

WBA Comments of FRB Discussion Paper on Central Bank Digital Currency

In its comments on FRB's recent discussion paper on Central Bank Digital Currency (CBDC), WBA cautioned that the potential benefits at this time do not outweigh the risks presented to the financial sector. Proponents of a CBDC have discussed potential benefits such as promoting financial inclusion, yet WBA has found these prospects to be uncertain, given that nonbank participants are already suspicious of government involvement in the financial sector. WBA warned of more likely costs and disruptions to the financial sector presented by a CBDC. For example, certain deposits stand to be lost to CBDC, including investments such as money market funds, which could also restrict availability of credit. Because of these risks, while WBA did commend the noble goals of financial inclusion, comments warned of the heightened risk of strain a CBDC would place upon the financial sector.

**FRB requested comments in a survey format, thus no traditional comment letter was submitted by WBA*

FRB's discussion paper can be found here: https://www.federalreserve.gov/publications/files/money-and-payments-20220120.pdf?utm_source=eloqua&utm_medium=email&utm_campaign=newsbytes&utm_content=NEWSBYTES-20220419