

# Safe accounts, e-krona and CBDC

*Ons Geld proses the introduction of [personal safe accounts](#). How do safe accounts relate to e-krona and central bank digital currency (CBDC)?*

## **Safe accounts are positioned as an alternative to bank accounts, not to cash**

The issue behind safe accounts is not that cash is disappearing in retail payments. The issue is that the public should have the option to hold money in an account, without funding any bank.

Safe accounts question the very essence of the privilege that banks enjoy; *funding their business with the savings of the public* (without complying to prospectus requirements). This raises fundamental questions like: what is the merit of this privilege and isn't it immoral to not offer the public a convenient alternative? Parliament in the Netherlands was unanimous in that the public should have an alternative. This is now confirmed by the Scientific Council for Government Policy.

## **Safe accounts are outside of the central bank, to separate supervision and implementation.**

Here is our position in that regard:

*The Dutch National Bank (DNB) could also issue safe accounts itself. We do not support that, though. Implementation and supervision would then be conducted by one and the same institution and be withdrawn from democratic control. Introduction of the safe account concerns market regulation, which is the responsibility of the legislator, not of the central bank. Still, introduction and regulation of the safe account must happen in good coordination with and under the supervision of the central bank (DNB and ECB).*

Both Riksbank and BoE are under national jurisdiction. The ECB is outside national jurisdictions. That makes it important for eurozone Member States to be strict about the limits of the exclusive competence of the ECB/ESCB. Both CBDC and e-krona are positioned within that competence. CBDC is a new instrument for monetary policy and e-krona is a substitute for notes and coins. Safe accounts offered by a public depository are basically beyond the exclusive competences of the central bank.

## **Safe accounts make way for political involvement**

If the ECB was eager to offer accounts to the public and develop CBDC, we would not have a strong case for safe accounts. Everybody would be waiting for the ECB. Now that the ECB

appears unwilling to move in that direction, safe accounts are a way for politicians to push forward, within the existing framework.

It's our aim to politicize the subject anyway. Safe accounts are a way to break the taboo concerning political influence on governance and instrumentation of the money system. Interestingly, the Riksbank is on a similar track. It became aware of the potentially far-reaching impact of the e-krona and called for a parliamentary commission to guide the development. In the Netherlands it was the other way around, as MPs called for a parliamentarian commission to accomplish 100% safe money.

Positioned as a political issue, safe accounts encourage MPs and political parties to start thinking about digital money and how that should function in society. That puts the evolution of digital money in a broader perspective. Central banks are inclined to a relatively narrow perspective, as they are limited to their mandate. Their aim is to maintain the status quo. Our aim is to overcome the dominant paradigm, and make money serve society. We see safe accounts as a tool to accomplish that.

### **Safe accounts lead to action**

Safe accounts fit within the existing legal framework and proven technology. They can be implemented tomorrow.

CBDC and e-krona are destined to be long-term developments, especially when they take the form of electronic money and/or new monetary policy instruments. That needs a lot of research and technology development. It is possible that an electronic money e-krona is outdated upon market introduction. Not only a few central banks are thinking about the future of money. The most powerful companies in the world have digital money in focus too. Ongoing digitization and supra-nationalization of money market instruments and electronic money functionality (especially the combination thereof, as illustrated by the Libra) are rapidly changing the game. In the end it will be the public that decides what it uses as money, not the central bank.

Both safe accounts and an account-based e-krona could be a factor on the game board, as both could be introduced rapidly. However, e-krona's impact will be small as it only concerns Sweden. It would be different if the focus was on a e-euro, but that is currently not in store, albeit that political support for safe accounts might provoke development of an e-euro. If the ECB sees that a strategy of delaying and refusing doesn't work, it might revert to taking the lead.

### **Counterweight to big tech**

Account based e-krona could be identical to safe accounts. That is the case if the Riksbank focusses on creation of an open platform via which payment service providers can offer access to personal Riksbank accounts. In NL we want the commercial banks to create this platform

themselves. Time and time again the government showed itself a bad ICT-implementor. The banks, by contrast, showed themselves quite good at it. In NL they have a tradition of doing shared IT together in a joint venture. In such a partnership the issuer of the safe accounts - the public depository - will have a limited function, whereas the commercial banks will take the lead in building and operating the ICT. This may sound unfeasible, but some banks are currently lobbying to jointly redo the payment infrastructure in a public-private partnership, specifically to make know-your-customer and anti-money-laundering processes more efficient. The personal safe account could become the basis for that, making this partnership a win-win situation. The banks cut costs and the public gets portable safe accounts and a free choice to fund a bank or not. At the same time the groundwork is created for a level playing-field in payment services and electronic money, mitigating the danger of world dominance of big-tech over money.

This might even lay the groundwork for digital identity, under public supervision.

### **Alternative to risk sharing in the eurozone**

Safe accounts bear an advantage if set-up separately in each member state. They could then be used to contain capital flight from weak Member States, to stronger ones. If, for instance Italians can keep their money safe in Italy, they have less reason to transfer it to Dutch or German banks. An e-krona nor the e-euro could have that potential.

Safe accounts are an alternative to bank accounts, not cash. Consequently, they could be positioned as an alternative to deposit insurance schemes. That is what the debate in NL is currently about. The safe alternative to bank accounts is seen as a means to avoid deposit insurance (and the market distortion and risk sharing that come with it). At the same time the finance minister takes the position that a safe haven for book money is unnecessary, because he already provides state sanctioned deposit guarantees. This provokes a fundamental debate on the governance of the money system. Will we continue with "fragile" money, and ongoing state support for banks? Or do we want to evolve towards "safe" money, and gradual abolition of legal privileges and state support for banks?

### **Further evolution of digital money**

The raison d'être of central banks is to protect the current fragile money system. To that end they provide liquidity to banks. It's hard (if not impossible) for them to get out of this modus operandi. Doing that requires involvement of politics and society at large. Safe accounts are a way to accomplish that. They set the stage for publicly issued digital debt-free money, and transformation of central banks into institutions that provide liquidity to society, instead of banks.

Edgar Wortmann – June 25, 2019

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