5.0 Questions and Responses

The actual OMG's CBDC WG response to the 22 direct questions posed in the White Paper. These are linked to other sections of the OMG's CBDC WG response such as the Common Elements and also other questions. The OMG's CBDC WG responded to all the questions, however, a few were felt to be beyond the scope of what the OMG's CBDC WG members could respond to.

Overview

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The Federal Reserve posted a white paper in January 2022. The white paper requested comments on 22 questions posted in the Money and Payments: The U.S. Dollar in the Age of Digital Transformation. The following discussion follows the original outlined provided in the White Paper. The questions are divided into two broad categories:

- Benefits, Risks, and Policy Considerations
- Design

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The following sections are the responses to the questions posed in the Object Management Group (OMG)'s CBDC WG White Paper Analysis.

- 5.1 Benefits, Risks, and Policy Considerations
  - Question: 01. What additional potential benefits, policy considerations, or risks of a CBDC may exist that have not been raised in this paper?
    - sub-Q1: Benefits
    - sub-Q2: Policies
    - sub-Q3: Risks
  - Question: 02. Could some or all of the potential benefits of a CBDC be better achieved in a different way?
  - Question: 03. Could a CBDC affect financial inclusion? Would the net effect be positive or negative for inclusion?
  - Question: 04. How might a U.S. CBDC affect the Federal Reserve’s ability to effectively
implement monetary policy in the pursuit of its maximum-employment and price-stability goals?

- Question: How could a CBDC affect financial stability? Would the net effect be positive or negative for stability?
- Question: Could a CBDC adversely affect the financial sector? How might a CBDC affect the financial sector differently from stablecoins or other nonbank money?
- Question: What tools could be considered to mitigate any adverse impact of CBDC on the financial sector? Would some of these tools diminish the potential benefits of a CBDC?
- Question: If cash usage declines, is it important to preserve the general public’s access to a form of central bank money that can be used widely for payments?
- Question: How might domestic and cross-border digital payments evolve in the absence of a U.S. CBDC?
- Question: How should decisions by other large economy nations to issue CBDCs influence the decision whether the United States should do so?
- Question: Are there additional ways to manage potential risks associated with CBDC that were not raised in this paper?
  - 1. Risk of a Software Crisis
  - 2. Risk of Lack of Stakeholder Buy-In
  - 3. Risk Due to Poor Community of Interest (CoI) Governance
  - 4. Risk Due to lack of Broad, Wide-Ranging Security Planning
  - 5. Risk of Data being hacked due to weak Security Infrastructure
  - 6. Risk of Meta-Data being hacked due to weak Security Infrastructure
  - 7. Risk of Business Processes Being Hacked
  - 8. Risk of competing Currency Models for the CBDC
- Question: How could a CBDC provide privacy to consumers without providing complete anonymity and facilitating illicit financial activity?
- Question: How could a CBDC be designed to foster operational and cyber resiliency? What operational or cyber risks might be unavoidable?
  - 1. How could a CBDC be designed to foster operational and cyber resiliency?
    - a) Operational Resiliency
    - b) Cyber Resiliency
  - 2. What operational or cyber risks might be unavoidable?
- Question: Should a CBDC be legal tender?

5.2 Design

- Question: Should a CBDC pay interest? If so, why and how? If not, why not?
- Question: Should the amount of CBDC held by a single end user be subject to quantity limits?
- Question: What types of firms should serve as intermediaries for CBDC? What should be the role and regulatory structure for these intermediaries?
- Question: Should a CBDC have “offline” capabilities? If so, how might that be achieved?
- Question: Should a CBDC be designed to maximize ease of use and acceptance at the point of sale? If so, how?
- Question: How could a CBDC be designed to achieve transferability across multiple payment platforms? Would new technology or technical standards be needed?
- Question: How might future technological innovations affect design and policy choices related to CBDC?
Question: 22. Are there additional design principles that should be considered? Are there tradeoffs around any of the identified design principles, especially in trying to achieve the potential benefits of a CBDC?