

BANKING ASPECTS IN THE CURRENT ECONOMIC CONTEXT

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Abstract: The present study aims to approach some banking aspects that can be correlated with what is understood today by the concept of the "new economy". E-commerce is considered to be the main market of the new economy. As in the case of the physical, ordinary market, in the so-called "electronic" market we will find the same component elements: the participants, respectively sellers, buyers and intermediaries, the products and the interactions between the participants, regarding the products. Electronic commerce created the favorable context for the emergence of electronic currency. Electronic currency is an equivalent of money in physical form. It can only be used in the electronic environment. A legal person can become an electronic money issuing institution only after a special authorization, which is obtained following legal procedures.

Key words: electronic money, central bank, cryptocurrencies, regulation

JEL Classification Codes: A1, K1, O1.

1. "THE NEW ECONOMY"

The study approaches some aspects of banking order that can be related to the concept of "new economy". Also called the numerical economy, the digital economy, the net economy, the network economy, the Internet economy, the virtual economy, the information-based economy, the knowledge-based economy (Rădoi, 2018) etc., the new economy is said to be the result of the inventions and use of new information technologies and communication: the use of computers, networks, telephony, the Internet, e-mail, the Web, smartphones etc (Cerna, 2022).

Thus, the new economy seems to be a modern concept, which would be based, on the one hand, on the unprecedented development of information and communication technology and, on the other hand, on the globalization (Pohjola, 2002). The use of the concept of "new economy" is considered by some researchers to be inappropriate, since each new stage in the evolution of society came with an evolution of the economy, and this was a new economy in relation to that belonging to the old society. On the other hand, the advances in economic science themselves generated a new economy, in the sense of economic science, of theory for the actual economy (Ghiță).

In the smart economy, an important role is played by merchants and consumers who interact with each other through electronic links. This type of interaction, which uses digital technologies, generates a new way of doing business and a new way of approaching relations with customers and consumers, which gives the new economy two defining characteristics: flexibility and responsiveness (Ghiță).



2. ELECTRONIC COMMERCE

Electronic commerce is considered to be the main market of the new economy. The electronic or virtual market sometimes has the advantage of lower prices compared to the traditional market. This fact is due to the facilities that the virtual market offers to manufacturers or service providers, such as the possibility to purchase raw materials, materials and equipment cheaper, by contacting several suppliers online and creating an increased competition of offers or a lower cost on entering the market, through the establishment and maintenance of Web sites, which are less expensive than traditional marketing methods. Electronic commerce created the favorable context for the emergence of electronic currency. Electronic money was regulated for the first time by Directive 2000/46/EC, later repealed by Directive 2009/110/EC. In our country, the Directive was transposed by Law no. 127/2011 regarding the activity of issuing electronic money.

Electronic money is defined by the legislator as "a monetary value stored electronically, including magnetically, representing a claim on the issuer, issued upon receipt of funds, for the purpose of carrying out payment operations and which is accepted by a person other than the issuer of electronic money " (art. 4 letter f) of the law).

Electronic currency is an equivalent of money in physical form. It can only be used in the electronic environment. The use of electronic currencies from the desire to avoid the monopoly of banks, high taxes and regulations imposed on them, but also from the desire to create a product that is easy to use in making financial transactions, through fast, simple and safe means. Electronic currencies can be used through prepaid cards or online.

A legal person can become an electronic money issuing institution only after a special authorization, which is obtained following legal procedures. According to GEO 99/2006, institutions issuing electronic money are legal entities, regulated as credit institutions specialized in issuing electronic money. The activity of these institutions is authorized and supervised by the central bank of the state. Institutions issuing electronic money have, in addition to the right to issue electronic money, also the right to perform payment services, deposits and cash withdrawals.

3. ELECTRONIC CURRENCY

Electronic currency should not be confused with bank money (those deposited in bank accounts – scriptural currency) or with virtual currency (crypto-currency). Traditionally it is appreciated that the currency is a means of payment issued and guaranteed by a sovereign state through its central bank or by the European Union, through the European Central Bank. In contrast, crypto-currencies are not issued or guaranteed by a central bank or public authority.

Bank money, unlike cash or electronic currency, represents a claim on the bank and therefore always depends on the solvency and functionality of the respective bank.

Crypto-currencies are defined by Directive (EU) no. 2018/843 amending Directive (EU) 2015/849 on preventing the use of the financial system for the purpose of money laundering or financing terrorism, as well as amending Directives 2009/138/EC and 2013/ 36/EU. According to the Directive, virtual currency is a digital representation of value that is not issued or guaranteed by a central bank or public authority, is not necessarily legally established and does not have the legal status of currency or money, but is accepted by physical or legal assets as a medium of exchange and which can be transferred, stored and transacted electronically. It is used, as a rule, for the sale-purchase of goods or services or as an investment method.

Recently, we are also talking about stablecoin, which is a type of crypto-currency designed to maintain a relatively stable market price. These coins are designed to be somewhat resistant to market volatility without experiencing significant price changes. These stablecoins typically

have their values pegged to the price of another asset (an official currency, a benchmark commodity such as gold or silver, even another crypto-currency). Therefore, these coins have real assets corresponding to them, which are owned by the companies that issue the stablecoin. In this way, the level of volatility of the coins is much lower than that of other crypto-currencies (financialmarket.ro).

It is appreciated that what cryptocurrency has in common with electronic currency is the source of value, i.e. citizens' trust in the issuing institution/protocol and the ratio between supply and demand. "Virtual currencies are an applicable result of blockchain technology. Cryptography is the science behind currencies, so conceptually, virtual currencies are very secure" (Costea, 2021).

The evolution of electronic money is related to the erosion of fiduciary currency, and even scriptural currency, used in traditional commerce, which is also in decline, as an effect of the evolution of electronic commerce.

Fiat currency is the currency created directly by the central bank. Practically speaking, it is made up of cash (banknotes and coins) and the existing availability in the current accounts of credit institutions (commercial banks) opened at the central bank.

In Romania, the issue of fiat coins is an attribution that falls exclusively to the National Bank of Romania. According to article 12 of Law no. 312/2004, regarding the status of the National Bank of Romania, this is the only institution authorized to issue monetary tokens, in the form of banknotes and coins, as legal means of payment on the territory of Romania.

Currently, at the national and international level, there is a downward trend in the use of fiat currency. The reduction in the use of cash is obvious, which has a significant impact on the ability of central banks to implement their monetary policy. In addition, there is also an increase in user confidence in electronic currencies, the use of which is faster and involves lower costs.

At the level of the European Union, the European Central Bank is preparing to launch its own electronic currency, Euro Digital. On the ECB's official website, the digital Euro is presented as "the equivalent of euro banknotes, but in digital format. It would be an electronic form of currency, issued by the Eurosystem (ECB and the national central banks of the euro area), and would be accessible to all citizens and businesses. A digital euro currency would not replace cash, but rather complement it. A digital euro currency would give citizens an additional choice in terms of payment methods, facilitating payments and contributing to accessibility and inclusion" (ecb.europa.eu).

Digital Euro wants to be an innovative and competitive payment currency, in the context of the "new economy". However, the ECB's initiative is not immune to criticism or concerns. The main risk signaled would be the increased probability that the savings of customers of the banking system will be directed towards the new forms of currencies, which allow to avoid the commissions of a classic savings account. Choosing this savings option would greatly weaken the banks in the euro area. A possible remedy envisaged by the ECB would be to establish the digital euro currency only as an additional payment option, and not as a form of financial investment. For the situation in which citizens would hold large sums in digital euro in the form of a risk-free investment or in which they would transfer funds from bank deposits to the digital euro currency, the possibility of establishing limits for definitive holdings or of conceiving a system of remuneration on levels (ecb.europa.eu).

At the European level, Switzerland has already tested the use of central bank digital currencies. This move by the Swiss Central Bank can be explained by the fact that with the emergence of Bitcoin and recently proposed (virtual) stablecoins from BigTechs such as Diem (formerly Libra), central banks face increasing competition from private actors offering their own digital alternative to physical cash (snb.ch). Such projects show how previously implemented software-only e-cash can be improved to preserve transaction confidentiality, to

convincingly meet regulatory requirements, and to provide a level of protection against systemic privacy risk. The model would not significantly affect either monetary policy or financial stability, as a CBDC (Central Bank Digital Currency) of this design would replicate physical cash rather than bank deposits.

4. IMPLICATIONS OF DIGITAL CURRENCIES CENTRAL BANKING

Studies of digital currency issued by a central bank show that it will be collateralized by it, just as fiat currency is today. Therefore, such a currency will incur a debt of the central bank, unlike ordinary digital currencies that involve a claim on the issuer, an institution under private law. On the other hand, regular digital currencies offer the possibility of conversion to fiat currency, which will not be necessary in the case of digital currencies issued by the central bank itself. By this, it is considered that the emergence of CBDC will disrupt the banking system, which is based on fiat currency or the possibility of converting scriptural currency into fiat currency (Mookerjee, A.S , 2021).

Currently, it is appreciated that it is precisely the convertibility of digital currencies into fiat currencies that provides security and value to the former. This conversion is done within commercial banks and depends on the availability of funds held by them. Since CBDCs are issued by the central bank itself, the security offered by them is greater than that of ordinary digital currencies, since the central bank is always backed by the state whose interests it serves. The liquidity risk is supported by the entire population, unlike in the case of private banks, where the liquidity risk is supported only by the bank's depositors.

This creates a direct link between the holder of the currency, who also has the capacity of a depositor, and the central bank, which has the capacity of a depository. The depositor will be the holder of an account managed by the central bank. The central bank will store everyone's cash and be the intermediary for all transactions and there will be no need for paper money for digital money to be convertible because a CBDC unit is itself a direct liability of the central bank and exactly equivalent to paper money rather than simply convertible into them, making paper money redundant. People will no longer need cash dispensing/distribution points, they will need fewer places to deposit cash or other valuables.

With the central bank becoming the sole intermediary for financial transactions, commercial banks would no longer compete to attract cash deposits. Instead, commercial banks will borrow from the central bank to finance their lending activities - the central bank thus becomes the lender of first resort and not of last resort. Interbank competition will therefore be based entirely on banks' ability to offer competitive loans. The competition for customer deposits will be replaced by the competition to distribute e-wallets to customers with the most advantageous, innovative and user-friendly solutions (Mookerjee, A.S , 2021).

Another advantage of using CBDC, which has been highlighted by analysts in the field, would be, at least in theory, the possibility of monitoring transactions with the help of data analysis and systems that use artificial intelligence, to more quickly identify banks that are experiencing difficulties or are engaged in questionable transactions. Financial regulators currently have to rely on reports provided by banks, which means remedial action comes late and often at a higher cost. Additionally, in a CBDC world where digital bank codes are visible to the clearinghouse, it becomes much easier for authorities to identify the parties to a transaction, which greatly simplifies the detection of criminal activity and eliminates country-specific black markets, which mostly deals with physical money (Mookerjee, A.S , 2021).

In addition, it is appreciated that by moving to CBDC, monetary policy would be easier to manage, with state authorities having the power to directly influence the behavior of consumers and entrepreneurs through the use of interest rates.

However, the introduction and use of CBDC also presents serious drawbacks. The main concern regards the exclusive control that central banks will have over depositors' funds and how consumers dispose of them, raising the issue of the confidentiality of the transactions carried out.

Cyberattacks are also a cause for concern. If, at present, this risk is shared and managed by commercial banks managing depositors' accounts, this risk should be managed exclusively by the central bank as the sole administrator. Obviously, the central bank will benefit from the competition of the best experts in the field, but the risk assumed would be immeasurable. For this reason, the blockchain system, used in the case of cryptocurrencies, seems to be the most secure option.

5. CONCLUSIONS

Widespread use of digital currencies seems imminent, inevitable at this point. This is also the reason why even central banks, which have always opted for a safe, conservative policy, are paying more and more attention to these new types of currencies.

The doctrine (Pop, Napoleon, Ioan-Franc, Valeriu) highlighted the fact that financial innovations, as a rule, go through stages of plano or partial rejection, the main concern being the bearing or sharing of risks.

Crypto assets are already a reality that cannot be neglected. Private currency issuers are looking for ways to increase the credibility of proposed digital currencies, and this requires appropriate regulation but also a "confrontation" with the public currency issuer. The aim is thus to acquire a place for the "new" which, despite the risks, becomes part of the offer of financial instruments.

The National Bank of Romania (BNR) has expressed itself countless times regarding the volatile and extremely risky nature of cryptocurrencies, which have proven to be speculative assets, respectively can generate serious financial losses for investors.

The involvement of central banks in the phenomenon generated by the emergence of virtual currencies becomes imperative at this moment. Specialist researchers appreciate that a policy of global coordination of central banks is needed, in order to minimize the risks that the use of cryptocurrencies implies on global economies and finances. An action in this sense by central banks is the testing of their own digital currencies, establishing a strategic public-private partnership, of mutual support, in order not to harm any party in defending the credibility, reputation and security of transaction systems through digital technology.

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