

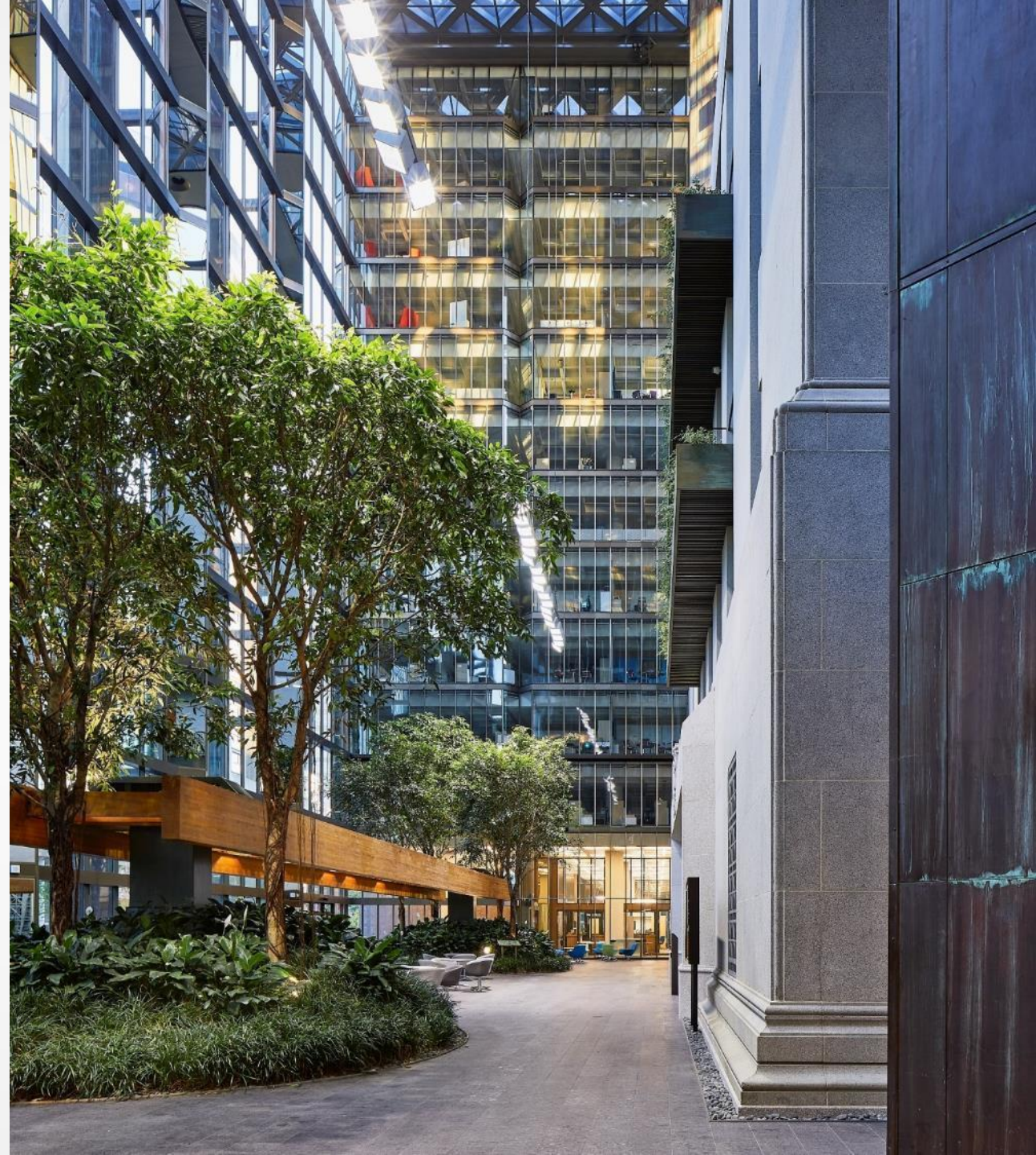
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Central Bank Digital Currency and Standards

Bank of Canada's CBDC Project and the Utility
of Standards

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Disclaimer

These are the view of the author and not necessarily those of the Bank of Canada

Adapting to the Changes in Money and Payments

Supporting Payments Canada's Payment Modernization program

Ensuring bank notes remain available to Canadians who want to use them

Building, as a contingency, the capability to issue a cash-like central bank digital currency (CBDC) to the public, should the need ever arise

Scenarios in Which CBDC Might be Required

The use of bank notes were to continue to decline to a point where Canadians no longer had the option of using them for a wide range of transactions

and / or

One or more alternative digital currencies—likely issued by private sector entities—were to become widely used as an alternative to the Canadian dollar

Core Features of a CBDC

Universal accessibility. Access to money is essential for participation in the economy and must therefore be available to everyone.

Privacy. Canadians are concerned about maintaining an appropriate degree of privacy both in relation to private businesses, such as merchants and payment providers, and in relation to the government.

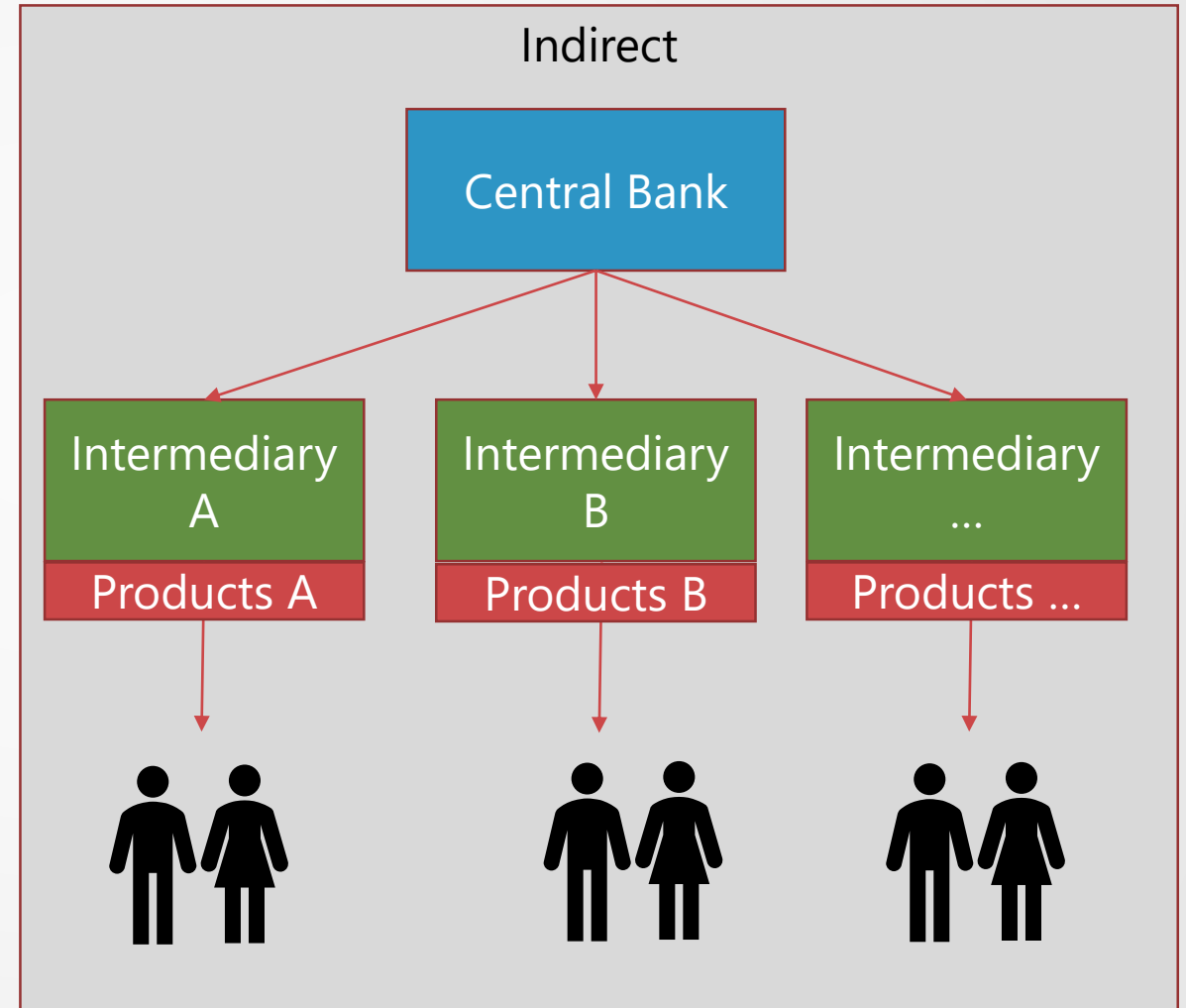
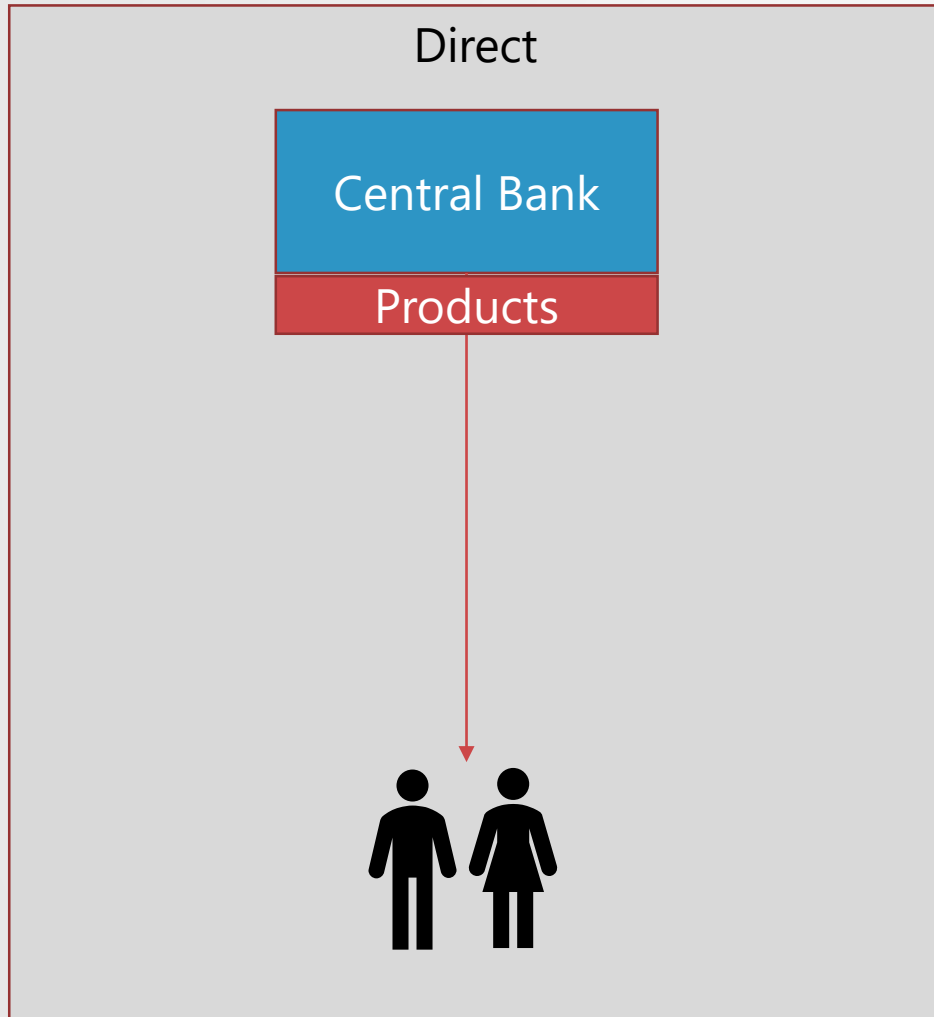
Resilience. Because it is crucial for economic transactions, money needs to be available all the time, regardless of circumstances.

Safety. Money should be a safe store of value that consumers can use with confidence.

Competition and efficiency. More competition in payments will reduce costs, improve efficiency and service levels, and promote innovation and a wider range of products.

Monetary sovereignty. Having a national currency as the dominant unit of account improves the efficiency of trade and promotes growth of the national economy.

Stylized Business Models



Standards Matter

- A single central bank could set “standards” for its jurisdiction, but this could miss out on benefits of common standards:
 - › CBDC fulfills public policy, CBs cooperate more than compete – should this extend to common standards?
 - › Fosters a competitive market that could improve the quality of products, decrease costs for the CB and create larger markets for intermediaries
 - › Some features, e.g. universal access, could be hard to incentivise – could standards help?
 - › Possibly make cross-border integration of CBDC systems easier, or more generally interoperability CBDC <-> DFC <-> CBDC

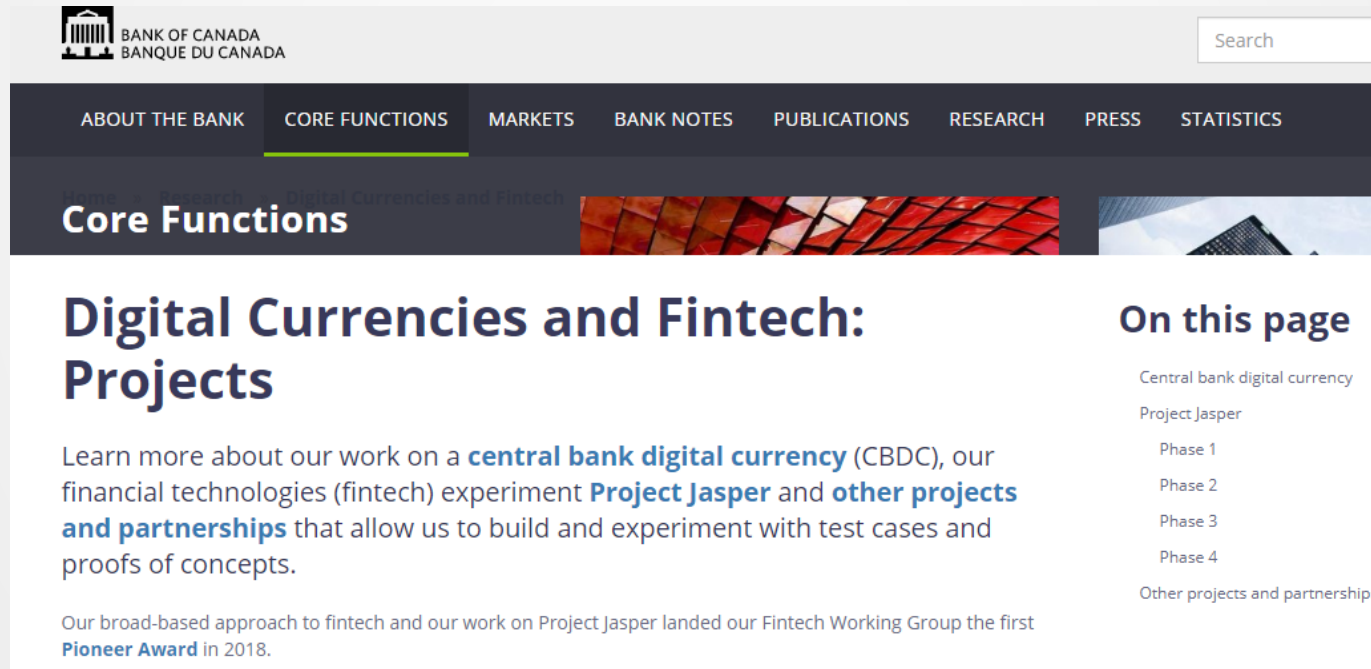
Standards Challenges

- CBDC are grounded in public policy, not a profit motive – how do we navigate this dilemma with public and private stakeholders at the table?
- Some central banks may have policy reasons to issue CBDC soon – they can't wait for standards to be written
- What is the right level of granularity? Too much could hamper innovation, too little is not useful.

Further Reading

Links to CBDC and Jasper publications in one place:

<https://www.bankofcanada.ca/research/digital-currencies-and-fintech/projects/>



The screenshot shows the Bank of Canada website header with the logo and name in both English and French. A search bar is located in the top right. The main navigation menu includes links for ABOUT THE BANK, CORE FUNCTIONS (which is highlighted with a green underline), MARKETS, BANK NOTES, PUBLICATIONS, RESEARCH, PRESS, and STATISTICS. Below the navigation is a banner for 'Core Functions' with a red-tiled roof image. The main content area features the title 'Digital Currencies and Fintech: Projects' and a paragraph describing the bank's work on CBDC, Project Jasper, and other projects. A sidebar on the right titled 'On this page' lists links to 'Central bank digital currency', 'Project Jasper', and its four phases, as well as 'Other projects and partnerships'. A small text block at the bottom left mentions the bank's receipt of the Pioneer Award in 2018.

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ABOUT THE BANK **CORE FUNCTIONS** MARKETS BANK NOTES PUBLICATIONS RESEARCH PRESS STATISTICS

Core Functions

Digital Currencies and Fintech: Projects

Learn more about our work on a **central bank digital currency** (CBDC), our financial technologies (fintech) experiment **Project Jasper** and **other projects and partnerships** that allow us to build and experiment with test cases and proofs of concepts.

Our broad-based approach to fintech and our work on Project Jasper landed our Fintech Working Group the first **Pioneer Award** in 2018.

On this page

- Central bank digital currency
- Project Jasper
 - Phase 1
 - Phase 2
 - Phase 3
 - Phase 4
- Other projects and partnerships



Thank You