

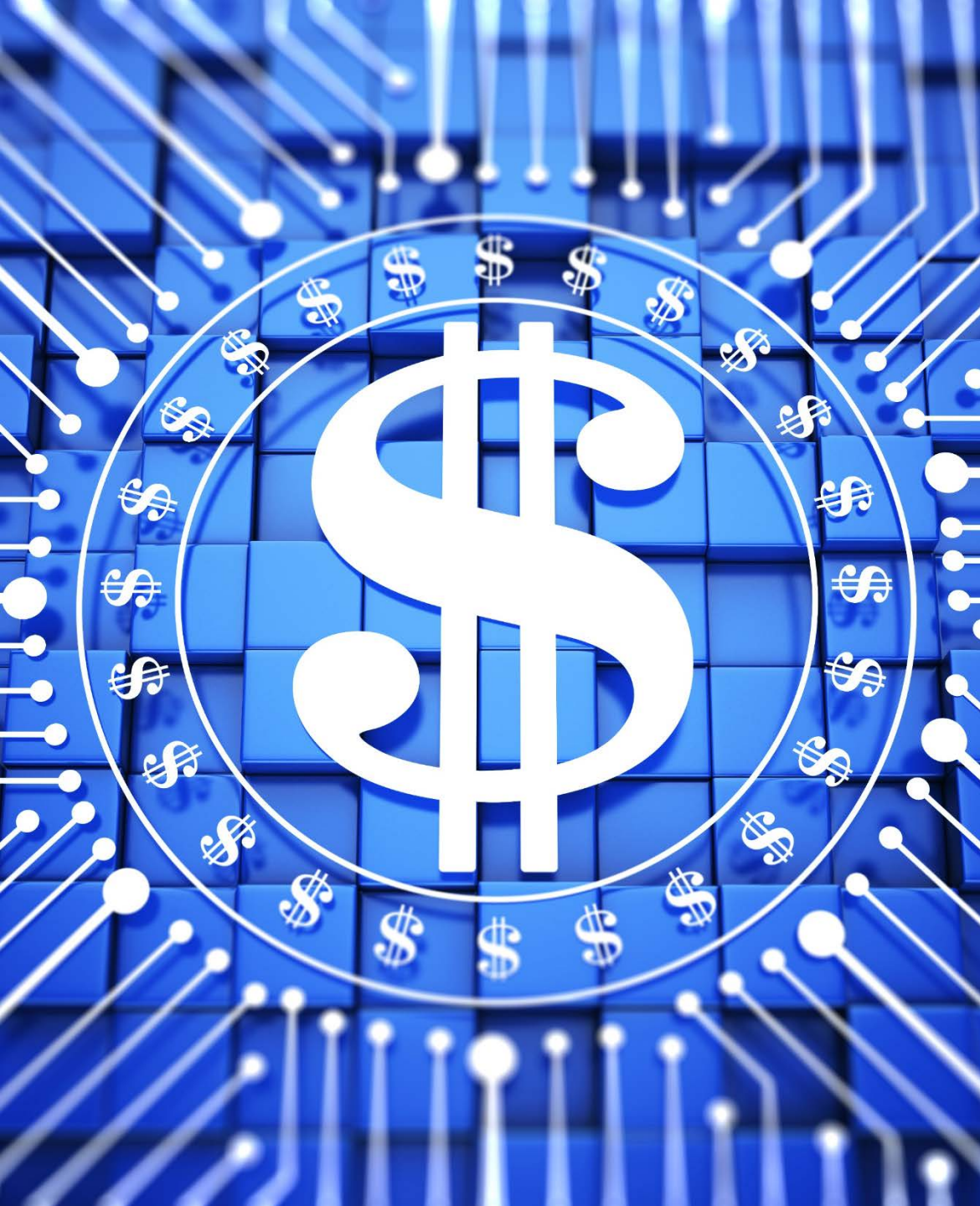
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Central Bank Digital Currency - CBDC

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





What is Central Bank Digital Currency?

Digital currencies are 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

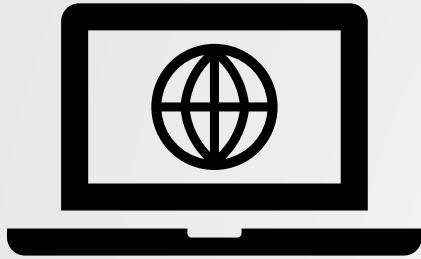
Ensure
Canadians can
use their
preferred
methods of
payment with
confidence

- Take 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

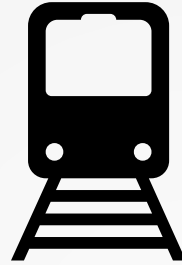
Bank of Canada Research: Contingency Planning

- 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



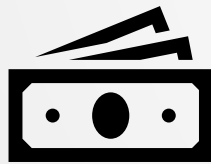
**Payments
Modernization**



Real Time Rail



Open Banking



Bank notes



CBDC ??

Benefits of a CBDC

- Keeps central bank money competitive with private alternatives
- Enhances resilience of payment system
- Next step in efficiency and security for cash issuance
- Maintains general public access to risk-free asset
- Central bank only institution to credibly guarantee universal access: anyone, anytime, anywhere
- Can maintain access to payments privacy
- 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
- Tax implications if CBDC used to buy goods and services
- May stifle payments innovations

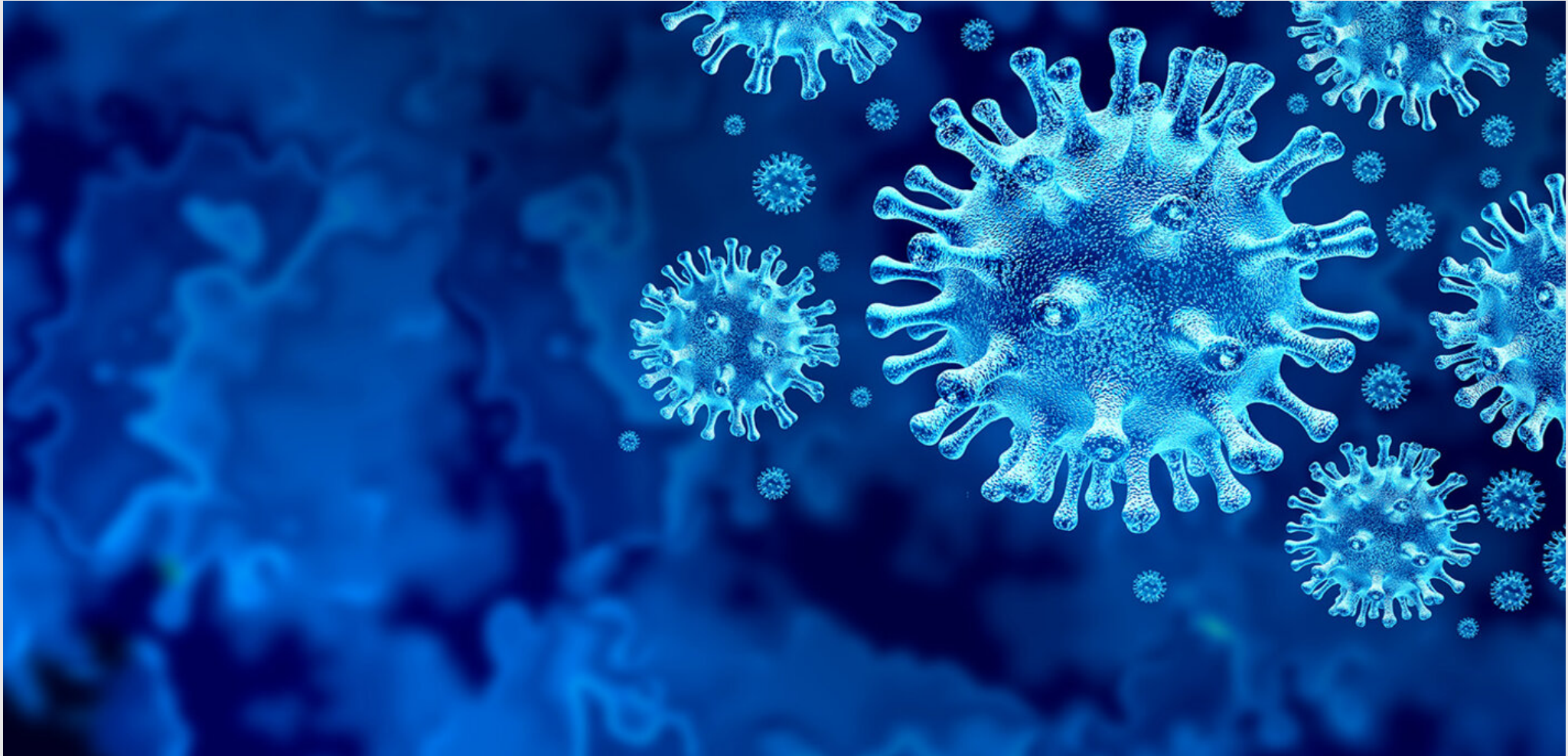
Tipping points: Alternative Futures

- 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.

Covid-19 implications



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