

Proceeding with Caution: Exploring a Canadian CBDC

BANK
OF
CANADA

Canada 

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Emerging Financial Developments



⋮

Transition from cash to
digital payment methods



⋮

Costly and inefficient
financial system



⋮

Use of foreign and private
digital currencies



Potential to undermine the **Bank of Canada's** ability to fulfill its mandate:
"promote the economic and financial welfare of Canada."

CBDC in Context



85% | of central banks are engaging in CBDC research

14% | of central banks have reached the pilot stage

Source: BIS (2020)

Wholesale	Retail
For interbank transactions and settlements	Issued to the general public and retailers

The Issue

Given the shifting financial landscape, is the implementation of a Canadian CBDC *necessary* for the Bank of Canada to fulfill its mandate?

Risks of Not Responding



Threat to financial
stability

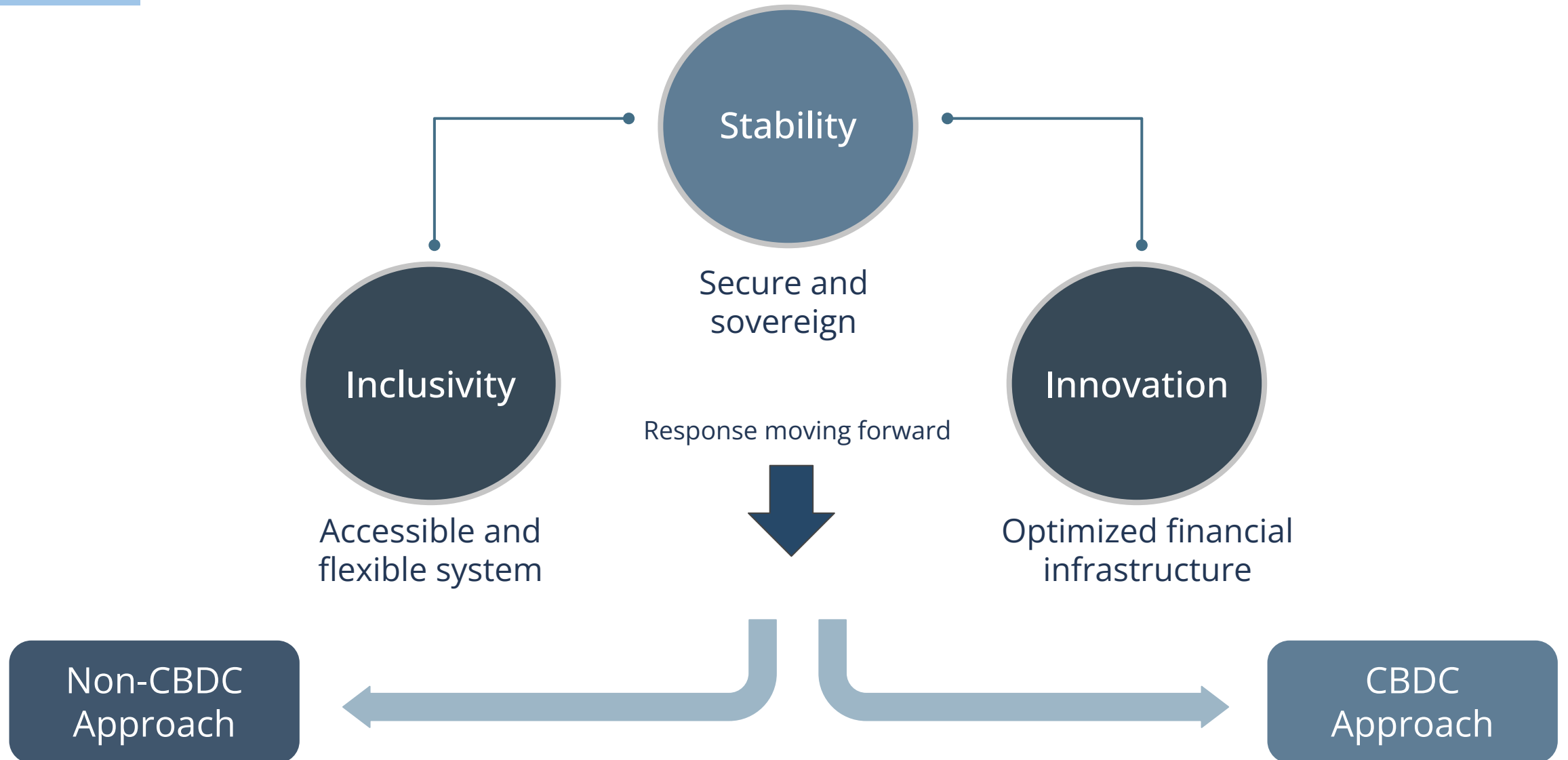


Worsening financial
exclusion



Lag in financial
innovation

Guiding Principles



Option 1: *Regulate and Modernize*

Goal: Encourage financial inclusion, security, and efficiency through existing partnerships, regulations, and initiatives.

Inclusion

Eliminate Barriers

Encourage financial inclusion through existing partnerships



Security

Regulate Digital Currencies

Mitigate threats by improving the existing regulatory framework



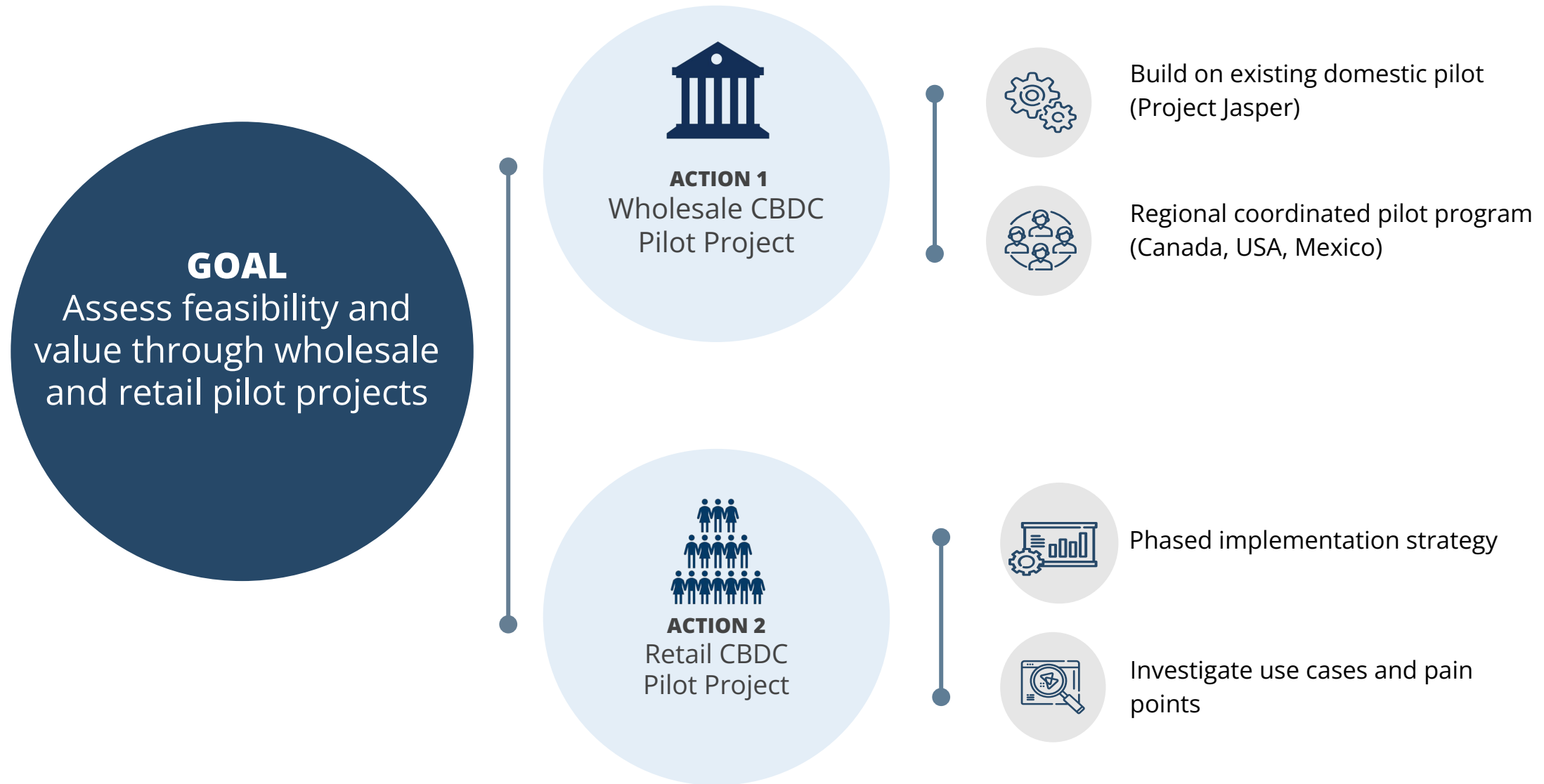
Efficiency

Modernize Payment System

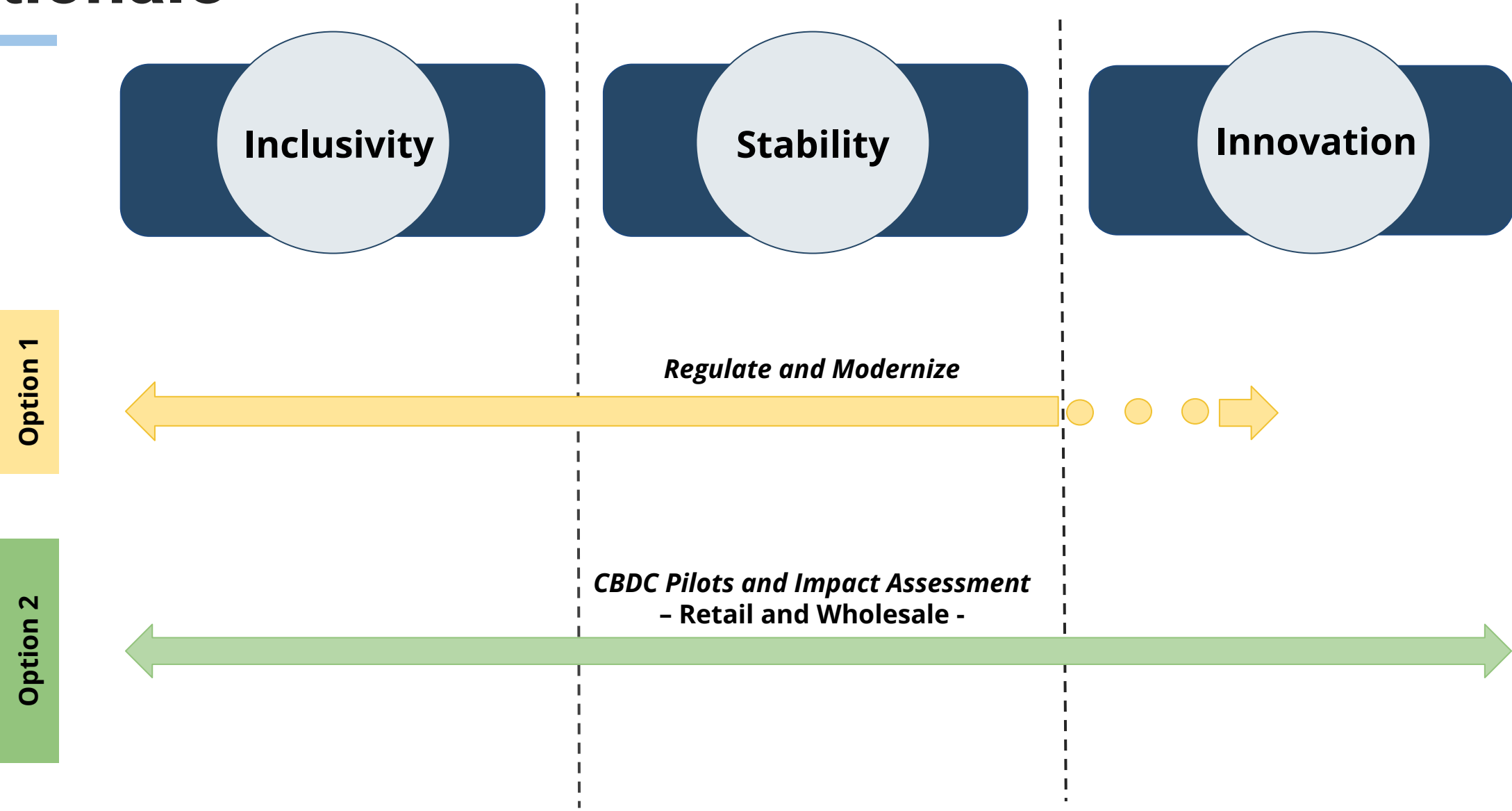
Increase support for ongoing initiatives



Option 2: *CBDC Pilots and Impact Assessment*



Rationale

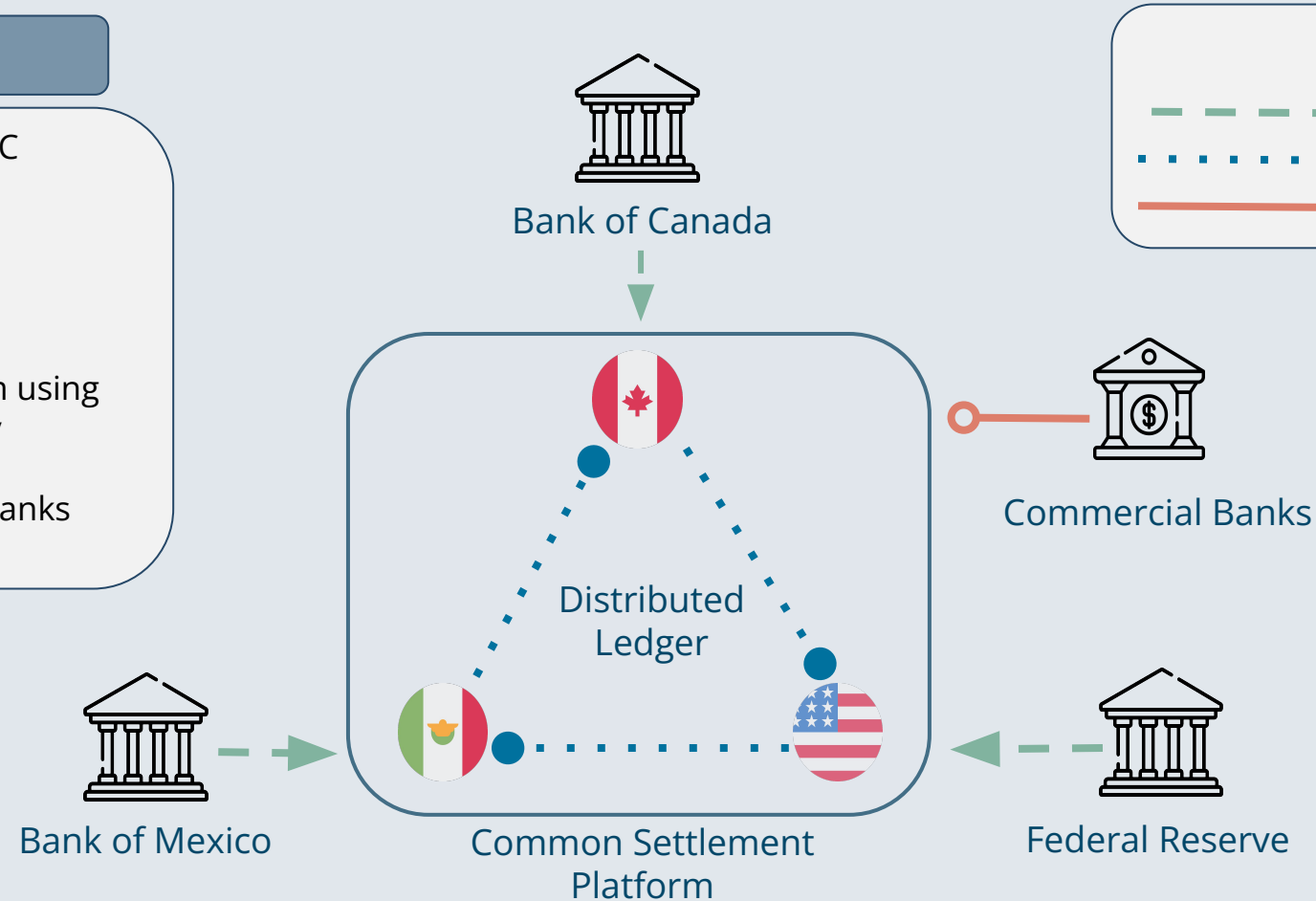


Wholesale CBDC Pilot - North America

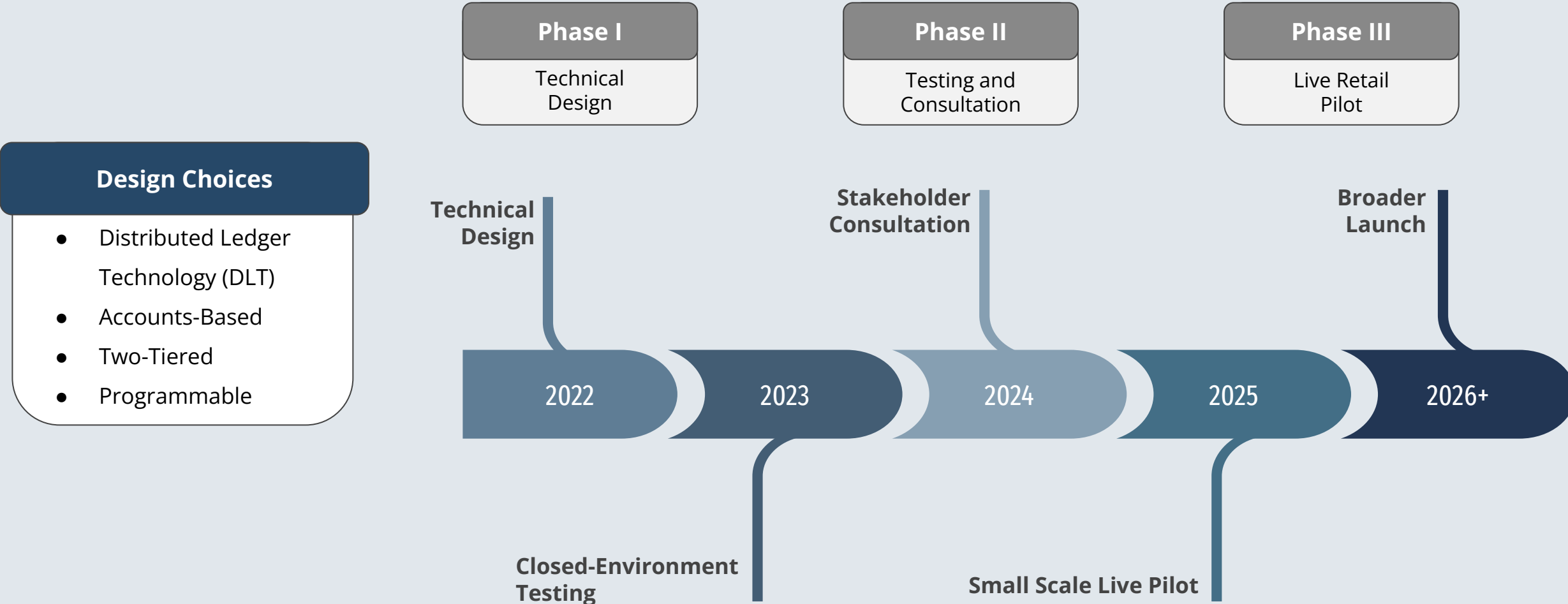
Action: Build upon the existing wholesale program to explore cross-border applications

Program Overview

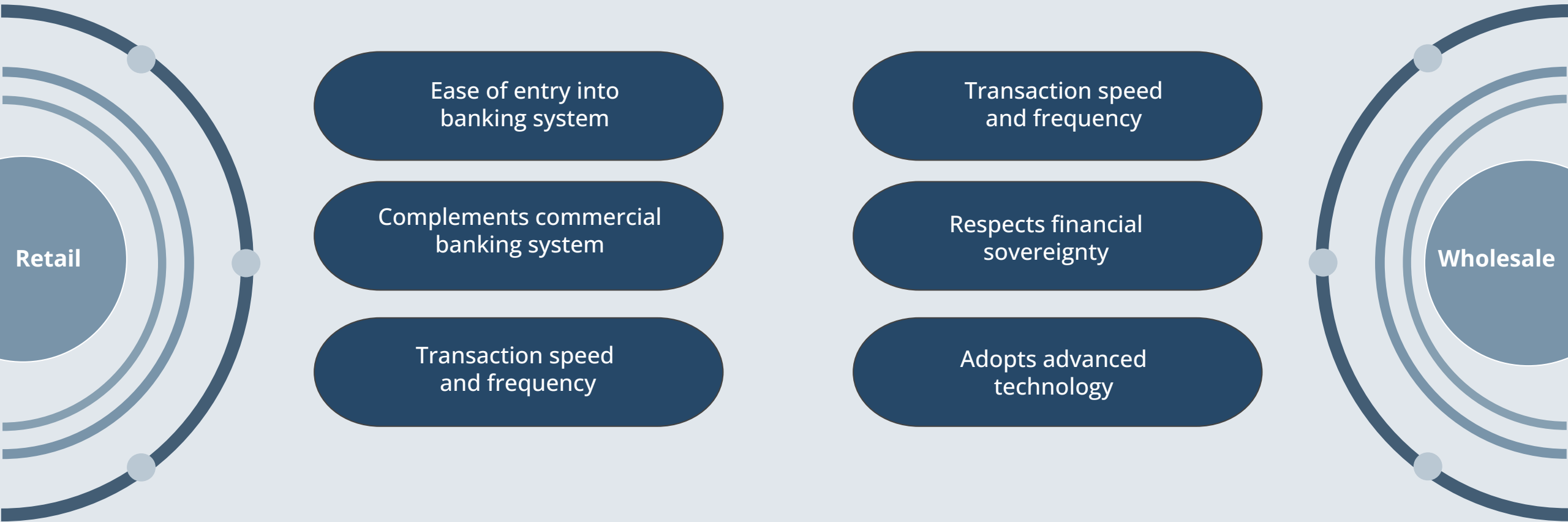
- Interface with wholesale CBDC projects
- Collaborate with Bank of International Settlements
- Common settlement platform using distributed ledger technology
- Allow domestic commercial banks access through central banks



Retail CBDC - Phased Implementation



Performance Indicators



Risks

Mitigation

Inclusivity

Digital Divide



Targeted use cases to support inclusion

Privacy



Continued enforcement of bank privacy laws

Stability

Cybersecurity



Design robust cybersecurity measures

Operational



Contingency planning and set measures for resiliency

Innovation

Economic Disruption



Limited incentives and transaction limits, retain role of commercial banks

Crowding Out of Private Sector Innovation



Maintain public-private partnerships during design process

Communication Strategies



FEDERAL GOVERNMENT



REGULAR CONSUMERS



**VULNERABLE
POPULATIONS**



COMMERCIAL BANKS



**MERCHANTS /
RETAILERS**

Conclusion

Thank you! Questions?

**Stability
Inclusion
Innovation**

**Fulfilling
Mandate**



Annex A: Retail CBDC Design Choices

