

# Chapter 10

## Preparing for the Future of Central Bank Digital Money in Türkiye

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### **ABSTRACT**

*Developments in technology and the internet have led to the questioning of the current monetary system. This situation triggered studies on central bank digital money (CBDC). The rush to avoid being left behind in the system and the inevitable rise of other currencies gave rise to these currencies. CBDCs have been designed and piloted by an increasing number of countries for some time. Thus, its possible effects on the economy, monetary policies, and banks are observed. Türkiye is among the countries working on CBDC. In this study, the process of CBDCs, which are being prepared all over the world, in Türkiye is discussed. In the studies on CBDC, the stages that have been achieved, the current point and future plans are emphasized. As a result of the evaluations, it is thought that it is too early for CBDC to be issued in Türkiye. First of all, it is important to fully establish the necessary systemic infrastructure and administrative and legal framework so that these currencies can be released to the market. On the other hand, the outcomes of monetary policies should be followed carefully.*

### **INTRODUCTION**

In today's world, economies that cannot remain indifferent to the developing technology also closely follow the changes that money undergoes. In this period where physical boundaries gradually disappear and conceptual confusion occurs, innovative product and service offerings continue constantly. Under the assumption that innovations lead to their own continuation, it can be said that money is one of these changes. In fact, it can be stated that it remains on the world's agenda as the most important component

of this change process. The opportunities that are likely to arise and cannot even be predicted yet are the reasons why it is important.

There are multiple views on the advantages of the new form of money that may emerge, and it is evaluated from several different perspectives as it is a matter of close concern to central banks. Compared to the costs of central banks printing money in the traditional system, these costs are at a minimum level with the application of digital money. In other words, the cost of creating and distributing money by an authority is almost negligible. Thus, an area is created where resources can be used more effectively and efficiently.

In addition, digital money applications are expected to have an impact on the monetary policies of countries. These currencies bring a different and innovative perspective to achieve stability goals in the policy decisions taken by economic authorities. Countries are very careful when managing their domestic policies. They also strive to be fast and practical in their international relations. As it is known, in our world where globalization is intensely felt, it is important to exist and compete internationally. For this reason, being fast and practical in international relations strengthens the possibility of countries gaining advantages with their digital currencies.

If an evaluation is made in terms of economic units, which are the other side of this issue, it is predicted that digitalization will offer ease of use. The ability of individuals or institutions to carry out cash transactions with new generation digital currencies provides advantages in terms of time and space. The fact that they can carry out their transactions at any time of the day, without the concept of working hours, also causes an increase in participation. Thus, it is possible to deepen the financial system and the market. Although the interest in digitalization is great, it also has a side that creates anxiety. In this context, there are those who are hesitant and remain outside the group that unconditionally accepts technological developments. This hesitant majority needs to be convinced. It is also important to reduce operational risk by creating a systemic infrastructure against cyber attacks and fraud. In addition, it is thought that it would be appropriate to develop the administrative and legal infrastructure in order to protect personal data. It is expected that, with the completion of the regulations in all respects, countries' management of their monetary policies with their official currencies converted into digital form will have a great impact on financial stability and the international monetary system ([www.bloomberght.com](http://www.bloomberght.com), 2023).

A total of 134 countries, representing 98 percent of the global gross domestic product (GDP), are focusing on CBDC. 68 of these countries are at a more advanced level than the others. Considering the G20 countries, 19 countries have made significant progress in the development process of CBDC. Countries such as Türkiye, Russia, South Korea, South Africa, Brazil, Japan, Austria and India are among those in the pilot phase. Nigeria, Jamaica and the Bahamas are the countries that started the practice. The European Central Bank (ECB) is preparing multiple CBDCs, including the digital euro. BRICS countries also continue their research for a payment system that will create an alternative to the dollar. China serves as the world's largest CBDC pilot, with the digital yuan used in many areas starting from 2022. America, on the other hand, differs from other countries and appears unstable due to political reasons. Although research on the subject continues, the pace of progress is a matter of debate as a result of differences of opinion ([www.atlanticcouncil.org](http://www.atlanticcouncil.org), 2024).

Research and development activities in Türkiye for digital currency studies, which are gaining momentum around the world, started in 2020. In 2021, the introduction of digital money and conceptual proof studies, as well as the establishment of the platform by identifying technology partners, have been brought to the agenda. The first phase studies started in 2022 and the first pilot test phase was started. The first phase was completed in 2023 and the second phase studies started in 2024 (CBRT, 2023).

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