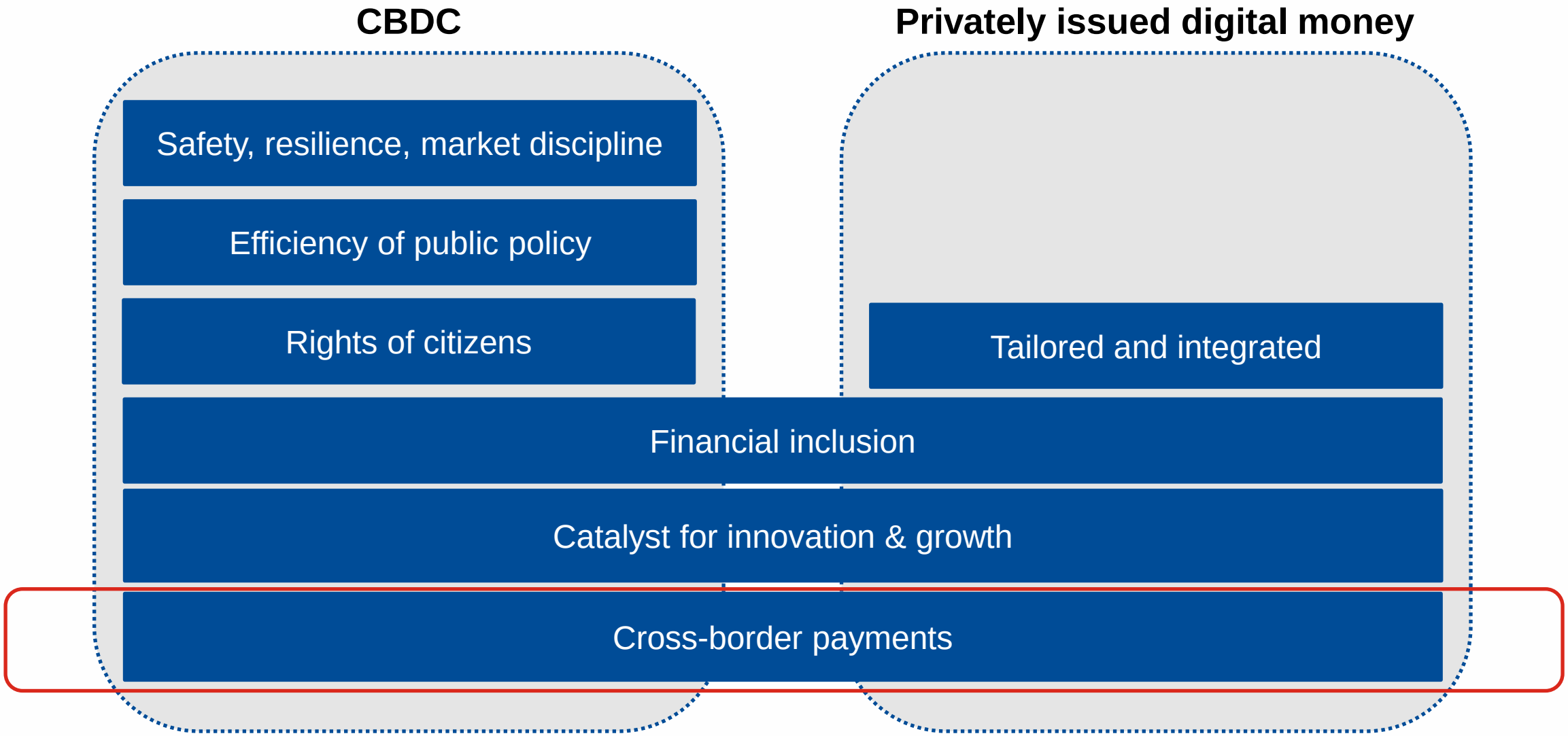
Source: IMF/FSB authors

Bank Deposits vs. Digital Money and Cryptoassets

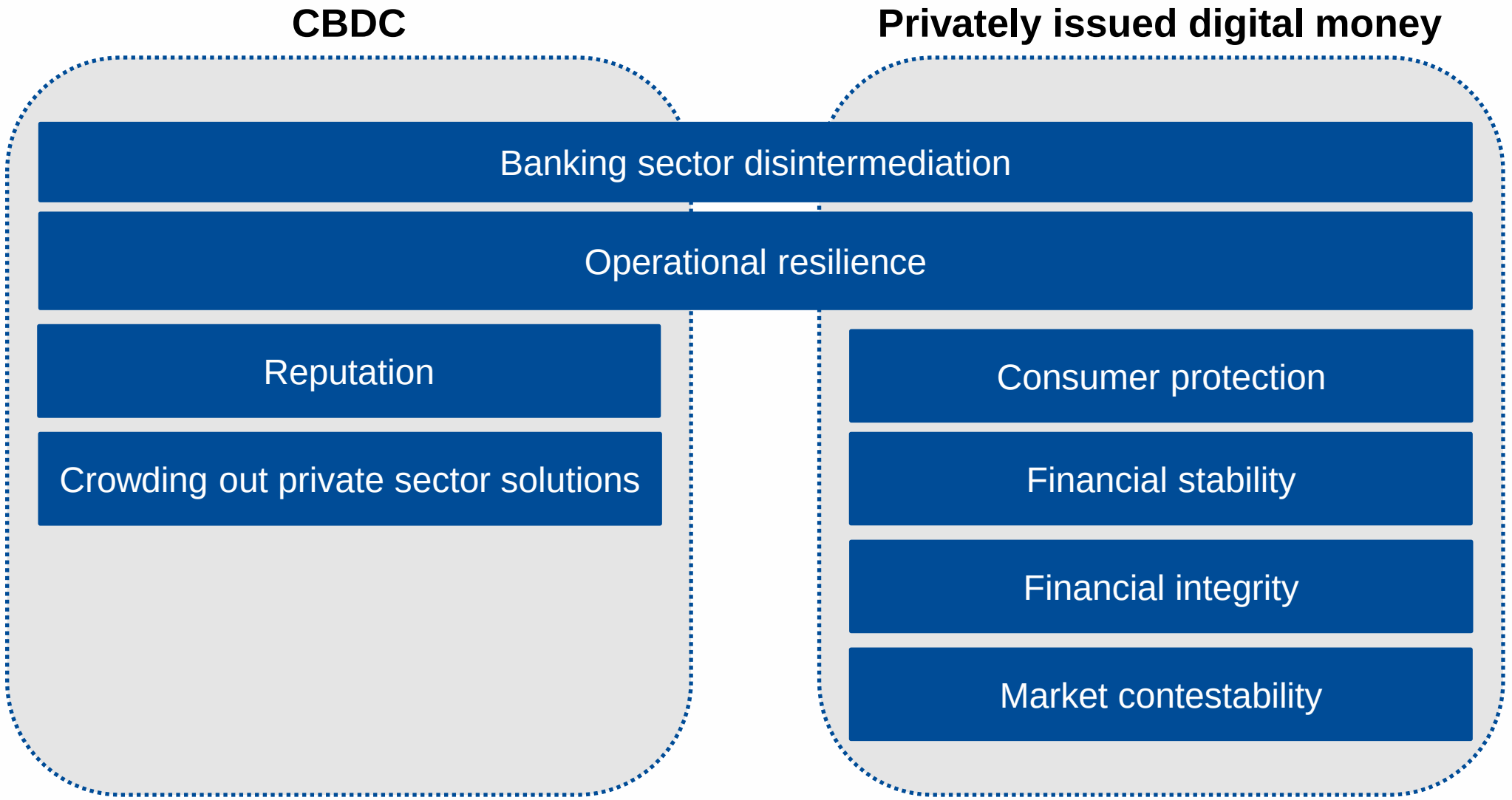
	Bank deposits	Private money: E-money	Private money: Stablecoins	Public money: CBDC	Not money: Crypto-assets
Denomination	National currency	Same as banks	Same as banks	Same as banks	Own
Redemption pledge	Fixed @ face value		Fixed / Flexible	None	None
Backstop	Government	Private	Private	None	None
Backing asset	Mixed	Safe & liquid	Safe / Varied	None	None

Why?

Digital money offers potential benefits…



… as well as risks…



… and wider policy challenges and opportunities

Domestic

- Privacy & data
- Legal frameworks & treatment
- Public – private partnerships
- Banking and credit provision
- Fiscal policy efficiency
- Climate

International

- Currency substitution
  Monetary policy independence, Control of financial conditions, FX regime
- Capital flow management & effects
- Payment fragmentation/ integration
- Digital divide
- Backstops and reserve currencies

How?

...prompting the discussion on data gaps

Addressing data gaps

Availability of data & its widespread access must be improved to facilitate policymaking.

- Data essential to better understand adoption, use patterns & implications (including for privacy protection & compliance with AML/CFT)
- Data should be collected across countries, and in a consistent manner, to evaluate for instance spillover effects, policy leakage, and currency substitution.

International data definitions & standards, and creation of efficient data sharing mechanisms are critical to address data gaps.

- Domestic data compilers have access to resident FI data through regulation. Data reporting must meet analytical and policy needs.
- Global nature of crypto assets poses limitations to national data compilers when their residents transact through foreign wallets or exchanges.
- To close the data gap international cooperation is required around data standards and sharing mechanisms.
- A global database of crypto asset holdings and transactions by the private nonfinancial sector would be ideal.

Some examples of data for crypto-assets

i. Volume of crypto asset holdings and type of holding (such as domestic or foreign registered wallets and hosted or self-custodied wallets).

ii. Number, median value, and type of transactions associated with crypto assets (including a breakdown between domestic and cross-border transactions, remittances, on-chain and off-chain transactions, as well as wash transactions).

iii. Currency denomination of crypto asset holdings and transactions.

iv. Crypto asset usage (for instance, separating investment and payment usage).

v. Entities involved in crypto asset transactions and costs associated with each type of entity and of transaction, including a breakdown among various cost drivers.

vi. Liquidity and transaction costs on crypto exchange platforms.

vii. Market concentration for the various services involved in the crypto asset ecosystem.

viii. Rate and cost of mining crypto assets, including energy consumption.

Thank you!