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Foreword

Digitalization has been changing the way how people use money, globally reducing the share of cash in transactions in favour of cards and e-money solutions. Despite digital and electronic payment systems having become key payment means, these solutions have not challenged the architecture nor the nature of traditional monetary systems. While decentralized cryptocurrencies have failed in reaching scale, remaining a niche market, the potential development of stablecoins issued by large private corporations could rapidly transform the current monetary systems. In this context of growing digitalization of payments, the discussion around the introduction of a retail central bank digital currency (CBDC) has gained momentum. Theoretically, CBDC could produce great efficiency gains, encourage contestability in payment systems, and foster financial inclusion. Notwithstanding, benefits come together with new risks which need to be addressed by central banks. CBDC's underlying system could be differently designed – such as a two-layer system or one-layer system; token-based or account-based”, producing diversified issues and challenges. A set of risks lies in the possible negative effects on the banking industry, like the consequences of potential disintermediation, and in the operational and security challenges for central banks. Moreover, CBDCs raise concerns on the balance of power in society, potentially increasing the ability of governments to look into financial transactions, altering the anonymity that cash gives to citizens. Therefore, the development of CBDCs gives rise to several implications which blur the boundaries of the payment market, potentially transforming the core of the economy and society.

To shed some lights on the potential effects, risks and benefits around the development of CBDCs, the Istituto Affari Internazionali (IAI) has promoted, in partnership with Intesa Sanpaolo and with the support of Intesa Sanpaolo and Bank of Italy, a research effort by putting together a very qualified and diversified group of experts who for more than a year exchanged their views and research on different aspects of this innovation. The result is this book which, I believe, provides readers with an extremely useful tool to get interesting and manifold insights on CBDCs, raising several opened questions to policymakers and regulators.

