

Bank of Canada decides against launching digital currency, but leaves door open

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PUBLISHED FEBRUARY 25, 2020

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The Bank of Canada doesn’t yet see a need to create its own digital currency, even as some central banks advance toward e-money.

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“The Bank will build the capacity to issue a general-purpose, cash-like CBDC should the need to implement one arise,” the bank said in a background note published on its website in conjunction with Mr. Lane’s speech.

“While we don’t know what the future may bring, we need to move forward to work out what a potential CBDC might look like and how it could be managed, if the decision were ever taken to issue one,” Mr. Lane said in his speech. And he noted that the decision wouldn’t be up to the Bank of Canada.

“That’s a choice that Canadians and their elected representatives would need to make at the time,” he said, adding that “the bank would need proper legislative authority to issue a CBDC.”

The background paper indicated that it would take “several years” before the central bank would be in a position to launch its own digital currency.

The Bank of Canada has made a bank-issued digital currency a key research priority over the past year, as the development of private-sector alternatives, especially Facebook’s proposed Libra cryptocurrency, have accelerated the urgency among the world’s central banks to respond. The bank published a series of papers on the issue Tuesday. It has also formed a working group along with the central banks of England, Japan, the European Union, Sweden and Switzerland to combine their efforts on understanding the implications of CBDCs.

But many central banks look to be further down the road toward pursuing their own digital currencies than Canada is. In a recent survey by the Bank for International Settlements, about one in 10 central banks said they are likely to issue a digital currency within the next three years. China’s powerful central bank is believed to be considering a launch of a digital currency within the year. Last week, Sweden’s Riksbank announced the launch of a pilot program over the next year to test a new “e-krona” using blockchain technology, though it stressed that no decision has been made regarding introducing the currency.

Sweden is considered one of the world’s most cash-less societies, with cash used for only about 15 per cent of retail payments. By comparison, Mr. Lane noted that, while Canadians’ use of electronic payment methods has risen substantially in recent years, cash is still used in

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of transactions.”

He added that another key factor would be if private digital currencies became widely adopted, something that could pose a risk to the stability of central bank currencies and the conducting of monetary policy.

“If either scenario came to pass, society may be well-served with a digital currency,” he said.

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