



**SAND DOLLAR**

**Driving Financial Inclusion and FinTech Innovation  
In The Midst of COVID-19**



# Outline

- Introduction
- Project Sand Dollar – An Overview
- Effects of COVID-19 on The Bahamas
- Project Sand Dollar – Response to COVID-19
- Conclusion



# Introduction

Central banks are tasked with ensuring that payment and market infrastructures are robust and meet the demands of the economy securely and efficiently, while also having the capacity to address social concerns.

The COVID-19 pandemic brought about new challenges in ensuring that these objectives are met.

The Central Bank of The Bahamas embarked on a central bank digital currency initiative, Sand Dollar, prior to Hurricane Dorian of 2019 which directly impacted the Bahamas.

The technical specifications and requirements for the project had built into it considerations for the impact of hurricanes, though not necessarily a monster hurricane such as Dorian. However, COVID-19 prompted swift actions in reassessing various aspects of the project deliverables, including technical resilience, approach to accessibility and national rollout, and rapid strategy adjustment.



# Project Sand Dollar An Overview

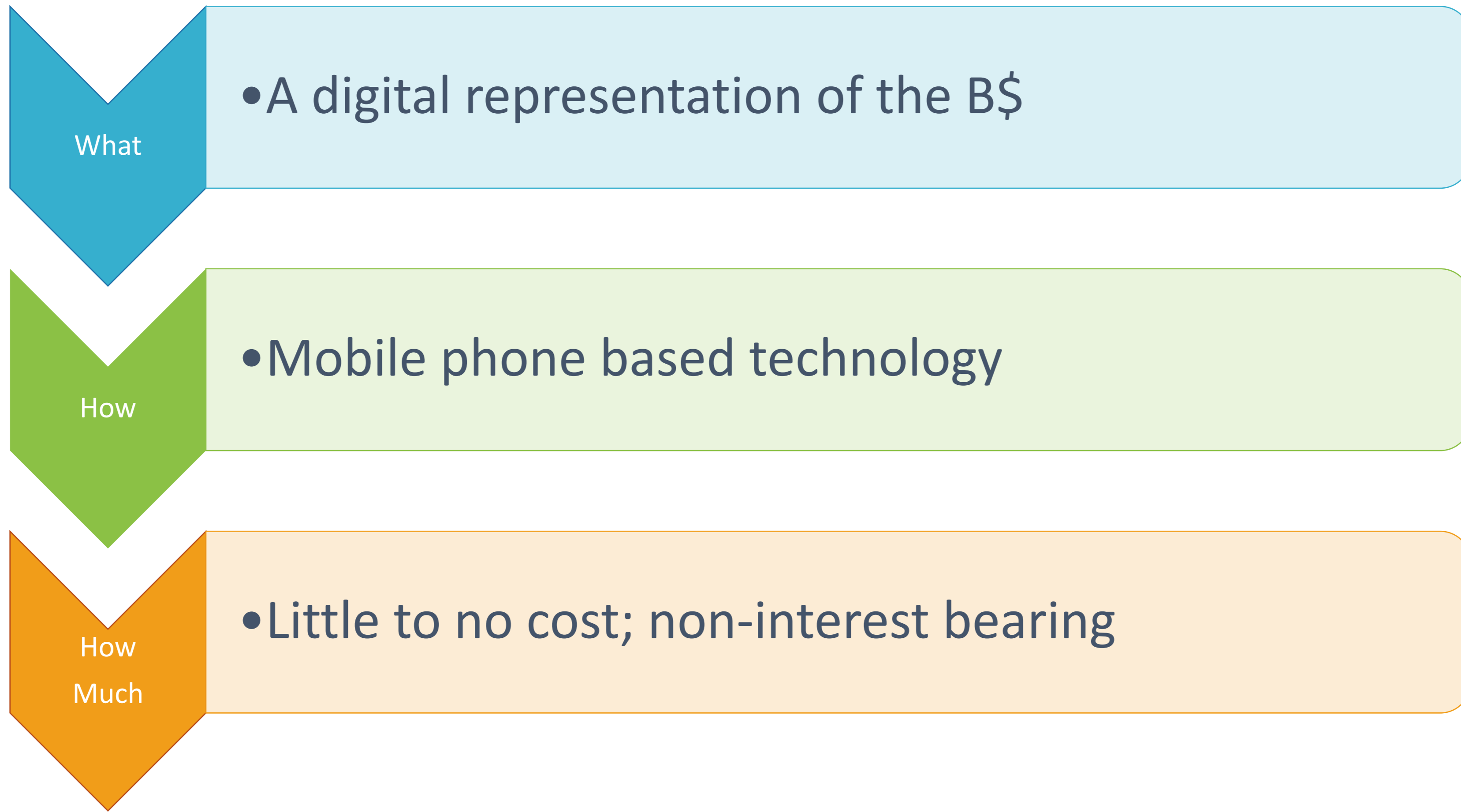
# Evolving Objectives

The Central Bank of The Bahamas, in addition to fostering monetary stability, as a component of its mission, is to ensure a stable and sound financial system. In this light, the Bank has undertaken a strategic initiative to modernize the payments infrastructure, including the introduction of a central bank digital currency (CBDC). Key considerations:

- Make the payment system more efficient;
- Achieve greater financial inclusion, cost effectiveness, and provide greater access to financial services across all of The Bahamas;
- Non-discriminatory access without regard for immigration or residency status;
- Strengthen national defenses against money laundering, counterfeiting, and other illicit ends.



# Project Sand Dollar



# Key Specifications

Interoperability

Multi-factor authentication

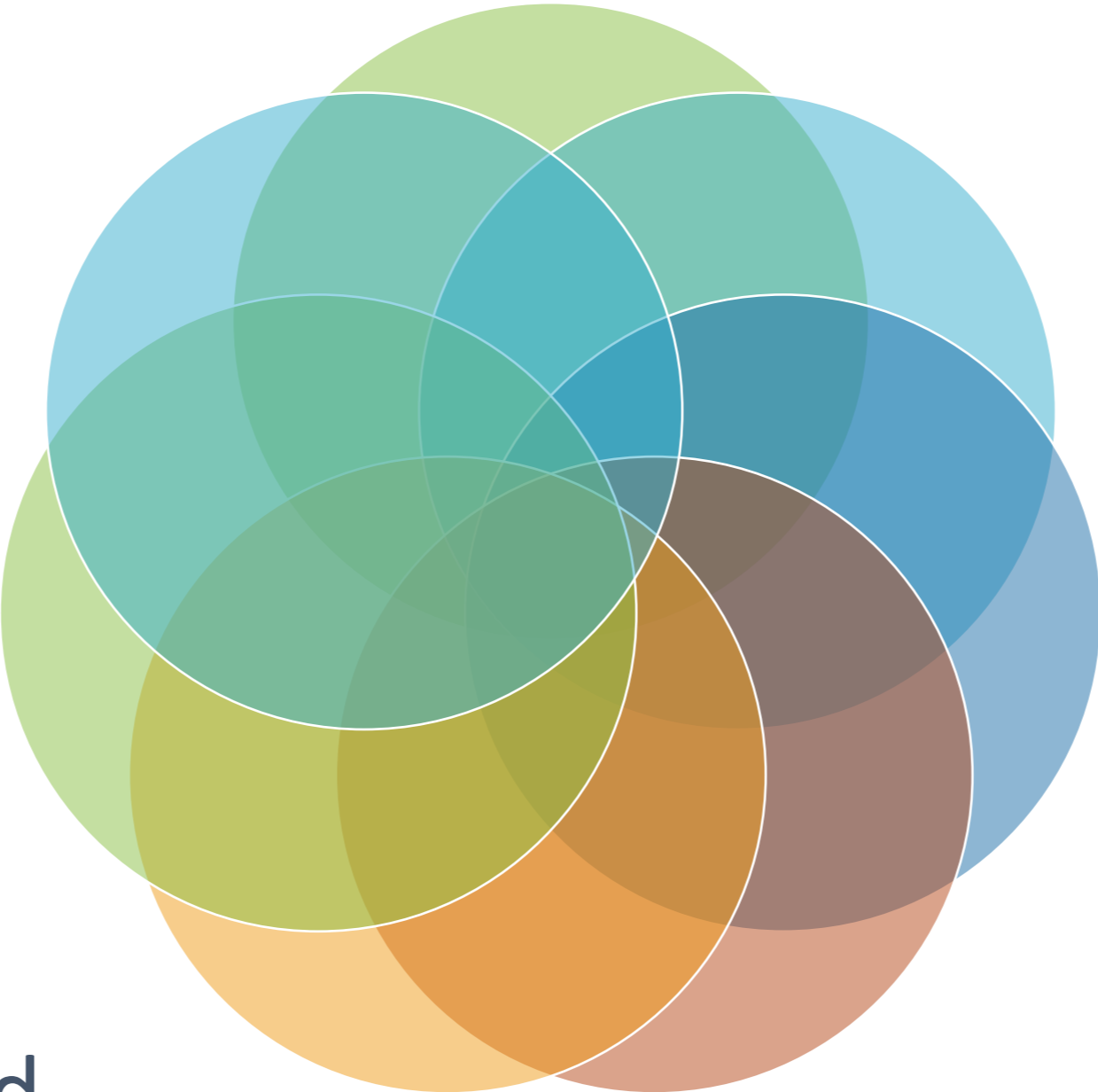
Offline Functionality

Restricted to domestic use only

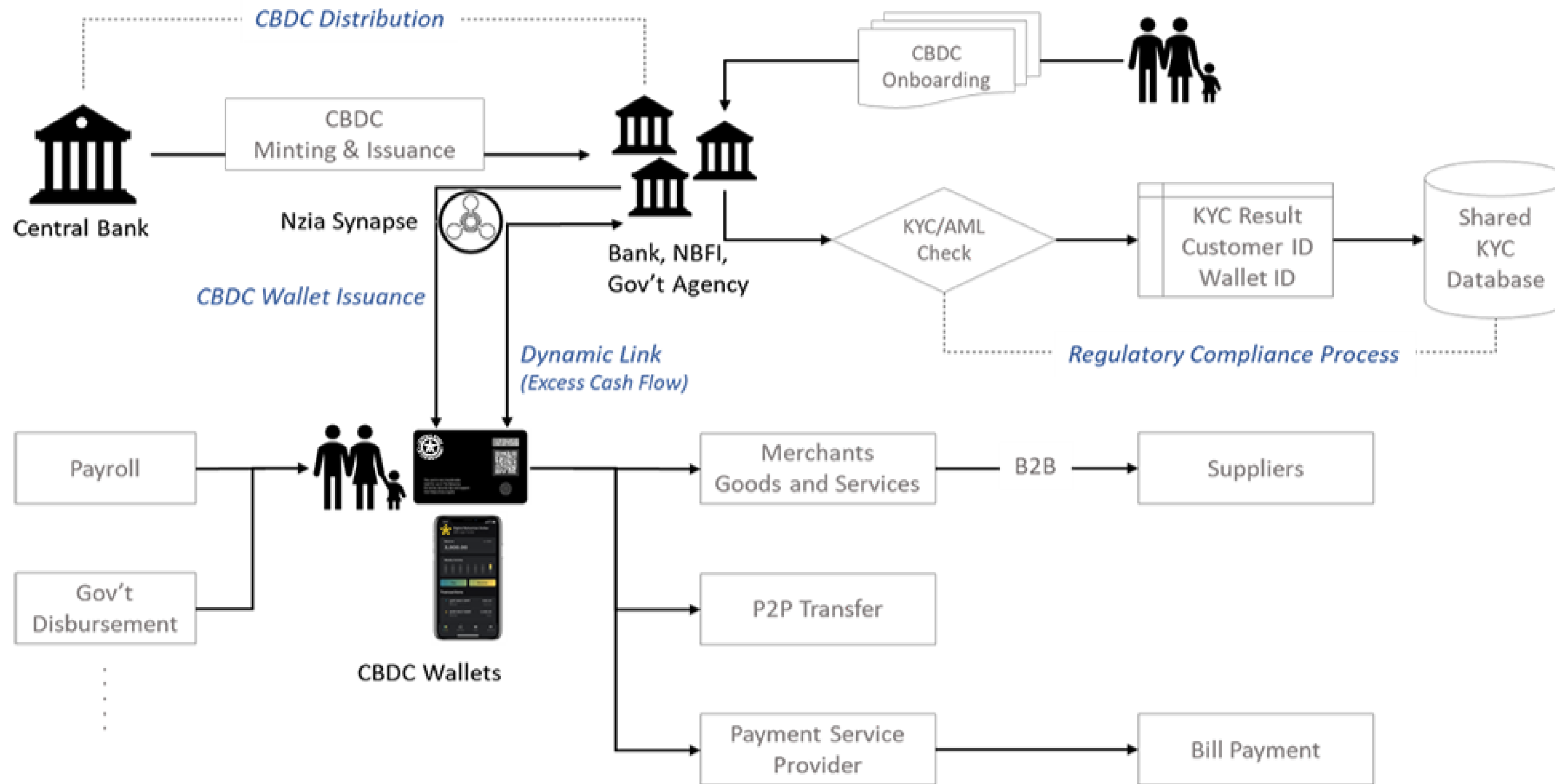
Real-time transactions processing

Enhanced Security and Accountability

Virtually cost free to use



# Sand Dollar Framework







# Sand Dollar - Security

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## MULTI FACTOR AUTHENTICATION

A Sand Dollar enabled wallet can only be configured once multiple credentials have been authenticated



## WALLET SECURITY

Each wallet provides a unique set of data encryption to ensure privacy and confidentiality



## CYBERSECURITY ASSESSMENT

A security review of the software, mobile apps, and the participating approved financial institutions

# How It Works

## Business

### Commercial



Proof of regulated status required. Self-employed can be treated as an individual based on the observed activity level.

## Personal

### Individual



Benefits from simplified due diligence. Lower wallet ceiling.

## Personal

### Non-Residents/Visitors



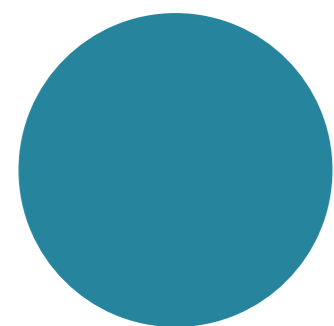
Can fund B\$ wallets with foreign currency. Can cash out into foreign currency against card/instrument used to load wallet.



# Operating Limits

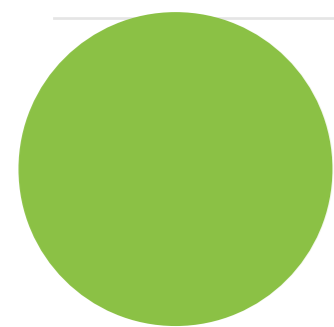
Based on due diligence process and account category

Limits/ KYC Tier:	Person: Tier I	Person: Tier II	Business: Tier III
Holdings	\$500	\$5,000	\$8,000 – \$1 million
Transactions	\$1,500/mth	\$100,000/year	None



## Exuma – December 2019

Microcosm of The Bahamas – with presence of Government, banks, employers, business, tourists, second home owners. Population 7,314. Healthy economy based around tourism.



## Abaco – February 2020

To develop disaster recovery experience, applicable to any Bahamian sub-economy. Accelerate provision of financial services needed to support business sector recovery. Population of 17,000+ Equally diverse economy; mini-archipelago.



Source: mappery.com

# Critical Milestones





# Effects of COVID-19 on The Bahamas

# Social Effects of COVID-19



1

## Loss of Salaries/Wages

Losses in wages and jobs, due to layoffs, business disruptions and closures.

2

## Unemployment Benefits Cost

Unemployment benefits of \$84.2 million paid out to 36,813 persons over 5 months, exceeded normal annual levels multifold.

Source: nib-Bahamas.com

4

## Personal Safety Concerns

Spike in crimes of opportunity (Fraud and robberies)

3

## FS - Limited Access

Lockdowns restricted mobility and presented limited to no physical access to traditional financial services.

# Economic Effects of COVID-19

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## Tourism Sector Losses

The Bahamas is heavily dependent on the tourism sector to generate revenue. There has been a significant downturn in economic activity due to a contraction in the tourism sector.



## Business Losses

Losses in sales, and/or profits, and businesses due to economic downturn.



## Government Costs

Re-directed resources in further contributions to unemployment, including individuals and business, rent subsidies, other measures of assistance, and additional borrowings, increased the level of economic strain.





# Project Sand Dollar - Effects of COVID-19

Covid-19 imposed logistical challenges around equipment deployment and physical site visits

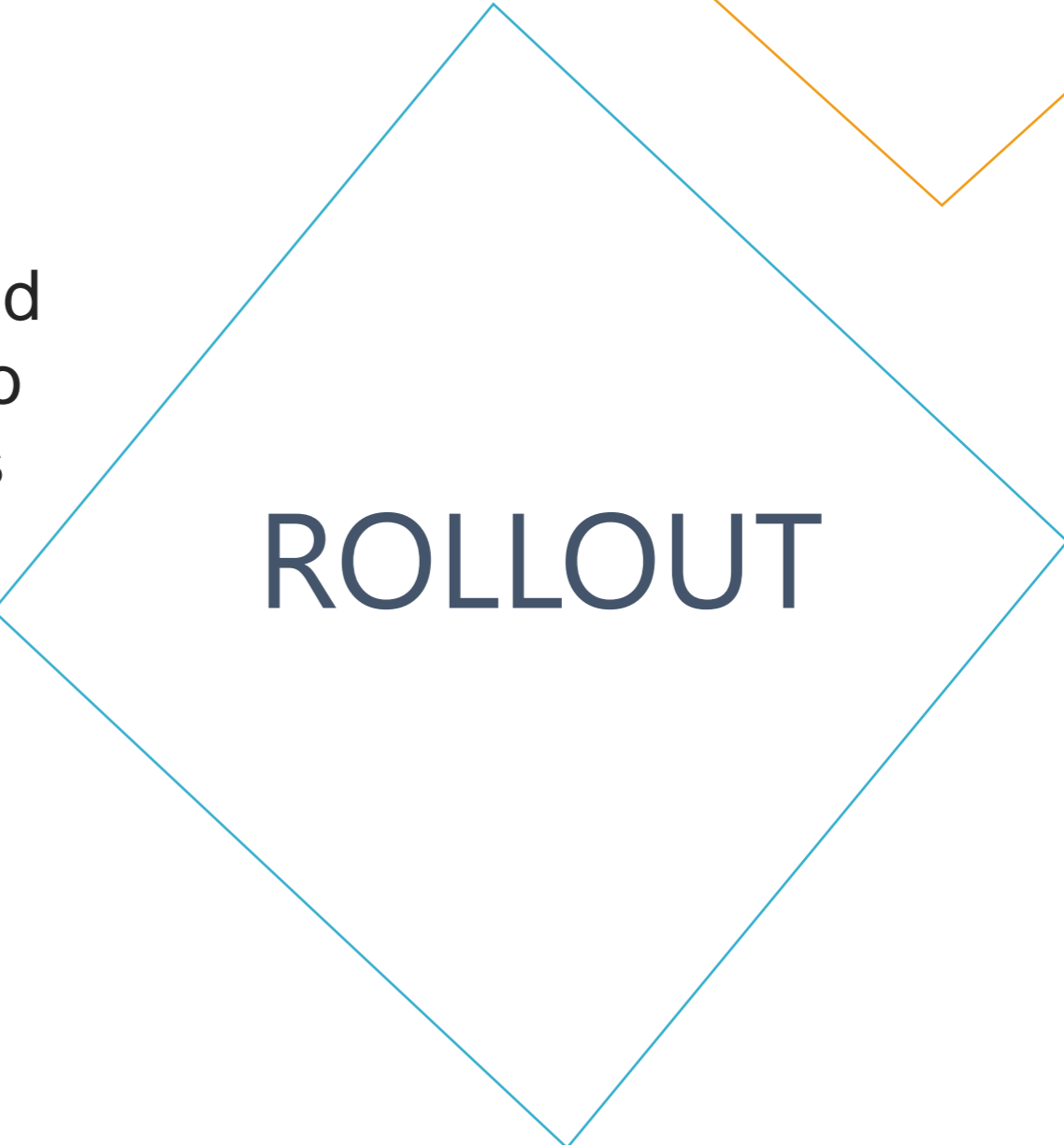
### Logistics

Need to innovate deployment methods

The worldwide effects of COVID-19 impacted the timeline of equipment delivery and security assessments

### Technological

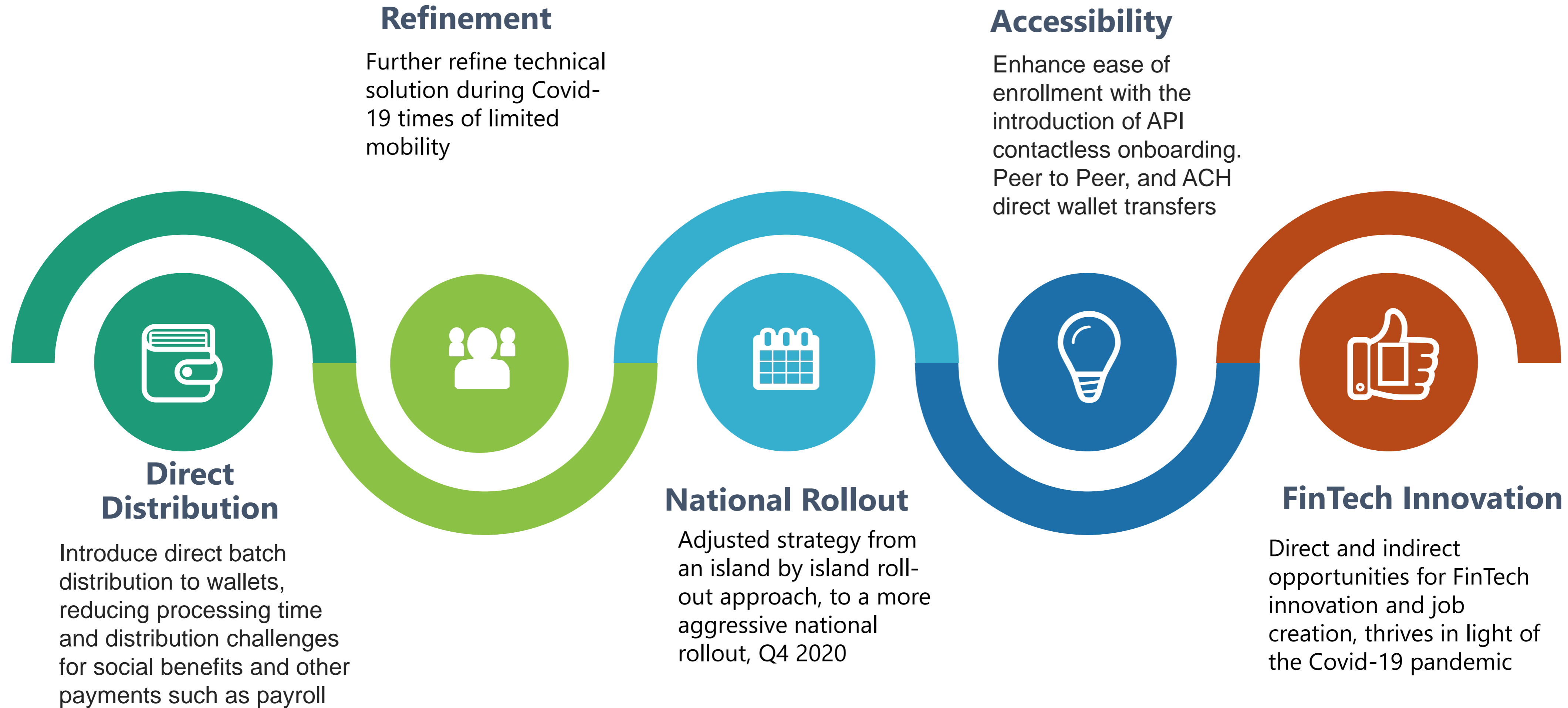
Highlighted need for alternative sources and innovative approach to effective assessments





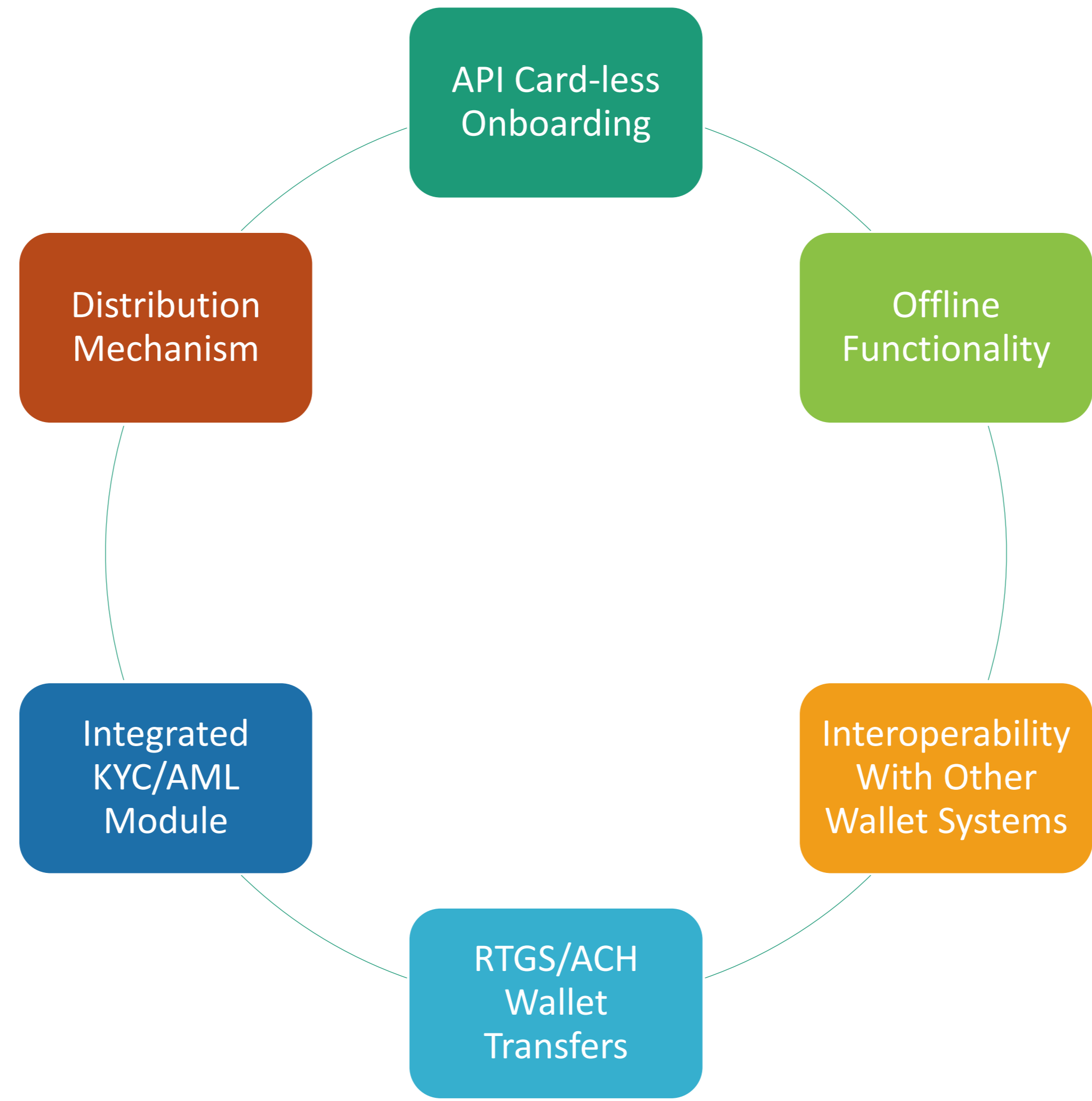
# Project Sand Dollar – Response to COVID-19

# Sand Dollar Strategies In Response to Covid-19





# Sand Dollar – Central Strategies



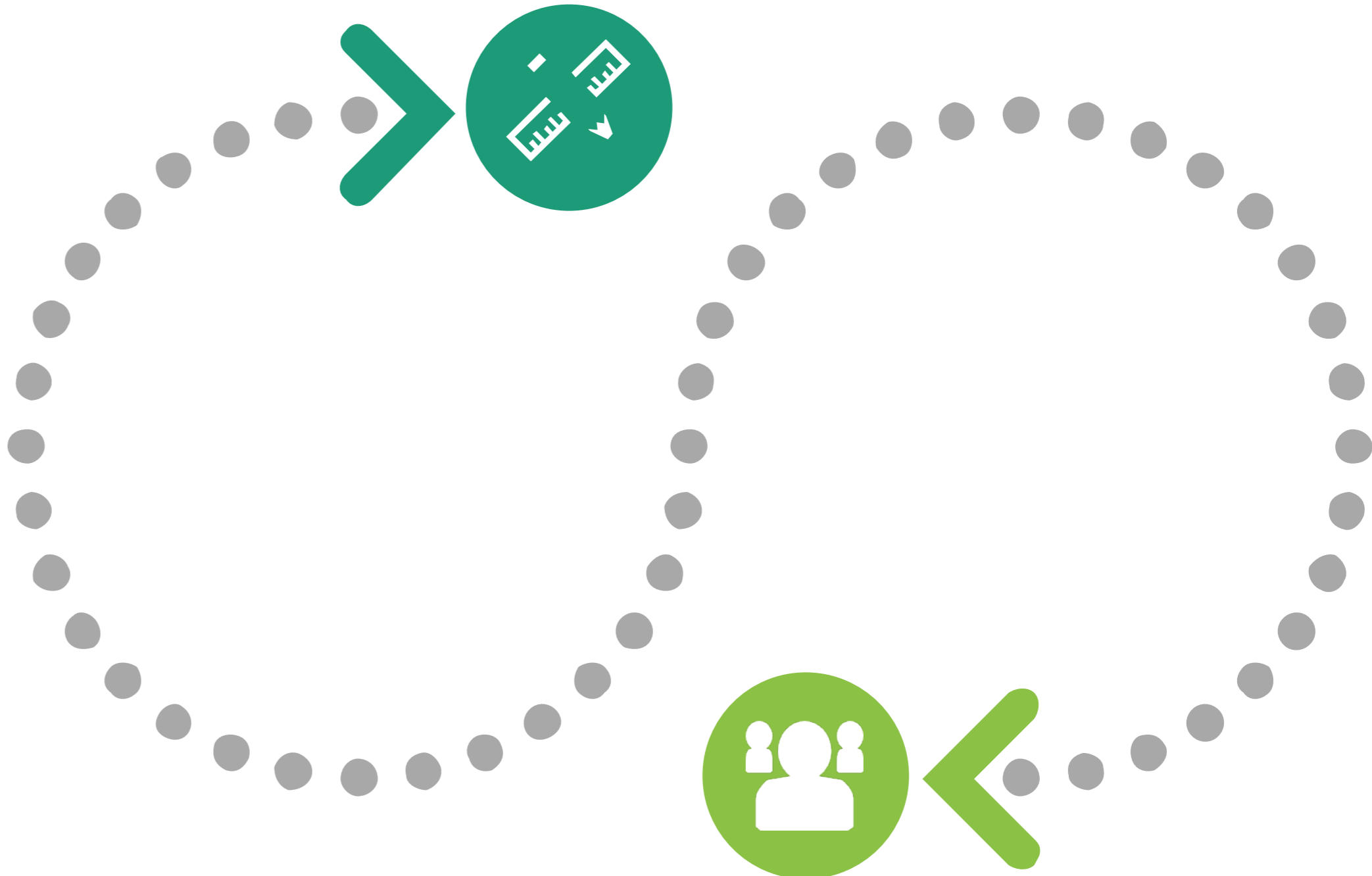
# Sand Dollar – Social & Economic Importance

## Social Support

Available when and where needed across the Bahamas. A convenient, secure, cost effective, contactless payment method with remote/digital access to financial services.

## Economic Support

Strengthening the payments infrastructure and financial inclusiveness to promote economic activity and growth.



# Looking Ahead - Proactive Approach



A sound CBDC system built to reduce disaster and pandemic risks, such as through resilient infrastructure with adequate off-line capabilities, accessibility and safety.



Improve digital commerce amongst businesses and consumers to create a more financially inclusive economy.



Built in module to facilitate cross-boarder payments as the CBDC lifecycle matures and there is a demand within the global economy.



Contingency planning with rapid retooling and financing for speedy recovery in the event of unforeseen disruptions.



# Conclusion



# Conclusion

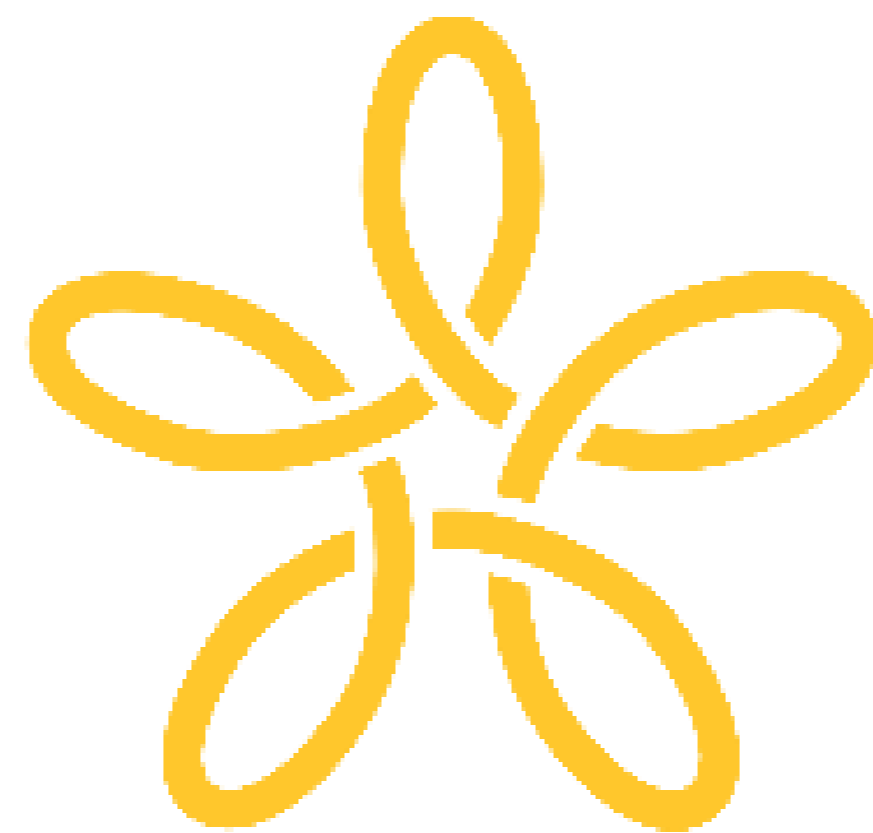
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Covid-19 underscores the need for a resilient and agile payments infrastructure to meet the needs of the people and the economy. Sand Dollar through a continuous process, aims to:

- Provide accessibility to all residents of the archipelago on a non-discriminatory basis.
- Foster an environment where there are no impediments to financial inclusion and by extension, spur economic activity and growth.

A supportive regulatory environment is a critical component in the success of a progressive payments model.





Thank You!