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CCAMTAC Regional Webinar

"IMF FinTech Note: Evaluating the Implications of CBDC for Financial Stability"

September 23, 2025

Introduction and Moderation:

Ms. Aliya Uskenbayeva, Economist, CCAMTAC

Presenters:

Ms. Jeanne Verrier, Economist, Monetary and Capital Markets Department, IMF

Mr. German Villegas Baur, Economist, Research Department, IMF

Intervention:

Ms. Mariam Kharaishvili, Head of Financial Stability Analysis and Macro financial Modeling Division, National Bank of Georgia

Central Bank Digital Currency (CBDC) development has gained momentum globally, as central banks explore the possibilities of issuing digital forms of sovereign money. Driven by rapid advances in technology and evolving financial landscapes, CBDCs aim to offer a secure, efficient, and inclusive means of payment that complements existing cash and digital solutions. Many countries are experimenting with pilot projects to assess technical feasibility, policy implications, and potential impacts on monetary policy, financial stability, and payment systems. As research and experimentation continue, CBDC development remains a dynamic field at the intersection of finance, technology, and public policy. As a response to member countries' requests, IMF released its FinTech note on implications of CBDC for financial stability.

In the first part of the presentation of IMF Fintech Note, German Villegas Baur explained six main transmission channels through which CBDCs could impact financial stability. CBDCs may trigger bank deposit outflows, forcing banks to rely more on costly, less stable wholesale funding and potentially raise deposit rates depending on market competitiveness (Liability Channel). Banks might respond by shrinking assets, shifting toward riskier investments, and increasing lending rates, possibly reducing credit availability (Asset Channel). Reduced deposits also lower fee income and cross-selling opportunities due to diminished checking account use (Fees Channel). As safe assets, CBDCs could heighten the risk and severity of bank runs during crises by encouraging flight to safety but may also help contain funds domestically and reduce currency crisis risks (Bank Runs Channel). Deposit outflows could diminish borrower data availability, increasing lending risk, though CBDCs offer policymakers real-time transaction insights that can enhance policy effectiveness and compliance, especially if programmable (Information Channel). Lastly, CBDCs can boost competition in retail payments by enabling interoperability, lowering market dominance, broadening participants, enhancing operational resilience, and serving as a public infrastructure backup to traditional payment systems (Competition Channel). The channels interact and are interrelated rather than independent.

Introduction of CBDCs might reduce weaker banks' profitability, causing short-term instability that could decline over time as market adjustments occur. Importantly, reduced profitability does not automatically imply insolvency or financial instability.

Jeanne Verrier reviewed literature on CBDC impacts on financial stability, noting most studies focus on liability and asset channels using theoretical models and simulations due to limited historical data. Research mainly examines banking sector profitability in advanced economies, with emerging markets gaining attention. Other channels, such as bank runs and fee impacts, are less explored and mostly theoretical. Comparing studies is difficult because of differences in data, country contexts, and definitions. Findings suggest that under plausible scenarios (like a 10% deposit shift), CBDCs have limited effects on financial stability, though extreme cases show greater impacts. Country-specific factors—such as deposit market competition and access to alternative funding—moderate these effects. Verrier highlighted three model types: simple balance sheet analyses, agent-based financial models, and macroeconomic general equilibrium models, each with its own trade-offs. She stressed the need for practical guidance, including local data collection and assessing CBDC design choices—such as scalability, security, resilience, distribution model, and policy goals. Balancing CBDC adoption and financial stability requires trade-offs in remuneration rates and holding caps, which may be adjusted for different user groups or during stress periods. Implementation is challenging due to data requirements, evolving user responses, and wide variation in holding limits across studies.

Mariam Kharaishvili outlined their ongoing CBDC exploration focused on enhancing payment efficiency and financial inclusion through the "Digital Lari" pilot, developed in partnership with Ripple. Although CBDC development is early-stage, the NBG views it as a secure, interoperable alternative payment system with limited financial stability risks, which may also help reduce financial dollarization—a major challenge for Georgia. While recognizing potential risks like systemic issues and financial disintermediation, the NBG believes benefits outweigh them and stresses that practical assessment of risks will evolve as experience grows.

During the Q&A session participants of the webinar inquired about: (i) costs and resources associated with CBDC development, (ii) the impact of CBDC on bank lending and potential role of commercial banks in the changing digital landscape, (iii) correlation between the pace of CBDC adoption and risks to financial stability, and (iv) trade-offs between promoting financial inclusion and preserving financial stability when designing CBDC.