US Monetary Policy Forum

Central Bank Digital Currencies
February 18th, 2022
Should the US issue a central bank digital currency?
About me

CEO, Post House Capital

Founded and led, Square Financial Services
a new FDIC chartered bank.

Boards
Nubank, Affirm, Pershing Square Tontine Holdings,
Alibaba Group, Endeavor Group

Author
Self Made Boss (March 29 launch)
Deeply involved with underserved communities

Carolyn Hart, CMT
@carolynhartCMT
@Square for years you have helped my small business thrive. I’m ugly crying this morning because you offered me so much support as I applied for #PPP via Square Capital. Thank you for helping my #soleproprietorship survive these difficult days 😢

wendy rinehart
@tropicaltrends
@mcuban thank you for encouraging us to apply for the PPP. We were approved within just a few hours. Using Square was brilliant. THANK YOU

Brent Ott
@oup
HUGE credit where due to @Square @jackiereses @jack.. Easy PPP loan process, @SBAgov approval and funding in ONE DAY. May not be huge $ to big business (@RuthsChris 😢) but to me and wife’s TRUE #SmallBiz means the WORLD! @stevenmnuchin1 $SO is amazing! 💜 #shopsmall
China’s move from blockchain research to launch

- **2014**: PBOC establishes Blockchain Research Institute
- **2015**: PBOC plans to launch its own digital currency
- **2016**: China’s Central Bank completes digital currency trial on blockchain
- **2017**: China plans to end the anonymity of cash
- **2018**: China to develop centralized Crypto, protects Yuan against non-state digital currency
- **2019**: Digital Yuan’s backend development complete says Chinese official
- **2020**: Fed Reserve is researching DLT-based digital dollar, says governor
- **2021**: Governor Brainard says Fed is conducting e-money tests for research
- **2022**: US Fed chair says private entities should not help design central bank digital currencies
- **2022**: Fed launch white paper soliciting feedback on a CBDC

- **2014**: China’s Central Bank completes digital currency trial on blockchain
- **2017**: China’s digital Yuan gets first big test via tech giant Didi
- **2018**: China’s central bank says it has completed ‘top level’ design of digital currency
- **2019**: Starbucks, McDonald’s amount 19 firms to test China’s digital Yuan
- **2020**: Chinese state-owned bank offers test interface for PBoC Central Bank Digital Currency
- **2021**: China plans to test digital Yuan on food delivery giant’s platform
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Any good product manager understands how to build a roadmap.
What is the job to be done?

Enable a *store of value* to be used in transactions anywhere, anytime.
Define the job to be done.

Build execution team for core product, customer feedback incorporated, product strategy and scope defined.

Launch product, test primary use case, watch product market fit.

Expand distribution.
What we need to build:
Technology that can move digital dollars around the world in real time.
Payment flow

The figure below illustrates a completed payment over the FedNow Service.

Sender → Sender's financial institution → FedNow Service Reserve Banks → Receiver's financial institution → Receiver

Within seconds
FedNow rails enable international transfers through intermediaries.
Is the remittance market use case being met?
Market share of international Fx transactions by currency

As Emerging Markets currencies take a larger share in international FX transactions, what percentage of those EM countries have been deepening their relationships with China?
Thank you