

3.0 White Paper Analysis

[OMG Responses to Federal Reserve Discussion Paper](#)

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A breakdown of the **White Paper** discussion of a U.S. CBDC and the Desirements¹⁾ for that effort. Each Desirement is identified with the page number it is found on, its classification as a Benefit, Policy, Risks, Design, and a brief actionable statement.

Executive Summary

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The following is the **Executive Summary** provided in the [Money, and Payments: The U.S. Dollar in the Age of Digital Transformation^{2\)} White Paper](#):

For a nation's economy to function effectively, its citizens must have confidence in its money and payment services. The Federal Reserve, as the nation's central bank, works to maintain the public's confidence by fostering monetary stability, financial stability, and a safe and efficient payment system.

This paper is the first step in a public discussion between the Federal Reserve and stakeholders about [Central Bank Digital Currencies \(CBDCs\)](#). For this paper, a CBDC is defined as a digital liability of a central bank that is widely available to the general public. In this respect, it is analogous to a digital form of paper money. The paper has been designed to foster a broad and transparent public dialogue about CBDCs in general and about the potential benefits and risks of a U.S. CBDC. The paper is not intended to advance any specific policy outcome, nor is it intended to signal that the Federal Reserve will make any imminent decisions about the appropriateness of issuing a U.S. CBDC.

Preparation for Responses to the Request for Comments

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In order to provide answers to the 22 questions requested by the Federal Reserve in the [White Paper](#), it is important to summarize the rest of the content of the **White Paper** to help provide context for the questions in the White Paper and OMG's answers to these questions. The questions fall into two major categories:

- CBDC Benefits, Risks, and Policy Considerations
- CBDC Design

In order for the [Object Management Group \(OMG\)](#) to prepare responses to the questions in the **White Paper**, the OMG has taken a traditional Systems Engineering approach to understanding the problem by dissecting it into smaller, more manageable pieces based on the stated objectives outlined in the **White Paper**. We noted four major objectives:

- [Benefit Considerations](#)
- [Policy Considerations](#)
- [Risk Considerations](#)
- [Design Considerations](#)

Methodology

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The **White Paper** was read linearly (i.e., from top to bottom) with each statement classified as describing or providing: Background, Benefits, Policy Considerations, Risks, or Design. The sentences were copied into the appropriate table (e.g., Table 1, Benefits) in this White Paper Overview. Statements in the **White Paper** that provided Background were not transcribed into any table. This does not mean these Background statements were unimportant; they were used to provide definitions and context for the Benefits, Policy Considerations, Risks, or Design statements captured in the tables below.

Note: Some of the statements have been edited to allow them to be standalone and written in the form of an “action”. For future iterations, these statements need to be written as requirements. See: [Specifying Requirements](#) in the [Distributed Immutable Data Object - References Architecture \(DIDO-RA\)](#).

Benefit Considerations

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The following are the [U.S. CBDC Benefits](#) identified in the [White Paper](#):

Table 1: The Benefits identified in the **White Paper**

Desirement No.	Page No.	Desirement ³⁾
B0001	1	Provide benefits to households, businesses, and the overall economy that exceed any costs and risks
B0002	1	Yield such benefits more effectively than alternative methods
B0003	1	Complement, rather than replace, current forms of money and methods for providing financial services
B0004	2	Protect consumer privacy
B0005	2	Protect against criminal activity
B0006	2	Provide broad support from key stakeholders

Desirement No.	Page No.	Desirement³⁾
B0007	3	Provide households and businesses a convenient and electronic form of central bank money with: 1. safety 2. liquidity
B0008	3	Provide entrepreneurs a platform on which to create new financial products and services
B0009	3	Provide faster and cheaper payments (including cross-border payments)
B0010	3	Expand consumer access to the financial system
B0011	7	Make payments: 1. faster 2. cheaper 3. more convenient 4. more accessible
B0012	7	Provide payment services to households and businesses around the clock, every day of the year
B0013	7	Provide immediate access to transferred funds
B0014	7	Reduce costs and fees associated with certain types of payments
B0015	9	Reduce cross-border costs to benefit: 1. economic growth 2. enhance global commerce 3. improve international remittances 4. reduce inequality
B0016	11	Provide Stablecoins that are: 1. well-designed 2. appropriately regulated
B0017	9	Provide Stablecoins that are: 1. faster 2. more efficient 3. more inclusive payment
B0018	13	Allow the general public to make digital payments
B0019	13	Provide the safest digital asset available to the general public, with no: 1. associated credit 2. liquidity risk
B0020	13	Maintain public confidence by not requiring mechanisms, such as deposit insurance
B0021	13	Maintain value by not using backing by an underlying asset
B0022	13	Provide a CBDC that is: 1. Privacy-Protected 2. Intermediated 3. Widely Transferable 4. Identity-Verified
B0023	14	Create a liability to the Federal Reserve
B0024	14	Provide transactions finalized and completed in real time
B0025	14	Serve as a new foundation for the payment system
B0026	14	Provide a bridge between legacy and new payment services
B0027	14	Maintain the centrality of safe and trusted central bank money

Desirement No.	Page No.	Desirement³⁾
B0028	14	Offer the general public broad access to digital money: 1. free from credit risk 2. liquidity risk
B0029	14	Support basic purchases of: 1. goods 2. services 3. pay bills 4. pay taxes
B0030	14	Support benefit payments directly to citizens
B0031	14	Provide the general public broad access to digital money that is free from: 1. credit risk 2. liquidity risk
B0032	14	Provide a programmable CBDC
B0033	15	Support a level playing field in payment innovation for private-sector firms of all sizes
B0034	15	Generate new capabilities to meet the speed and efficiency requirements of the digital economy
B0035	15	Streamline cross-border payments by using: 1. new technologies 2. introducing simplified distribution channels 3. creating additional opportunities for cross-jurisdictional collaboration and interoperability
B0036	15	Preserve the dominant international role of the U.S. dollar
B0037	15	Support private-sector innovation
B0038	15	Allow private-sector innovators to focus on: 1. new access services 2. distribution methods 3. related service offerings
B0039	15	Provide a programmable CBDC to deliver payments at certain times
B0040	15	Provide micropayment support
B0041	15	Support streamlining cross-border payments
B0042	15	Preserve the dominant international role of the U.S. dollar
B0043	16	Promoting financial inclusion—particularly for economically vulnerable households and communities
B0044	16	Facilitate access to digital payments
B0045	16	Enable rapid and cost-effective payment of taxes
B0046	16	Enable rapid and cost-effective delivery of: 1. wages 2. tax refunds 3. other federal payments
B0047	16	Lower transaction costs
B0048	16	Provide a secure way for people to save
B0049	16	Promote access to credit
B0050	16	Extend Public Access to Safe Central Bank Money

Desirement No.	Page No.	Desirement ³⁾
B0051	19	Generate data about users' financial transactions similar to the current Commercial Bank ⁴⁾ and Nonbank Money
B0052	19	Prevent Financial money laundering crimes
B0053	20	Provide resiliency to threats to existing payment services—including: 1. operational disruptions 2. cybersecurity risks
B0054	19	Attract risk-averse users to CBDC

Policy Considerations

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The following are the [U.S. CBDC Policy Considerations](#) identified in the [White Paper](#):

Table 2: The Policy Considerations identified in the **White Paper**

Desirement No.	Page No.	Desirement
P0001	1	Provide benefits to households, businesses, and the overall economy that exceed any 1. costs 2. risks
P0002	1	Provide Yield benefits more effectively than alternative methods
P0003	1	Complement current forms of money and methods for providing financial services
P0004	2	Protect consumer privacy
P0005	2	Protect against criminal activity
P0006	2	Garner broad support from key stakeholders
P0007	2	Be policy outcome neutral (i.e., not advancing a specific policy outcome)
P0008	2	Have a neutral position on the ultimate desirability of a U.S. CBDC
P0009	3	CBDC would be a liability of the Federal Reserve, not of a commercial bank
P0010	3	CBDC would be a liability not of a commercial bank ⁵⁾
P0011	3	The Federal Reserve does not intend to proceed with the issuance of a CBDC without clear support from: 1. The Executive Branch 2. The Legislative Branch 3. ideally in the form of a specific authorizing law
P0012	7	The firms that operate interbank payment services are subject to federal supervision
P0013	7	Systemically important payment firms are subject to 1. heightened supervision 2. regulation
P0014	12	The PWG report highlights gaps in the authority of regulators to reduce these risks
P0015	12	The PWG report recommends that Congress act promptly to enact legislation that would ensure payment Stablecoins

Desirement No.	Page No.	Desirement
P0016	12	The PWG report recommends payment Stablecoin arrangements are subject to a consistent and comprehensive federal regulatory framework
P0017	12	The PWG report recommends CBDC complement existing authorities Regarding: 1. market integrity 2. investor protection 3. illicit finance
P0018	13	The Federal Reserve Act does not authorize direct Federal Reserve accounts for individuals
P0019	13	Federal Reserve accounts for individuals represent a significant expansion of the Federal Reserve’s role in the financial system and the economy
P0020	13	The private sector would offer accounts or digital wallets to facilitate the management of CBDC holdings and payments
P0021	13	The intermediaries would operate in an open market for CBDC services
P0022	14	CBDC itself would be a liability of the Federal Reserve
P0023	14	CBDC would need to be readily transferable between customers of different intermediaries
P0024	14	CBDC would need to comply with the U.S. robust rules
P0025	14	CBDC intermediary would need to verify the identity of a person accessing CBDC
P0026	14	CBDC transactions would need to be final and completed in real-time
P0027	14	CBDC a risk-free asset
P0028	15	Require significant international coordination to address issues such as: 1. common standards 2. infrastructure, 3. the types of intermediaries able to access any new infrastructure, 4. legal frameworks 5. preventing illicit transactions 6. the cost and timing of implementation
P0029	16	The Federal Reserve is committed to ensuring the continued safety and availability of cash
P0030	21	The Federal Reserve will only take further steps toward developing a CBDC if: 1. Research points to benefits for households, businesses, and the economy overall that exceed the downside risks 2. Indicates that CBDC is superior to alternative methods
P0031	21	The Federal Reserve would only pursue a CBDC in the context of broad public and cross-governmental support

Risk Considerations

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The following are the [U.S. CBDC Risks](#) identified in the [White Paper](#):

Table 3: The Risks identified in the **White Paper**

Desirement No.	Page No.	Desirement
R0001	3	Risk of affecting financial-sector market structure
R0002	3	Risk to the cost and availability of credit
R0003	3	Risk to the safety and stability of the financial system
R0004	3	Risk to the efficacy of monetary policy
R0005	7	New payment services could pose Risks to: 1. financial stability 2. payment system integrity 3. other Risks
R0006	8	Risk of extreme price volatility
R0007	8	Risk CBDC is difficult to use without service providers
R0008	8	Risk of severe limitations on transaction throughput
R0009	8	Increased Risk of “runs” or other instabilities to the financial system
R0010	11	CBDC has Risk of significant energy footprint similar to Cryptocurrencies
R0011	11	Increased Risk to consumer's vulnerability to: 1. loss 2. theft 3. fraud
R0012	12	Risk of increased concern related to the potential for: 1. destabilizing “runs” 2. disruptions in the payment system 3. concentration of economic power
R0013	13	CBDC offers no associated credit or liquidity Risk
R0014	13	Risk of not achieving an appropriate balance between safeguarding the privacy rights of consumers and affording the transparency necessary to deter criminal activity
R0015	14	Require mechanisms to reduce liquidity Risk
R0016	14	Require mechanisms to reduce credit Risk
R0017	15	Using private digital money could present Risks to both individual users and the financial system as a whole
R0018	17	Risk a CBDC could fundamentally change the structure of the U.S. financial system, altering the private sector and central bank: 1. roles 2. responsibilities
R0019	17	Risk of reducing the aggregate amount of deposits in the banking system, which could in turn increase bank funding expenses, and reduce credit availability or raise credit costs for households and businesses.
R0020	17	Risk that interest-bearing CBDC could result in a shift away from other low-risk assets, such as shares in money market mutual funds, Treasury bills, and other short-term instruments.
R0021	17	Risk of reducing credit availability or raising credit costs for businesses and governments
R0022	17	Risk of Stablecoins and other types of nonbank money shifting deposits away from banks even without a CBDC

Desirement No.	Page No.	Desirement
R0023	17	Risk of financial panic causing outflows from Commercial Banks to CBDC without prudential supervision, government deposit insurance, and access to central bank liquidity

Design Considerations

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Table 4: The Designs identified in the **White Paper**

Desirement No.	Page No.	Desirement
D0001	17	Design should be for a non-interest-bearing CBDC, for example, would be less attractive as a substitute for commercial bank money
D0002	17	Design should allow the central bank to limit the amount of CBDC an end-user could hold
D0003	18	Design should allow a limit on the amount of CBDC an end-user could accumulate over short periods
D0004	18	Design should influence how the Federal Reserve might affect monetary policy
D0005	18	Design could affect monetary policy implementation and interest rate control by altering the supply of reserves in the banking system
D0006	18	Design should allow an increase in CBDC supply to provide an adequate buffer, so there is little effect on the federal funds rate
D0007	18	Design should allow the Federal Reserve to increase the level of reserves on average, in order to provide an adequate buffer against unanticipated increases in CBDC
D0008	18	Design should allow for interest-bearing at levels of the CBDC to be controlled independently of other safe assets
D0009	18	Design should allow for significant foreign demand for CBDC, further complicating monetary policy implementation
D0010	18	Design should consider the potential for interest-bearing CBDC as a new policy tool on the channels of influence in monetary policy
D0011	19	Design should generate data about users' financial transactions in the same ways that commercial bank and nonbank money generates data today
D0012	19	Design should address privacy concerns by leveraging existing tools already in use by intermediaries
D0013	19	Design should facilitate compliance with a robust set of rules already intended to combat <ol style="list-style-type: none"> 1. money laundering 2. the financing of terrorism 3. customer due diligence 4. record-keeping 5. reporting requirements

Desirement No.	Page No.	Desirement
D0014	20	Design should involve private-sector partners with established programs to help ensure compliance with existing rules
D0015	20	Design should include any dedicated infrastructure required to provide resilience to threats such as operational disruptions and cybersecurity risks
D0016	20	Design should include offline capabilities to help with the operational resilience of the payment system
D0017	20	Design should include digital payments in areas suffering from large disruption, such as natural disasters

1)

Desirement is a blended word combining the word **Desire** and **Requirement**. **Desirement** is something desired but not absolutely required and is often used to caption the capabilities of a product or system before it has reached the formal requirements phase. Source: [Desirement](#)

2)

Board of Governors, The Federal Reserve System, January 2022, Accessed: 5 May 2022, <https://www.federalreserve.gov/publications/files/money-and-payments-20220120.pdf>

3)

Desirement is a blended word combining the word **Desire** and **Requirement**. **Desirement** is something that is desired but not absolutely required and is often used to caption the capabilities of a product or system before it has reached the formal requirements phase. Source: [Desirement](#)

4)

Commercial banks include banks licensed either by federal or state banking agencies, credit unions, and thrifts from the **White Paper**.

5)

Commercial banks include banks licensed either by federal or state banking agencies, credit unions, and thrifts from the **White Paper**.

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