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Central Bank Digital Currency - CBDC

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The views expressed in this presentation are our own and not necessarily those of the Bank of Canada.





What is Central Bank Digital Currency?

A digital currency designed to provide the same benefits as cash—safety, universal access, resilience, privacy and competition—but in an electronic format that could be used for online transactions or at the point of sale, using a mobile phone or a special card or device.

Policy Objective

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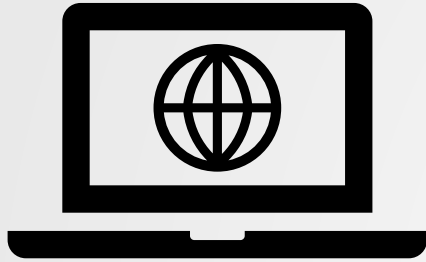
Ensure
Canadians can
use their
preferred
methods of
payment with
confidence

- Provide a holistic view across the whole payment ecosystem to ensure that all aspects continue to function together to provide Canadians with the **efficient, safe and secure payment services they need**
- Review the **opportunities and risks of new technologies** in our payment systems
- **Build a modern ecosystem** and adapt to the fast-moving world of payments
- **Be prepared: Contingency planning** for a central bank digital currency

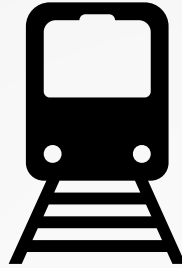
Bank of Canada Research: Contingency Planning

- There is not a compelling case to issue a CBDC at this time
- Canadians will continue to be well-served by the existing payment ecosystem, provided it is modernized and remains fit for purpose
- Bank of Canada is building, as a contingency, the capability to issue a cash-like CBDC to the public, should the need ever arise

Building a modern ecosystem



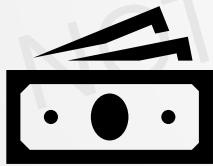
**Payments
Modernization**



Real Time Rail



Open Banking



Bank notes



CBDC ??

Benefits of a CBDC

- Guarantees universal access: anyone, anytime, anywhere
- Maintains general public access to risk-free asset
- Can maintain access to payments privacy
- Enhances resilience of payment system
- Keeps central bank money competitive with private alternatives
- Could support innovation
- Supports monetary sovereignty

CBDC: Potential Costs or Risks

- Risk of substituting for retail bank deposits or private sector payment services
- Risk of run toward CBDC during a crisis
- Risk for money laundering, illicit activities
- Risk for cyber crime
- May stifle payments innovations

Potential Scenarios for Issuance of CBDC

- Cashless Economy
- Widespread adoption of alternative digital currency

Even a shift toward a cashless society does not automatically mean the Bank would issue a CBDC.

That's a choice that Canadians and their elected representatives would need to make at the time.

Technical Stream Insights

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Proof-of-Concept – Smartphone App



****visual examples only****

Proof of Concept – Stored Value Card with Offline Transfer



visual examples only

Proof-of-Concept – PUF Cash



visual examples only

Design Exploration – Self Contained Device



****visual examples only****

Project Milestones

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Building the capacity to issue a CBDC should the need arise

- Monitor market developments and build an “early warning system” for declining cash usage and potential competitive digital currencies
- Engage government stakeholders to formulate more detailed public policy objectives for CBDC and obtain legal authority
- Develop the value proposition for end users
- Solve the most difficult technology challenges
- Create an overall architecture blueprint
- Prepare for proof of concepts and potentially a pilot

Project Milestones

2020

- Stakeholder engagement
- Value proposition
- Targeted economic research
- Environment monitoring

2021

- Education and stakeholder engagement
- System specification
- System design

2022

- Education and stakeholder engagement
- System specification testing
- System design testing

2023

- Education and Marketing
- System trials

A low-angle, upward-looking perspective of several modern skyscrapers with glass facades. The buildings are arranged in a way that they appear to converge towards the top of the frame, creating a sense of height and scale. The glass reflects the sky and clouds, adding to the visual complexity. A semi-transparent dark grey horizontal band is positioned across the middle of the image, serving as a background for the text.

Discussion

Next steps

Feedback and opportunities to share knowledge

- Digital Identity Working Group
- Service to Business Working Group