



World Economic Forum Debuts Framework for Central Bank Digital Currency

The World Economic Forum (WEF), along with some of the world's major central banks, created a central bank digital currency (CBDC) policymaker toolkit to guide authorities through the design (and control) over digital currency. The world's banks are getting very close to the ultimate cashless society using digital currency.

The World Economic Forum ([WEF](#)) – together with some of the world's major central banks – has created a central bank digital currency ([CBDC](#)) policymaker toolkit.

According to an [announcement](#) on Jan. 22, the [toolkit](#) is the WEF's attempt to help policy-makers understand whether deploying a CBDC would be advantageous and guide them through its design.

The WEF collaborated with regulators, central bank researchers, international organizations and experts from over 40 institutions to develop the framework. The head of blockchain and distributed ledger technology ([DLT](#)) at the World Economic Forum Sheila Warren explained:

“Given the critical roles central banks play in the global economy, any central bank digital currency implementation, including potentially with blockchain technology, will have a

profound impact domestically and internationally. [...] It is imperative that central banks proceed cautiously, with a rigorous analysis of the opportunities and challenges posed.”

Bank of Thailand Governor Veerathai Santiprabhob said that the institution made good progress on its own CBDC implementation, called Project Inthanon. Recently, [reports](#) started circulating that Hong Kong and Thailand’s central banks have stepped closer to implementing a joint CBDC for cross-border payments. He explained how the toolkit is useful for the continued development of the bank’s digital currency:

“From our experience, we need to identify tradeoffs between benefits from the use cases and their associated risks across different dimensions. This is where the Policymaker Toolkit could usefully provide an actionable framework for CBDC deployment.”

Central Bank of Bahrain Governor Rasheed M. Al Maraj announced that the institution that he is guiding will pilot the WEF’s toolkit, saying, “We hope that it will be an opportunity to learn, grow and to adapt to the changes in the Fourth Industrial Revolution.”

The pros and cons of a digital currency

The [framework](#) recognizes that a CBDC – among other things – can improve the cost and speed efficiencies of cross-border interbank payments, as well as reduce settlement and counterparty risks. The WEF notes that a digital currency can also enhance financial data transmission and reporting, and improve traceability compared to physical cash.

The paper admits that, before considering a CBDC, other solutions to economic friction should be considered. A digital currency may not add value in domestic interbank payments

where an efficient system is already present.

The toolkit also notes that digital currency implementation requires substantial investments in cybersecurity and system resilience, and that potential risks come along with it:

“Generates substantial financial risks, including: 1) bank disintermediation risk, which could reduce bank profits and lending activity; 2) digital-bank-run risk as depositors may rapidly convert commercial bank deposits to CBDC.”

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