

CBDCs and commercial banks: Evolution or Revolution?

ING partnered with OMFIF's Digital Monetary Institute today in the **ING DMI Digital Forum**, a [live webinar](#) to discuss what the future holds for Central Bank Digital Currencies and their impact on commercial banks. Here are some highlights from the event



Will banks thrive in a Central Bank Digital Currency world?

The declining use of cash and the emergence of new digital tools could facilitate the introduction of digital currencies and prompt central banks to issue their own version of “digital cash”. Although big questions remain about how they'll do it and how it will work in practice, the consequences could be revolutionary, especially for commercial banks. Today, ING partnered with OMFIF's Digital Monetary Institute in the **ING DMI Digital Forum**, a live webinar titled “CBDC and commercial banks: Evolution or Revolution” to address some of the key issues we raised in the [article “Central Bank Digital Currencies: Challenges for Commercial Banks”](#) in the June Journal of [OMFIF's Digital Monetary Institute](#).

A two-tiered model may succeed but a reality check is needed

The panel discussed the potential division of labour between central banks, commercial banks and tech companies. It also touched upon how non-bank entities may participate in a CBDC roll-out and how this could impact traditional banks' business model, strategy and operations. Tellingly, at the start of the seminar 78% of the audience thought the benefits of CBDC would outweigh the risks posed to the commercial banking sector, but this had dropped to 61% by the end of the webinar.

The consensus view among panelists was that central banks could distribute digital currencies through banks, following the design of the so-called *two-tiered model*. This would be a less disruptive scenario for banks and for the financial system more broadly, although availability of deposits would remain an issue for the supply and pricing of credit to businesses and households. While preserving banks should never be a policy goal, preserving financial stability while introducing CBDC should be. This does not mean a no-go for CBDC but does imply a reality check, and a warning to proceed carefully.

ING, through its New Horizons Hub, is a founder member of OMFIF's [Digital Monetary Institute](#). You can watch the full recorded version of the webinar on YouTube [here](#).

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