Discussion of "Payment Firms, Cryptocurrencies, and CBDCs" by Berg, Keil, Martini, and Puri

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[1]The views in these slides do not represent those of the Federal Reserve Bank of New York or the Federal Reserve System.

Growth of Payment Firms

- Market capitalization of payment firms exceeded USD 1.6 trillion by the end of 2020, approximately matching the market capitalization of all U.S. banks.
- This is a significant rise from a decade ago, when payment firms represented about one-fifth of the market capitalization of U.S. banks.
- Shift in payment methods: Decrease in cash and checks, increase in digital payments and innovations.

Cryptocurrencies and Payment Industry

- Cryptocurrencies intended to replace traditional payment infrastructures.
- Payment firms' stock returns uncorrelated with cryptocurrency market fluctuations.
- Cryptocurrencies seen more as a speculative asset rather than a payment method.

Impact of CBDCs on Payment Firms

- CBDCs: Digital liabilities of central banks, yet to be launched in major economies.
- Potential for reducing transaction costs and disrupting payment intermediaries.
- Negative reaction of payment firms' stocks to positive CBDC announcements suggests perceived threat to business models.

Comments on the empirics

- Why only look at US and Euro CBDC Communication? What about BRICS?
- Is the sentiment in Auer et. al. hand-tagged? Would the results still hold up using a sentiment analysis algorithm?
- The abnormal returns in response to the Terra and Tether crashes are not significant, but they're also not very precise zeros. Would the results become significant if more negative events were inclued (e.g. FTX, SVB crashes)?

Potential Extensions

- Do announcements about FedNow affect payment companies? What about RTP? Does FedNow adoption have a significant impact?
- Europe already has real-time payment systems. Do we see the same effect in European payment companies ?
- Has India's open banking reform have had a similar effect on Indian payment companies?

Conclusion

- Very interesting paper calling policy-makers' attention to a fast-growing industry.
- First work that shows the impact of CBDC guidance on the private sector.
- Some confirmation that cryptocurrencies are decoupled from the traditional financial sector.
- Lots of room for potential extensions.