



## CENTRAL BANK DIGITAL CURRENCY EXPERIMENTS WITH THE BANQUE DE FRANCE: CALL FOR APPLICATIONS

The Banque de France is calling for applications to experiment with the use of a digital euro issued for interbank settlements. The aim is to explore the potentialities offered by the technology, and to identify concrete cases integrating central bank digital currency (CBDC) in innovative procedures for the clearing and settlement of tokenised financial assets.

### 1. Why an experimental programme on a central bank digital currency?

Central bank money, which is the currency directly issued by the central bank, is a liquid and safe reference settlement asset. Nowadays and around the world, central bank money takes two forms: bank notes and coins on the one hand; and on the other, by the other deposits made by commercial banks in the accounts they hold with the central bank.

The challenge of these experiments is not to replace these two existing forms of central money, but to identify how innovative technologies could improve the efficiency and fluidity of payment systems and financial infrastructures, allowing a better financial sector to ensure the smooth financing of the economy.

A number of private initiatives have already proposed new digital channels and modes of exchange, especially in Europe, to improve the functioning of market infrastructures. These projects are focus on the creation and circulation of digital tokens, which aim to replace cash or to represent financial instruments. They are part of a fundamental trend characterised by the emergence of new forms of digital assets: “utility tokens”, “security tokens”, “stable coins” are all new concepts that invite financial authorities to examine the opportunities, risks and other associated issues. It is in this context that central bank money, used to ensure the security of settlements on financial markets, has a role to play.

### 2. What lessons can we learn?

This experimentation programme will have a threefold objective:

- show how "traditional" interbank settlement could be carried out using CBDC based on different technologies;
- identify the benefits of CBDC for the current ecosystem of market and payment infrastructures (including productivity gains) and understand how CBDC could foster financial innovation;
- analyse what the effects of introducing a CBDC would be on financial stability, monetary policy and the regulatory environment.

Note that the Banque de France will not create money in the framework of this programme.

### 3. Contribute to a European project, standing the test of time

The results of these experiments will be a key element of the Banque de France’s contribution to a broader reflection conducted by the Eurosystem on the potential implementations of a CBDC. Indeed, any decision to create a CBDC is matter for the Eurosystem. Consequently, the Banque de France does not intend to perpetuate or conduct such experiments on a widespread basis.



The Banque de France sees this call for applications as the first phase of a more comprehensive programme of experimentation on CDBC.

#### 4. Open selection criteria and a safe experimentation framework

The selection criteria will allow for a maximum of 10 applications to be chosen (each application can include one or more experiments). Applications can be either individual or from a group.

Applicants will have a high degree of flexibility in defining their projects:

- The Banque de France does not impose any specific technology, but an innovative nature will be a selection criterion.
- A wide range of business lines will be involved in the experimentation process, since it could cover one or more uses of “wholesale” central bank money: delivery versus payment of listed or unlisted securities, payment versus payment with other central bank digital currencies or other digital assets.

A legal framework will ensure both the confidentiality of exchanges during the selection phase and the confidentiality and intellectual property of both the Banque de France and the applicants throughout the experimentation process.

#### 5. Timetable

Submission deadline for digital applications: 15 May 2020 at 3pm. (CET)

Interviews with applicants submitting eligible applications: June 2020

Selection of applications: 10 July 2020

