



Central Bank Digital Currencies: Threat or Opportunity?

Conference

Organizer: Brunello Rosa and Jean-Pierre Zigrand

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*Systemic Risk Centre Conference – London School of Economics, 28 October 2022
Organised by Brunello Rosa (Rosa & Roubini Associates, Bocconi University) and Jean-Pierre Zigrand (LSE)*

On Friday 28 October 2022, the Systemic Risk Centre at the London School of Economics hosted a half-day conference on the future of central bank digital currencies (CBDCs). Convened by Brunello Rosa and Jean-Pierre Zigrand, the event gathered central bankers, academics, policymakers, and industry voices to ask whether CBDCs represent an opportunity for innovation or a threat to financial stability. Discussions spanned the technical origins of digital money, the geopolitical race for monetary influence, the policy dilemmas facing central banks, and the potential impact on banks, payments, and global standards.

From Crypto to Sovereign Digital Money

Paul Sisset (SMD Group) traced the lineage of CBDCs back to the 2008 Bitcoin white paper, explaining how proof-of-work and programmed scarcity gave digital assets intrinsic value. He described how stablecoins evolved with collateralised or algorithmic models and argued that these innovations laid the foundations for sovereign digital money. Unlike cryptocurrencies or stablecoins, however, CBDCs are direct liabilities of the state—digital cash with sovereign backing. Sisset stressed seven design principles he believes must underpin CBDC architecture: resilience, reliability, scalability, privacy, resistance to abuse, self-sovereignty of identity, and a distributed foundation.

Motivations and Geopolitics

Brunello Rosa argued that CBDCs are about far more than replacing cash or improving efficiency: they are about preserving monetary sovereignty in a digital era. He placed them within a wider geopolitical struggle, pointing to China's accelerated rollout of the e-CNY, the weakening of the U.S. dollar in bilateral trade, and debates in Washington over stablecoin regulation. Rosa suggested that CBDCs are becoming instruments in a new "three-legged Cold War" between the U.S. and China—encompassing trade, technology, and supply chains—where the contest for control of money could be decisive.

Design and Policy Choices and Central Banks' Trade-Offs

Cyril Monnet (University of Bern) defined CBDCs as "digital liabilities of central banks available to non-banks" and explored their design dilemmas: retail vs wholesale issuance, direct vs intermediated access, and above all, privacy vs compliance. He underlined that

privacy concerns dominate surveys on the digital euro, but that CBDCs could also enable more efficient digital markets if designed to allow selective data sharing.

Piero Cipollone (then Deputy Governor of the Bank of Italy) highlighted the delicate balancing act facing central banks. Doing nothing risks leaving the field to private actors—stablecoins or big tech platforms—while moving too quickly risks destabilising bank intermediation. He suggested public-private partnerships, distribution via commercial banks, and tools like holding limits and tiered interest rates to mitigate risks.

Impacts on the Banking and Payments Industry

A lively panel featuring Tony Craddock (The Payments Association), Kunal Jhanji (Boston Consulting Group), and Igor Makarov (LSE) examined how CBDCs might reshape payments and banking. Craddock compared stablecoins to the rise of e-money in the early 2000s, calling them the natural successor and urging regulators to craft frameworks that recognise their potential. He coined the expression “s-money” to signify this momentous shift. Makarov emphasised the double-edged nature of CBDCs: while they could make payments cheaper and monetary policy transmission more direct, they could also compete with deposits, threaten bank stability, and create “flight-to-safety” risks in times of stress.

Governance, Standards, and Monetary Stability

Closing the sessions, Hyun Song Shin (Bank for International Settlements) stressed that the ultimate question is not whether CBDCs will exist, but how they will be governed. Tokenisation and decentralisation can expand contractual and economic possibilities, but CBDCs must run on permissioned platforms linking transactions to legal identities to ensure accountability. Who sets these standards—central banks, governments, or international institutions—will determine how far CBDCs reshape both domestic monetary systems and cross-border payments.

Takeaways

By the close, consensus emerged that CBDCs are not a minor upgrade to payment systems but rather a potential rewiring of the monetary order. They sit at the intersection of technology, finance, and geopolitics, forcing a re-examination of the role of central banks, the structure of banking, and the future of money itself. Their trajectory will depend on the balance struck between innovation and stability, privacy and compliance, national sovereignty and international coordination.

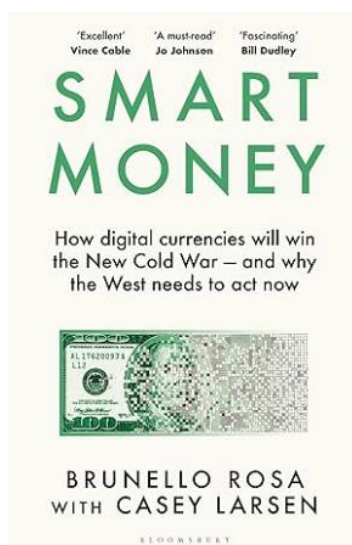


The Conference in Retrospect (2025)

Looking back, this 2022 forum stands out as an inflection point in the debate over digital money. At the time, CBDCs were largely experimental; today, dozens of pilots are underway, stablecoin volumes exceed \$12 trillion annually, and questions once hypothetical have become urgent design choices.

From Prediction to Reality

The discussions about privacy, governance, and financial intermediation that dominated the conference now underpin policy frameworks in Europe, the U.S., and Asia. Tiered interest rates, holding limits, and hybrid distribution models—once only speculative—are actively being tested in major economies.



Geopolitical Stakes Confirmed

Brunello Rosa’s warning about a “new Cold War” of monetary architecture has become strikingly relevant. China continues to scale its e-CNY, while the U.S. has leaned into a private-sector-led model under its stablecoin legislation. The war in Ukraine, shifts in supply chains, and sanctions policy have further underscored the importance of sovereign-controlled payment rails. This has been widely discussed in the book “Smart Money – How digital currencies will shape the new world order” written with Casey Larsen.

Stablecoins and Parallel Innovation

Tony Craddock's insistence that stablecoins represented the natural evolution of e-money has been borne out. Far from being marginalised, they now operate alongside CBDCs as complementary tracks of innovation, each forcing regulators to adapt frameworks for collateral, AML, and consumer protection.

Why It Matters Today

The central question posed in 2022—threat or opportunity?—remains unresolved, but the stakes are clearer. CBDCs have moved from theory to implementation, and their interaction with stablecoins, tokenised securities, and cross-border systems is reshaping finance. For Rosa & Roubini Associates, this event was not only prescient but foundational, helping frame the complex interplay of technology, sovereignty, and geopolitics that now defines the digital asset landscape.