PROJECT SAND DOLLAR

CENTRAL BANK OF THE BAHAMAS DIGITAL CURRENCY PROJECT

Outline of Presentation

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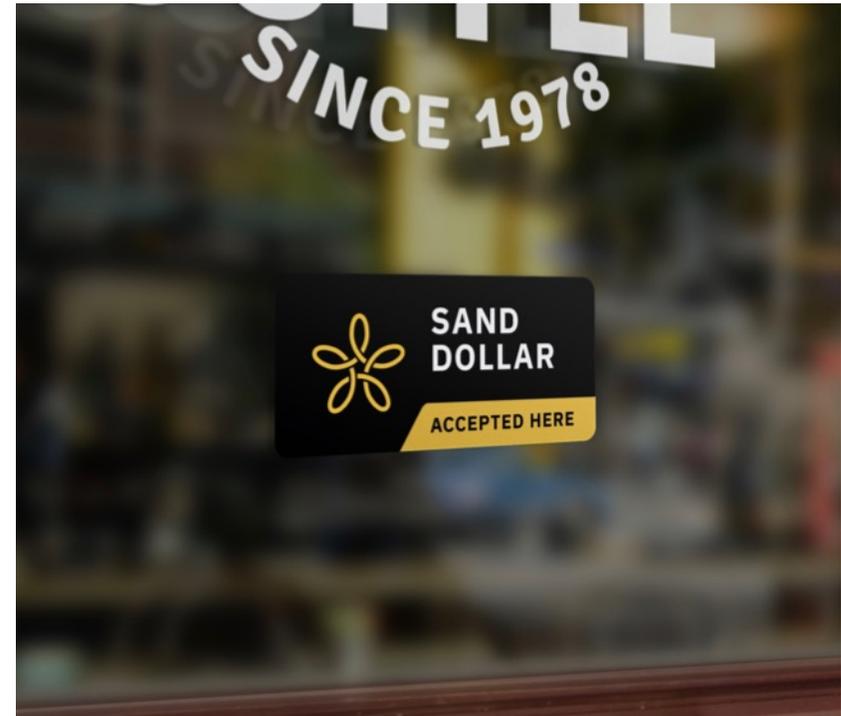
Objectives of the Bahamian Payments System

Some Guiding Principles:

❑ Make the Payments System more efficient

❑ Achieve more inclusive, cost affordable, and even access to financial services across all of The Bahamas

❑ Strengthen national defenses against money laundering and other illicit activities

❑ Reduce the reliance on cash usage in the domestic market

Current State of Banking in The Bahamas

By International Standards: The Bahamas has a very developed financial system; however, there are significant gaps in access to services.

Inefficiencies: The rising costs of providing financial products through traditional means have further reduced access.

Family Islands: There is a sporadic banking presence on the Family Islands especially following the 2008 financial crisis.

Motivation for Exploration into CBDC

- ❑ Support **universal access** to banking and financing

- ❑ Facilitate **faster** real-time transaction settlement

- ❑ Create a virtually **costless** medium of exchange

- ❑ **Enhance** security and accountability

- ❑ **Improve** overall level of **financial inclusion** across the Bahamas

- ❑ **Discourage** nefarious and illegal activities with cash

- ❑ **Enhance** interoperability between banks

- ❑ Ensure **adequate central bank money** for the public

Challenges that could Impact the Issuing of CBDC

❑ Commercial banks' ability to offer services to those most in need of access

❑ Development of a shared e-KYC system

❑ Implementing an interoperable digital payments gateway for businesses and consumers

❑ Adoption of the digital fiat by the wider population—particularly, senior citizens

Solutions to Overcome Challenges

❑Introduction of Regulations that paved the way for non-banks to offer retail electronic payments services

❑Introduction of Streamlined Requirements for Account Opening, Provision of Financial Services and Customer Identification

❑Promotion of direct participation of credit unions and non-bank payment services providers in the payments and settlements system to address the challenge of interoperability

❑Formulation of a nationwide educational campaign to achieve buy-in from all stakeholders

Project Sand Dollar

❑ Name chosen for the Digital Currency initiative

❑ In August 2018, the Expression of Interest (EOI) attracted more than 30 submissions globally

❑ The Bank has since selected a preferred technology solutions provider: NZIA, Ltd.

❑ Policy and legislative reforms are forthcoming with the aim to strengthen Exchange Control Regulations and AML/CFT safeguards

❑ Eventually, all residents in the Bahamas will have equal, expanded access to a modernized digital payment system

How Does It Work?

❑ Once a user is on-boarded, they will receive a digital account, i.e., eWallets that can be accessed through physical devices such as payment cards and/or mobile devices.

❑ Businesses will be treated separately from individuals

    ❑ Businesses will benefit from integrating their digital currency accounts with deposit accounts maintained at banks

❑ Token Based-Model

    ❑ Digital B$ would be available for use across all payment platforms and existing or proposed e-wallets

❑ Onboarding of participants, issuance of wallets and distribution of digital currency will happen through existing channels.

The Digital Sand Dollar Eco-system
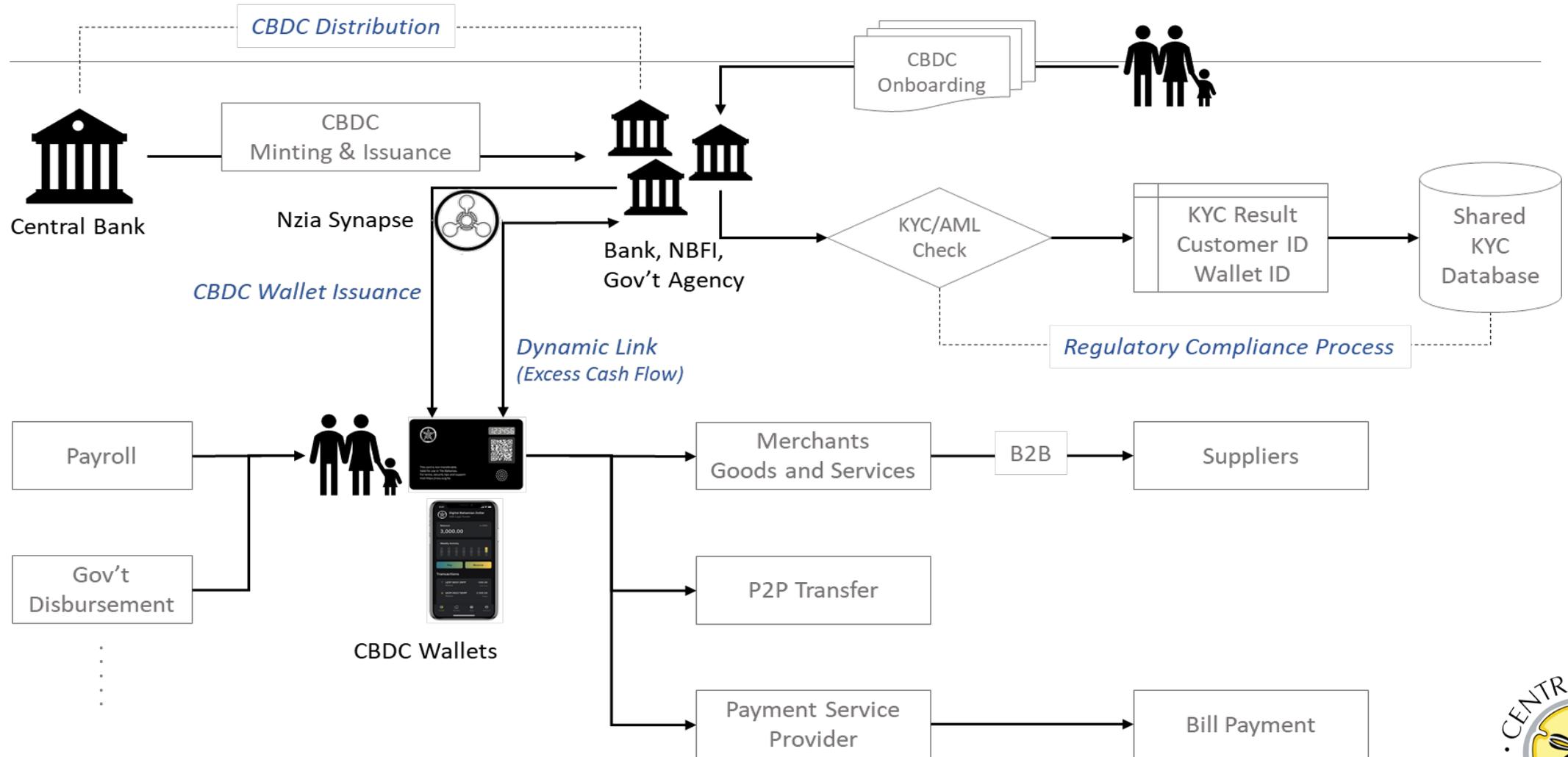
Conclusion

This groundbreaking project is anticipated to:

❑ Increase financial inclusion;

❑ Lead to more inclusive economic growth;

❑ Provide material cost savings overtime.

Ultimately, when you are financially excluded, it negatively impacts the economy. The Central Bank wants to foster an environment where there are no impediments to financial inclusion and by extension, spur economic activity.