



Stablecoins and settlement liquidity


Hyun Song Shin*, Economic Adviser and Head of Research, BIS
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*The views expressed here are mine and not necessarily those of the Bank for International Settlements

An early stablecoin: Bank of Amsterdam (1609-1819)



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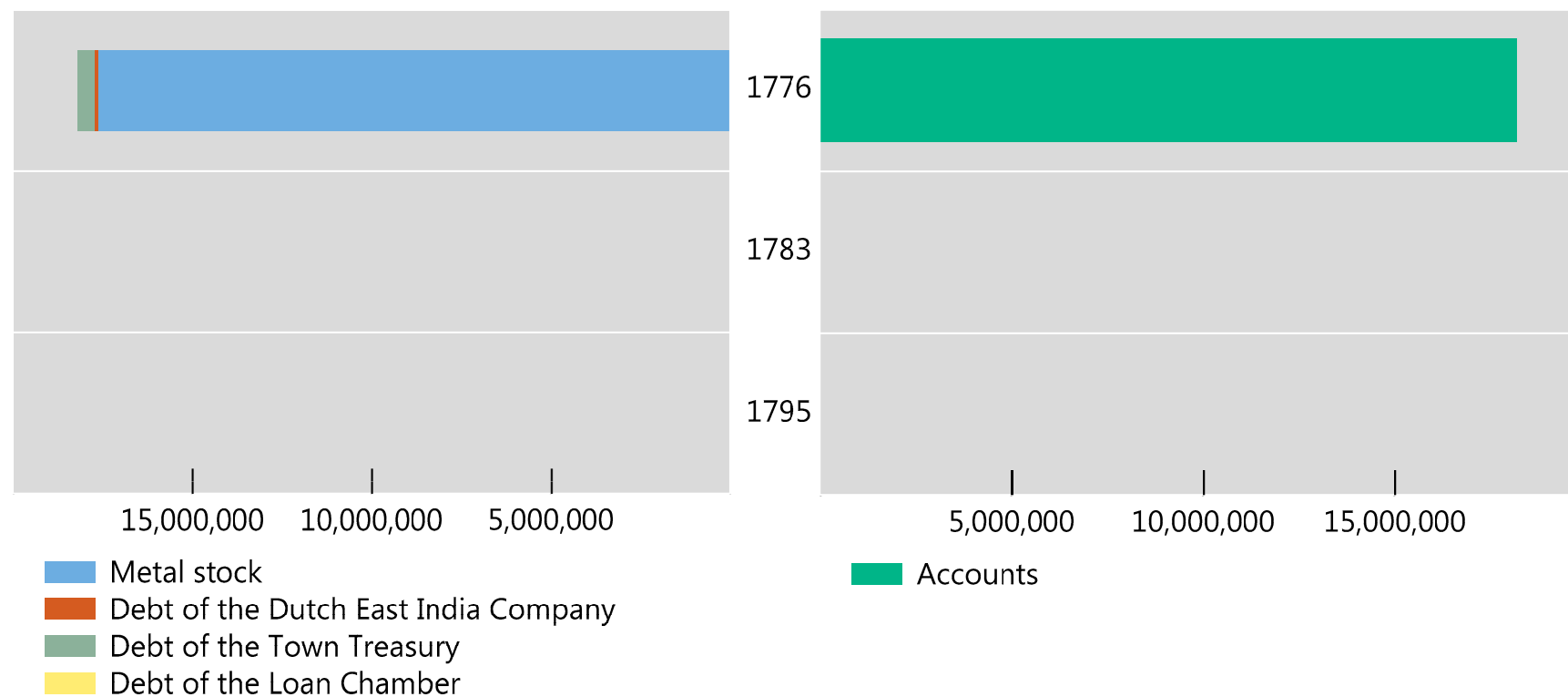
Assets	Liabilities
	Deposits

An early stablecoin: Bank of Amsterdam (1609-1819)

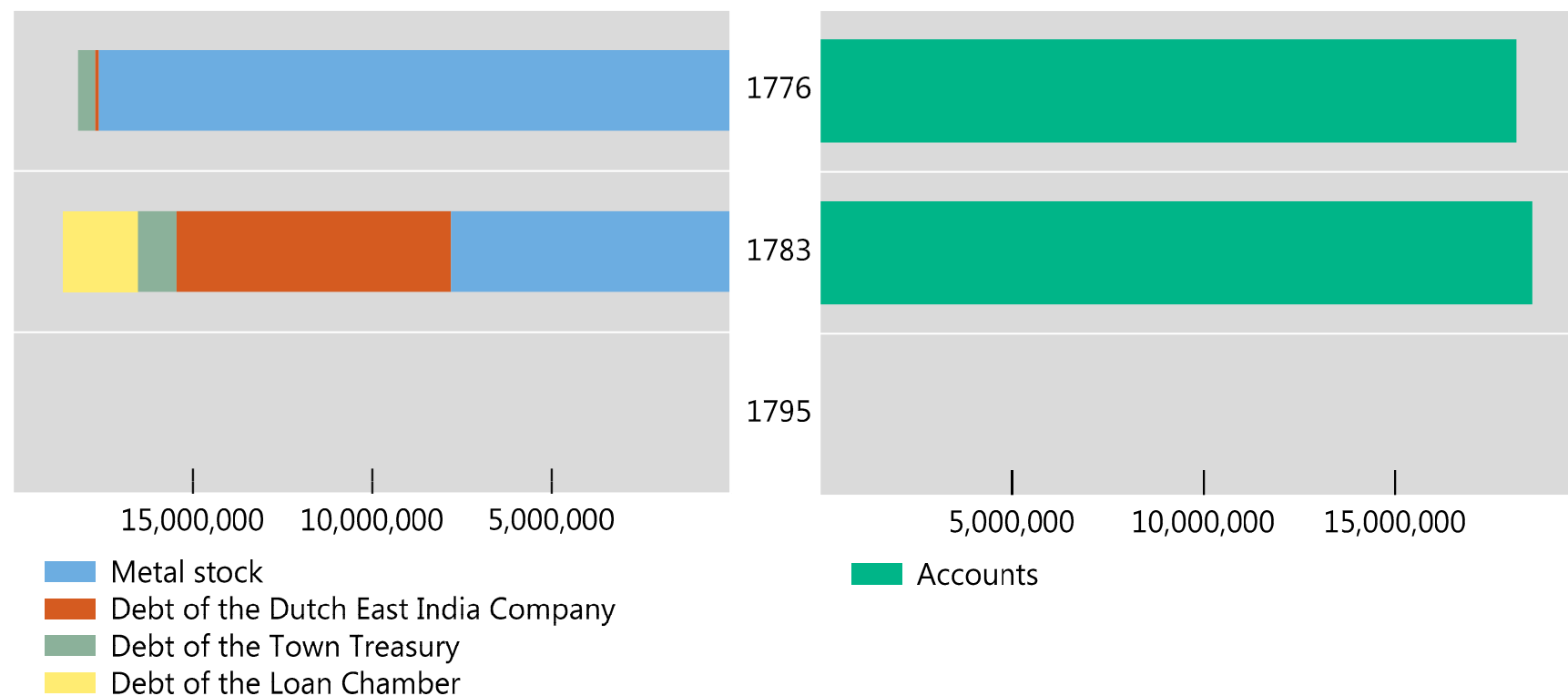
“At Amsterdam, however, no point of faith is better established than that for every guilder, circulated as bank money, there is a correspondent guilder in gold or silver to be found in the treasure of the bank”

(Adam Smith, *Wealth of Nations*, 1776)

The Bank in 1776: deposits mostly backed by metal stock

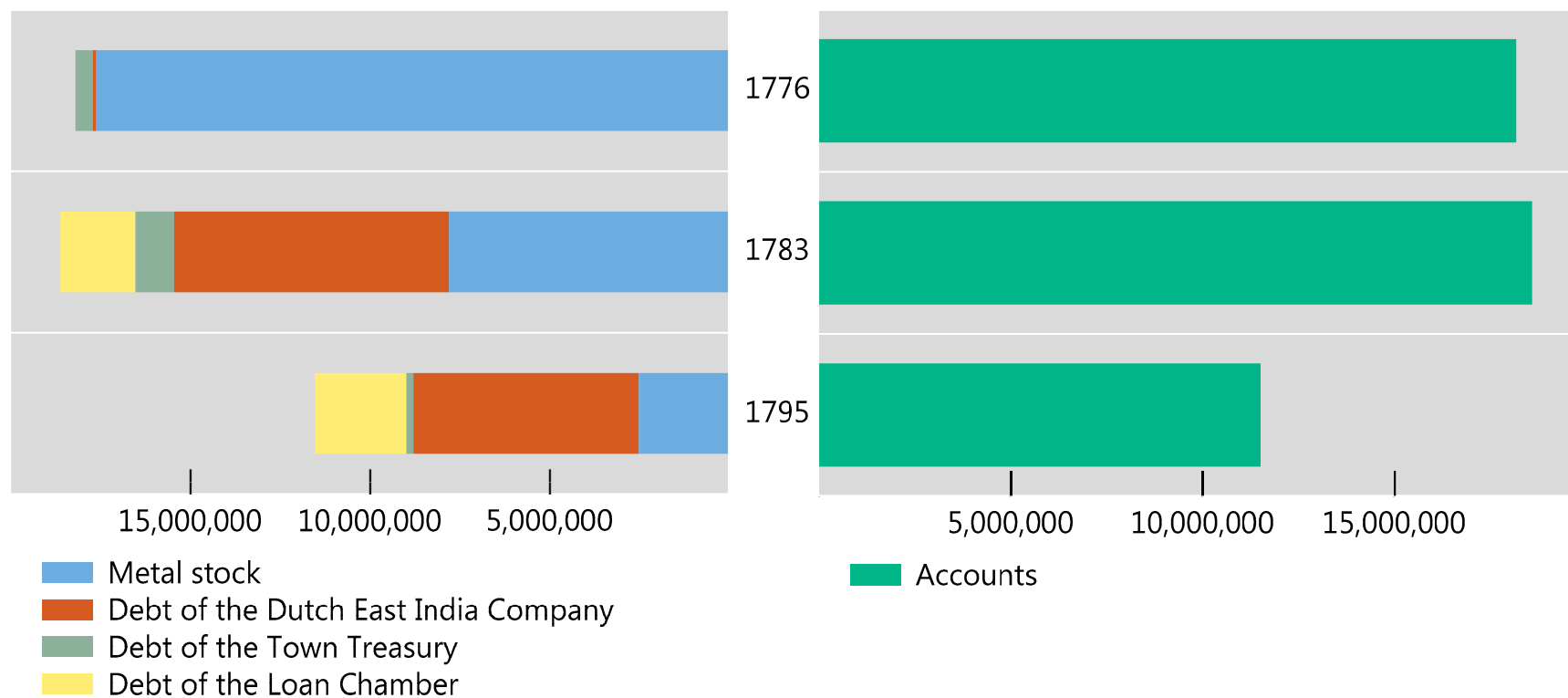


The Bank in 1783: lending becomes more important



"The Regency of Amsterdam authorised the Bank to place at the disposal of the Company [VOC] the sum of 7 ½ million florins. They realized quite well the different and dangerous nature of such a credit" (van Dillen, 1934)

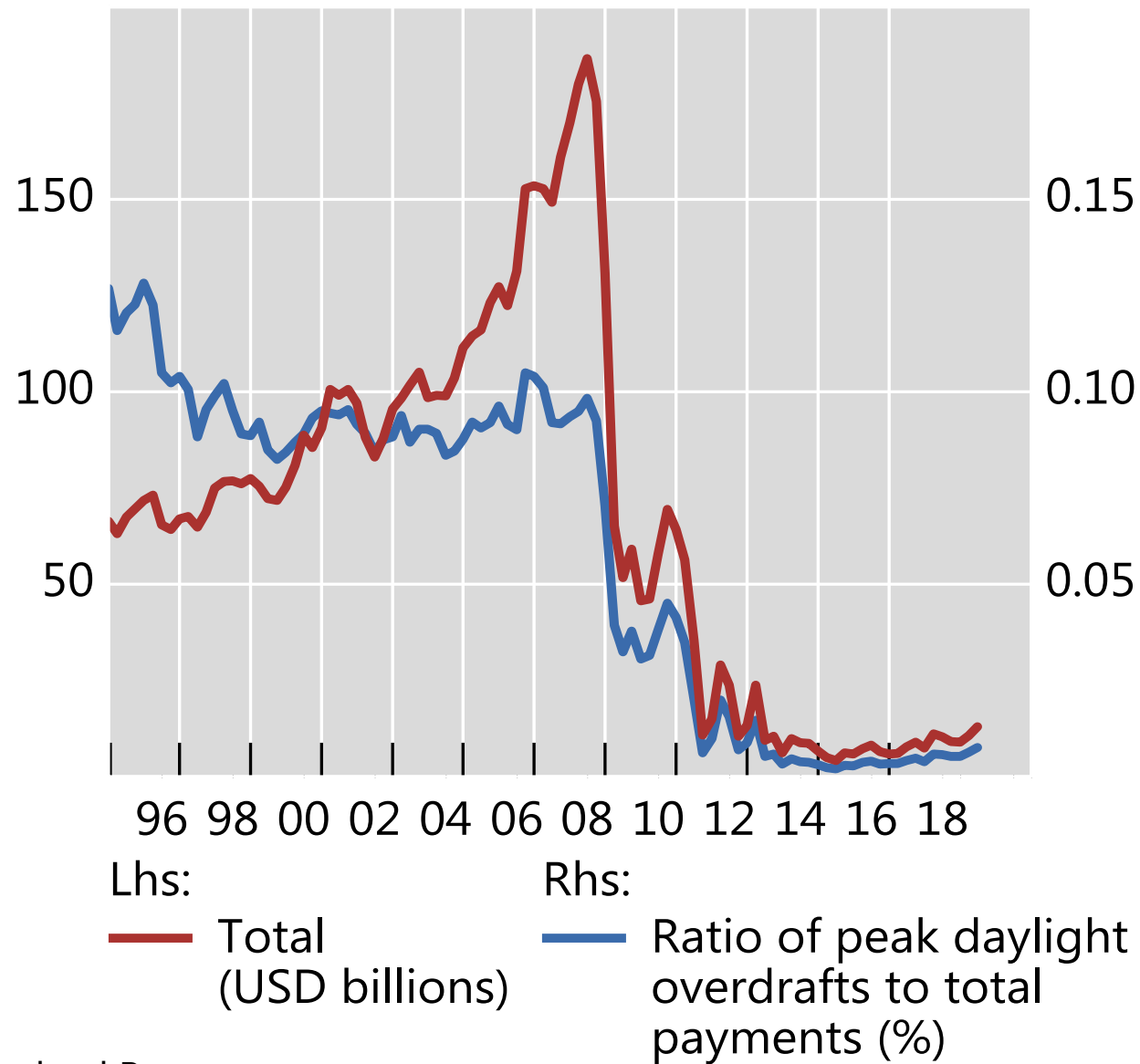
The Bank in 1795: run precipitates collapse





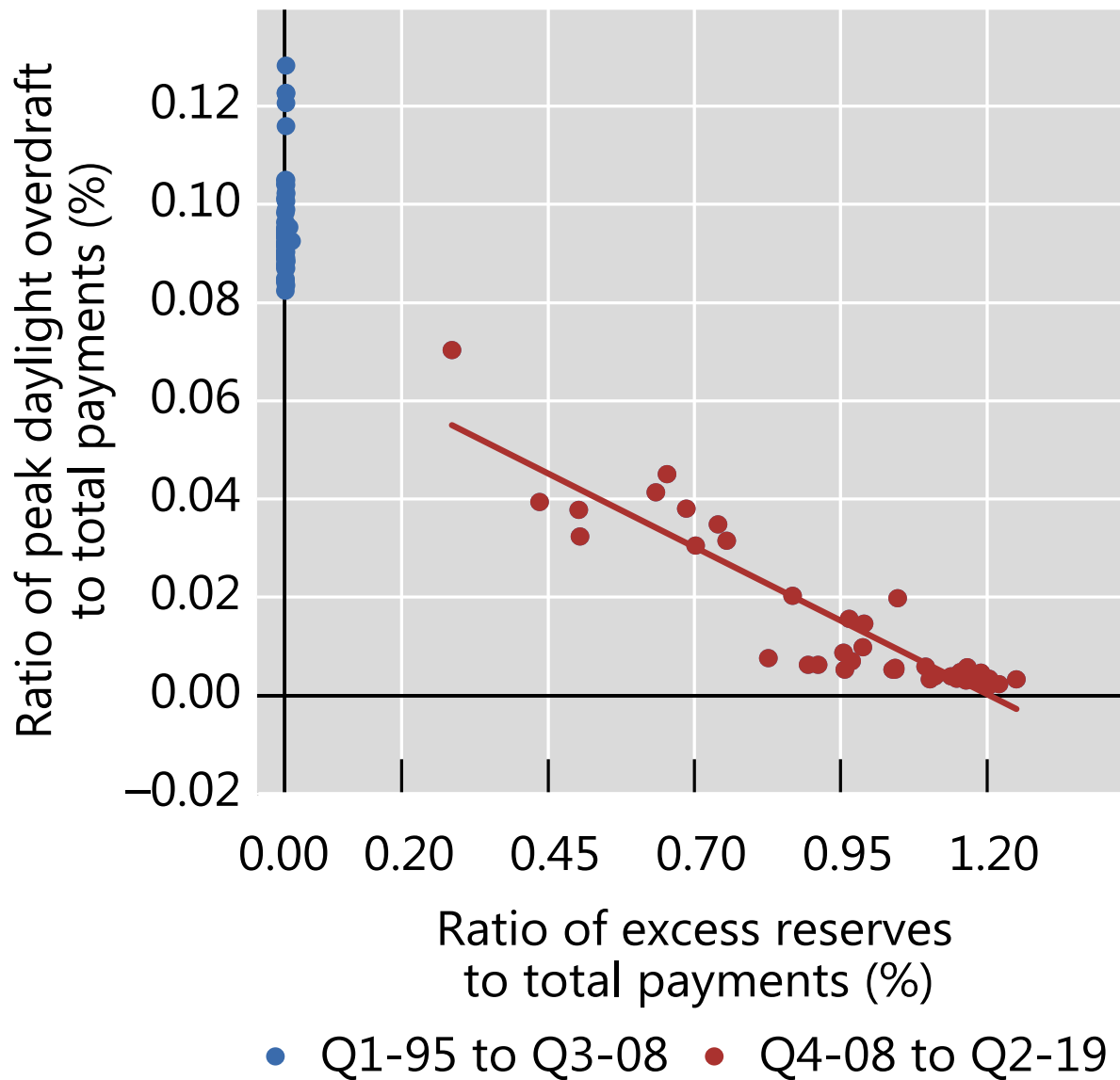
Settlement liquidity

Peak daylight overdrafts on Fedwire



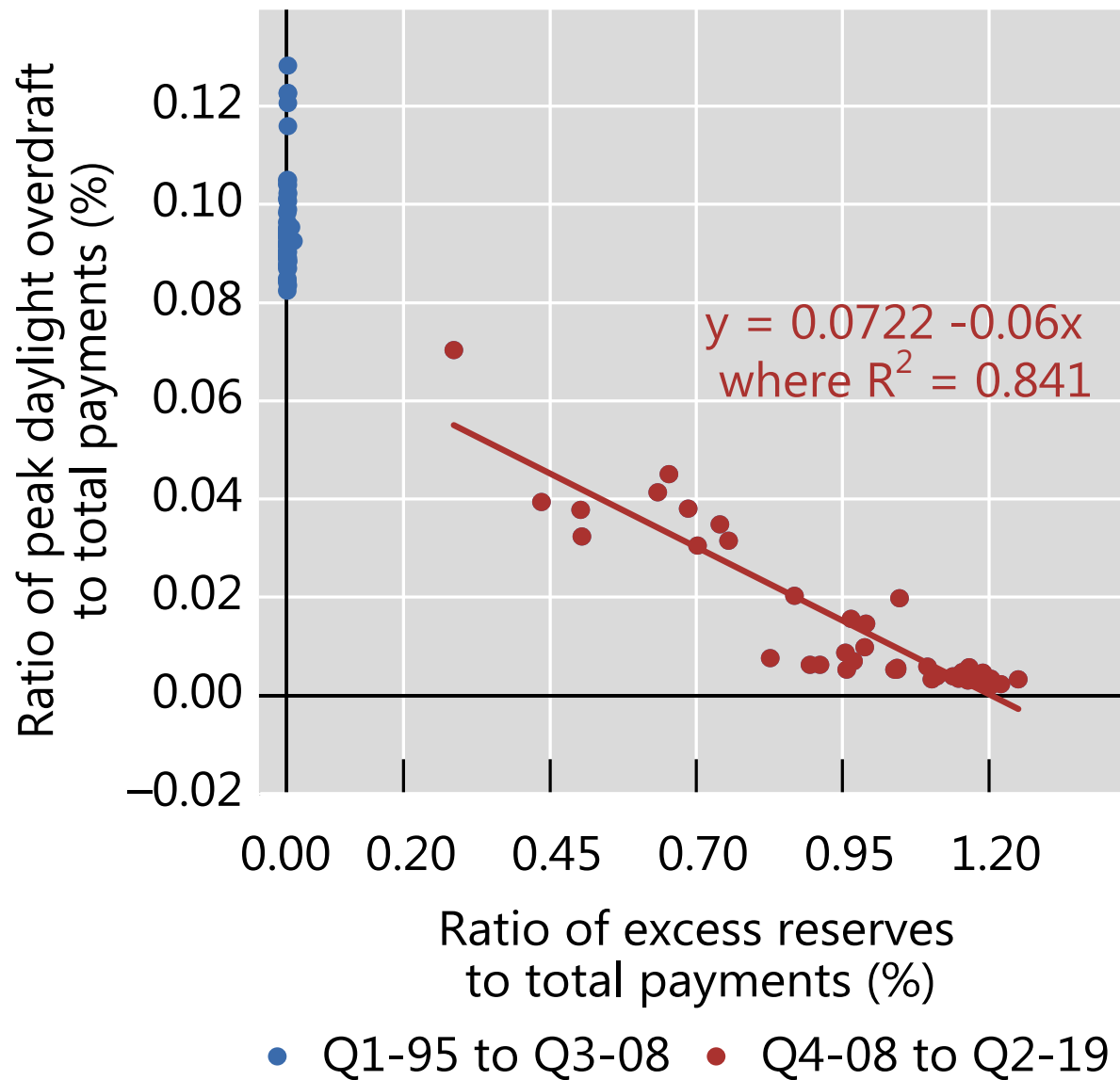
Source: Federal Reserve.

Excess reserves and peak daylight overdrafts



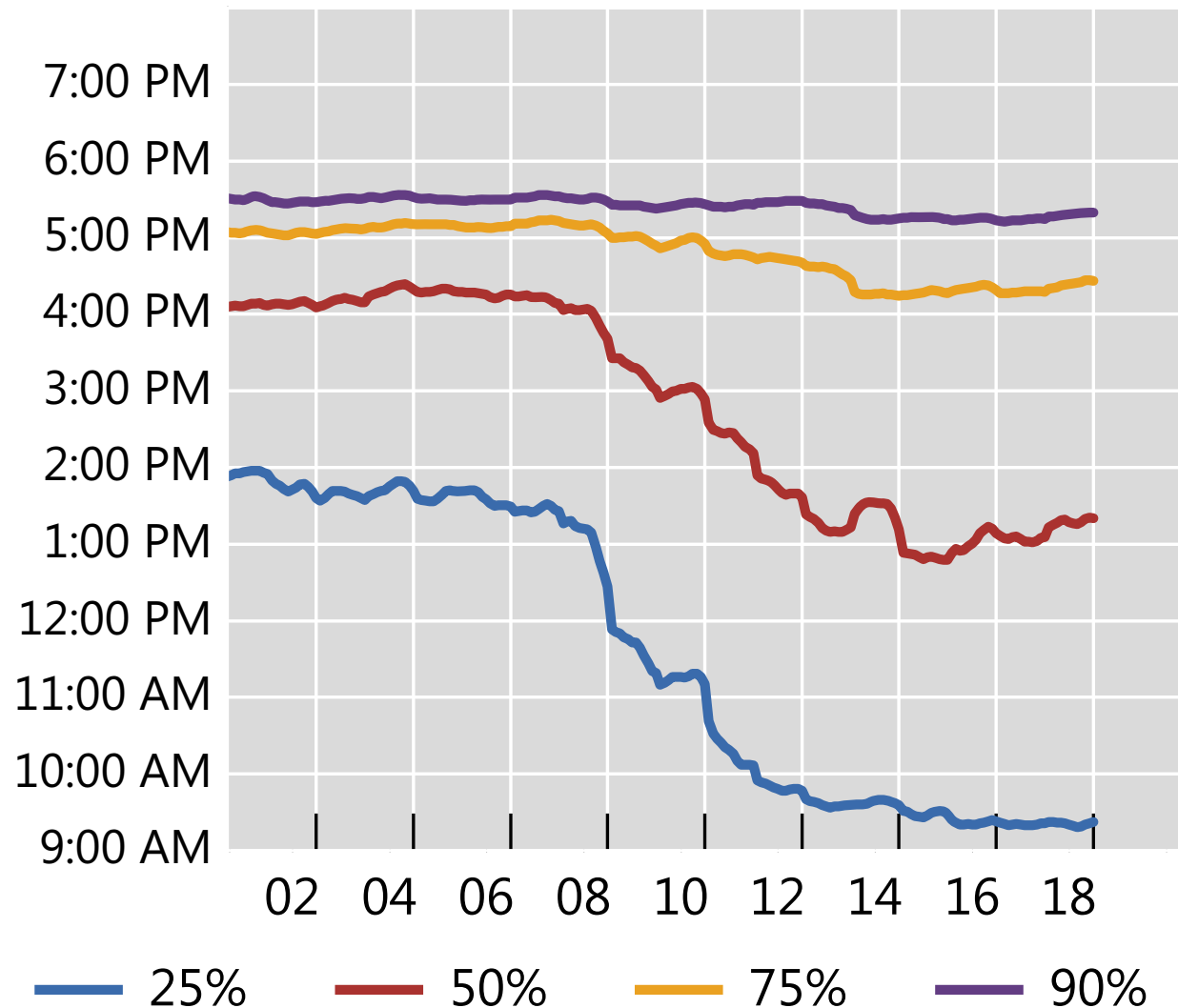
Source: Federal Reserve.

Excess reserves and peak daylight overdrafts



Source: Federal Reserve.

Payment profile during the day for large value payments



Source: Copeland, Molloy, and Tarascina, "What Can We Learn from the Timing of Interbank Payments?," Federal Reserve Bank of New York *Liberty Street Economics* (blog), 25 Feb 2019.

Governance and settlement liquidity

- If stablecoins stick to their governance rules, they provide limited settlement liquidity
- If stablecoins do not stick to their governance rules, that will be problematic in itself (eg, Bank of Amsterdam)