



# **Future of Money – Te Moni Anamata : Summary of responses to our 2021 issues papers**

April 2022

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## 1 Introduction

In September 2021, the Reserve Bank of New Zealand – Te Pūtea Matua initiated a comprehensive public consultation, *The Future of Money – Te Moni Anamata* – building on an earlier cash-focused work programme.<sup>1</sup> The first two papers, published in September 2021, explored the stewardship role of the Reserve Bank in relation to money and cash, and the issues and a proposed approach to developing a Central Bank Digital Currency (CBDC). The third paper was published in November 2021, and it set out issues and high-level options available for redesigning the cash system. Submissions on the first two papers closed on 6 December 2021, and on 7 March 2022 for the third paper.

The three consultations were published early in a multi-year work programme that will include further public consultation as options are refined and critical decision points near. A significant amount of work remains to be done on policy development:

- clarifying the stewardship role;
- further exploring the case for designing a CBDC; and
- redesigning the cash system to extend its future to meet New Zealanders' needs and demand.

Overall, the high level of engagement from members of the public indicates that New Zealanders care deeply about the future of money. The valuable insights gathered through the recent consultations will help us prioritise and plan what will be a complex, comprehensive future work programme. This document summarises the key themes in the feedback received.

### 1.1 How we conducted the consultation

The consultation papers were released on our website, and submissions could be made orally, in writing (via email or letter), and via an online survey tool.

The consultation was publicised with news media releases (and resulting national news media coverage), online and email promotions (including closing-date reminders). We reached out to multiple agencies and organisations representing interests likely to have both relevant and wide-ranging views on the issues, proposals and their potential impacts. This work included emailing links and reminders to approximately 6,000 individuals and organisations who participated in previous Future of Cash consultations, or who had subscribed to be kept in touch with Money and Cash Policy developments through our website.

Because of the COVID-19 pandemic, we could not engage with the public face-to-face in large gatherings. We responded to this challenge by undertaking a number of online public webinars to publicise the content in the papers, which attracted over a hundred participants. We will continue to explore how we can best engage the public as the work programme continues.

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<sup>1</sup> <https://www.rbnz.govt.nz/notes-and-coins/future-of-money/future-of-cash/issues-paper-the-future-of-cash>

## 1.2 Number of responses

In total, 6,882 submissions were received across all three papers. Of these, 140 were received in relation to the stewardship paper, 6,404 in relation to the CBDC paper, and 338 in relation to cash (refer to Table 1).

**Table 1: Number of responses**

	Emailed (or other written) and/or oral submissions	Responses to the online survey tool	Total responses
Stewardship of money and cash	14	126	140
Central Bank Digital Currency (CBDC)	556	5,848	6,404
Cash system redesign	47	291	338
<b>Future of Money: all papers</b>	<b>617</b>	<b>6,265</b>	<b>6,882</b>

In all cases, the number of responses received via the online survey tool outnumbered those received by other channels. However, the responses received through other channels typically provided more substantive feedback on the specific issues raised in the papers<sup>2</sup>.

The majority of submissions were provided by members of the public. Submissions were also received from fintech companies and organisations; banks, payments service providers, and firms providing cash-related services to these sectors; consumer and community organisations; and from statutory agencies such as the Privacy Commissioner.

<sup>2</sup> These numbers include some potential duplicates, including 'form submissions' with highly similar contents, and incomplete responses. Because the focus was not on a quantitative analysis, we have included these responses.



## 2 General themes in the responses

### 2.1 Concerns about the future of cash

It is not our intention to replace cash with CBDC even if we decide to issue a CBDC. This position was stated repeatedly in the CBDC and stewardship papers, reiterated in the cash system redesign paper, and affirmed in supporting communications activity.

However, partly due to the delay in issuing the cash system redesign paper, a significant proportion of respondents to the first two papers expressed understandable anxieties about the perceived displacement of cash by CBDC. We believe that many of these respondents expressed strong opposition against CBDC because of such anxieties.

A strong pro-cash sentiment was also evident in submissions to the cash paper provided by members of the public, with these views strongly endorsing the paper's characterisation of the importance of cash, both to those who rely on it to live their lives and to New Zealand society generally.

Respondents' statements about cash varied widely, but it is nevertheless possible to discern key cash-related themes in the feedback provided to all three papers.

#### 2.1.2 There was overwhelming support for cash

The great majority of respondents supported having a well-functioning cash system. Some respondents said access to cash is a basic human right. One respondent said access to cash is "as important to the whole population as access to clean water".

Respondents described what they like about cash, stating they value the privacy it provides and its tangibility or physicality. In addition, people said they felt safer and less anxious knowing they had cash in their wallets.

The convenience of digital payment cards was acknowledged by some, but even these respondents ask that cash be retained alongside digital options. One respondent deliberated on the carbon footprint of different payment types and concluded that all have issues, including cash, but asked the Reserve Bank to keep cash and to manage its environmental impact well.

Some respondents made a close association between cash and bank service standards. They expressed concerns not just about cash, but also broader issues, namely a marked decline in the number of bank branches, a decline in the ATM network, and reduced bank services.

#### 2.1.3 Feedback reaffirms cash's importance for the social and cultural life of New Zealanders

Many respondents highlighted the non-economic role of cash – pointing out that cash facilitates the social and cultural life of New Zealanders. This role for cash received at least as much attention in the responses as the economic role of cash.

Respondents provided examples of the social and cultural uses of cash:

- Parents use cash to teach children lifelong skills and money management habits (such as entrepreneurship, saving and budgeting).

- Cash facilitates people making social connections through donating to charities, rewarding buskers, participating in school and club fundraising efforts, and buying goods from roadside stalls and local markets.
- Cash enables people to make meaningful gifts and show their appreciation for the help they have received.
- Cash plays an important part in many cultural ceremonies, eg wedding money dance.

#### **2.1.4 Feedback also supports the important economic role cash plays**

Respondents gave examples of the important economic role cash plays, pointing to cash as an important budgeting aid; a valuable part of any emergency preparedness plan; the only way to pay when there are digital outages or cyberattacks; an important option when someone has a low level of trust in banks or the government; and the most feasible money for use in farmers' markets and other small local settings. Some respondents said cash is superior to digital payment methods for buying second-hand goods.

Many respondents pointed out that some people rely on cash entirely to satisfy their everyday needs.

#### **2.1.5 The demise of cash would create considerable harm**

Some respondents focused on the harm that would arise if cash became less available. The consequences included severe economic hardship for people who rely on cash, and the elderly having to make unsafe decisions (such as giving out their bank card and PIN to a neighbour who has offered to shop on their behalf). Some mentioned the adverse safety implications of people holding more cash at home (as they can no longer rely on a local ATM). New Zealanders' social and cultural life could be weakened without cash.

#### **2.1.6 Respondents provided policy suggestions**

As the cash system redesign consultation paper was delayed, respondents to the stewardship and CBDC papers had only a limited opportunity to consider the policy ideas outlined in the cash paper. However, many respondents to the earlier two papers did mention possible policy responses, and many of these ideas aligned with those we proposed in the cash consultation paper. Respondents suggested that the Reserve Bank should:

- consolidate the cash system by getting all banks to use a common ATM or branch network;
- address issues with anti-money laundering (AML) regulations and/or their interpretation by banks, so they don't prevent low-risk everyday cash transactions (eg preventing someone from making a small cash deposit in someone else's bank account);
- remunerate merchants and, similarly, give the non-bank firms where cash is spent the tools to become cash service providers;
- use its bank licensing regime to stop banks reducing access to cash further;
- mandate cash acceptance;
- acknowledge the carbon footprint of cash and manage it well;
- combat counterfeit banknotes and coins;



- regard having cash as a basic human right;
- encourage people to help keep the cash system vital by having a campaign that asks them to use cash all day once a week – a Cash Friday, for example;
- not overlook the Wages Protection Act 1983, which says people have the right to be paid in cash.

Views were mixed on the issue of ‘who should pay to maintain a cash system?’ Some respondents said commercial banks should pay, as the costs of cash are just part of their social licence to operate in New Zealand. Others said taxpayers should pay because cash provides a public service.

### Our response

- The feedback confirmed the importance of a coordinated and holistic approach to progressing the three workstreams. To strengthen this approach, we plan to explicitly align the focus, pace and delivery of these workstreams to provide additional assurance of the availability of cash for those who need it.
- Our view is that CBDC and cash would be complementary, rather than conflicting. Care needs to be taken to ensure that the public can benefit from the innovation that may be possible from a CBDC, while cash is still there to meet other needs and to provide choice.
- We have learnt that many New Zealanders are concerned about the rapid pace of change relating to cash, fearing the changes will be hard to reverse. We think the clear message from submitters reinforces the need to expeditiously develop options to redesign the cash system, while taking a comprehensive approach to consider different options.

## 2.2 Privacy and autonomy

In the CBDC paper, privacy was recognised as an integral part of the design principle, ‘being cash-like’: ‘a CBDC should facilitate autonomy and privacy in paying and saving, provide a personal backup form of payment...’ (pages 23–24, 32). Nevertheless, many respondents were still deeply concerned about the potential loss of privacy associated with CBDC.

### 2.2.1 Respondents were concerned about privacy, particularly if they thought that cash would be displaced

Many respondents worried about the privacy implications of CBDC. Often privacy was equated with the anonymity of cash.<sup>3</sup> Anonymity was seen as a key benefit of cash, a key reason to retain it, and a matter of human rights. It appears that, coupled with the misconception about the displacement of cash, what many feared was an inevitable loss of privacy.

As a typical example, one respondent argued that “the more we’re pushed into using CBDC, the less privacy we have. I prefer cash as it leaves no trail of what I’ve done, where I’ve been, what I’ve bought... [I] don’t want a CBDC at all.” This respondent also thought that more vulnerable groups could face greater risks with CBDC, as they could less afford the alternatives.

Respondents also explored different aspects of privacy. Some respondents seemed to fear intrusion by public authorities more than private firms, and disliked CBDC because of its supposed connections with government and the potential for overreach (discussed below). A small number

<sup>3</sup> ‘Privacy’ means that it is possible that data was collected but has not been shared, while ‘anonymity’ means data was not collected.

of responses preferred cryptoassets for this reason. Others pointed out that private alternatives to CBDC, such as cryptoassets, are often ‘pseudo-anonymous’ and potentially even more intrusive than conventional forms of private money (bank transaction accounts), given that all transactions are publicly viewable.

Some noted that all digital transactions pose inherent risks to privacy, including cybersecurity and hacking/data theft risks, be it CBDC, cryptoassets or conventional forms of private money.

Some respondents saw a spectrum between complete opaqueness and complete transparency. They pointed to the need to balance privacy needs and legitimate concerns such as the behaviours targeted by AML regulations. One respondent suggested that CBDC could replicate the degree of anonymity of cash by making small transactions free from scrutiny. Another thought that “uncomfortable compromises” between AML prevention and anonymity were unavoidable, as witnessed by the tensions that exist currently around cash and AML.

A couple of respondents said they could not judge CBDC without seeing more details about how privacy would be managed.

### **2.2.2 Concerns about privacy reflect underlying anxieties about personal autonomy and control**

Respondents with strong views about privacy often expressed anxiety about excessive government control. However, some were also concerned about private corporations and others exploiting a centralised digital currency for profit.

Such anxiety was often couched in ‘enabling’ terms. Many respondents thought that, even if CBDC in itself might pose no immediate threat to individual autonomy, it would still open up the possibility of greater and potentially extreme risks – “weaponised”, in the words of one respondent.

Some of these correspondents also talked about *their* money as having a fixed value, which should not be reduced by monetary policy or monitored or ‘confiscated’ by authorities. Not surprisingly, these respondents preferred decentralised cryptoassets or the continued use of ‘non-traceable’ cash because they would be harder for any public authority to monitor or control, regardless of intent.

Many respondents who expressed these concerns appeared to hold a loose notion of ‘government’, referring interchangeably to the Reserve Bank and the government of the day. Among those aware of the independent mandate of the Reserve Bank, some questioned the degree of its independence from the government in practice. There was also some apparent conflation of our work on CBDC with the unrelated Digital Identity Services Trust Framework Bill (the Digital Identity Bill).

Nevertheless, the feedback highlights the importance that the public have confidence that the Reserve Bank’s work on CBDC is not a tool of central government monitoring or control. It also points to the importance of having adequate checks and balances to preserve human rights and democratic interests.

A number of respondents made suggestions on how privacy can be achieved, including:

- no additional power to access personal information beyond the status quo;
- explicit legislative limits on what information may be used for; and

- a new entity structurally separated from government, law enforcement and legal entities, or the Reserve Bank itself.

### 2.2.3 The public’s concerns were shared by some institutional and industry stakeholders

Some institutional respondents operating in the CBDC and cryptoassets industries also called for greater priority to be accorded to privacy (and autonomy). One respondent cited a survey conducted by the European Central Bank, which found privacy to be the top concern for users of CBDC. It was further argued that privacy should be recognised as a key design principle in its own right, if not the most important, and that it should be embedded “by design”. Similarly, the Privacy Commissioner argued that privacy is essential to a future CBDC and must be prioritised in the design from the outset. The Commissioner cautioned particularly that “officials need to be wary of placing disproportionate weight on merely desirable design features that may derogate from the features that are crucial to maintaining privacy”.

#### Our response

- Our proposed CBDC design principle of ‘cash-like’ reflects that future CBDC design options should at a minimum ensure privacy. The consultation further underlines that New Zealanders attach a particular importance to privacy, among other key aspects of policy/design.
- Work is under way to investigate what this looks like in practice. This work will include further research on public expectations for privacy, and relevant regulatory frameworks (including the Privacy Act and the Anti-Money Laundering and Counter Terrorism Financing Act), to help decide which technical design options are most appropriate for any future CBDC for New Zealand.
- We will investigate innovative privacy and anonymity-preserving mechanisms and technical solutions, learning from international experience. We will explore this through future experiments and proof-of-concepts.
- This work will help illustrate in a practical sense how a balance can be struck between preserving privacy and anonymity, and achieving other policy objectives. It will help inform any decision on whether to proceed further, including to further consultation on more developed proposals.

## 2.3 The public want an ongoing voice in the Future of Money

We recognise that the issues raised by CBDC, and central bank money more generally, could be a highly technical and unfamiliar subject for many. This is why we initiated a conversation with New Zealanders early in the policymaking process, believing it was both necessary and beneficial to an intended multi-stage consultation approach. An important piece of feedback was that there was a general demand for further and wide consultation.

There was a misconception amongst some submitters that a CBDC decision was made with implementation imminent, and that this equated to a decision to go cashless. Submitters in this group complained that they had not been made aware of the CBDC consultation earlier, and so did not have sufficient time to evaluate the case for a CBDC (and, mistakenly, for some, going cashless). Several correspondents thought a referendum ought to have been called. A considerable portion of the feedback reflected a general distrust of public authority and the consultation process, rather than CBDC itself.

We received requests for more information, although respondents often had different needs. For example, some felt that the stewardship and CBDC papers were not sufficiently easy to understand for those without a background in economics and finance, and more educational information should be provided to the public. In contrast, a couple of respondents were critical of the level of analysis and thought the case for CBDC had not been made convincingly.

The cash paper was similarly high-level, and the inclusion of the ‘starter-for-ten’ policy bundle was aimed at prompting debate, rather than presenting detailed solutions. Some respondents said they looked forward to receiving further details in due course and further opportunities to provide feedback.

A willingness to participate in future discussions was evident in all substantive submissions – for example, those received from banks and payments service providers, merchants, cash industry firms, and consumer and community representatives.

In terms of how best to engage, a number of the respondents felt that the online survey tool and/or the structure of the paper it followed were not easy to use, acting as a barrier to their involvement in the consultation.

### **Our response**

- We agree that New Zealanders must have meaningful opportunities to participate in the future development of their money. Our intention remains to use a range of different tools to engage with New Zealanders through our ongoing work, including public consultations, working and advisory groups, workshops, and other market research tools such as surveys and deliberative workshops.
- We acknowledge that, particularly in areas of money innovation, public trust will take time to build. We consider the best approach to achieve this will be through future consultations and our actions to support public input throughout the process.
- The public’s feedback on the best way to engage with them has been helpful in shaping our future engagement and consultation planning.
- As we progress the Future of Money programme, we will consider how best to apply the Reserve Bank’s Te Ao Māori strategy and reflect Te Tiriti/Treaty of Waitangi principles.

## 3 Feedback on the individual issues papers

In this part, we discuss specific feedback on the questions outlined in the paper. While only a small proportion of respondents addressed these questions directly, the responses were often detailed and considered the issues in some depth.

### 3.1 Stewardship

#### 3.1.1 Overall comments

Most respondents indicated in-principle support for the stewardship objectives, role, responsibilities, and approach laid out in the paper. However, many thought that further clarification of the Reserve Bank’s vision for the future of money and payments.<sup>4</sup> They also wanted more detail on what stewardship would look like in practice. They felt that they were unable to assess the merits and impact of what was being proposed thoroughly without such information.

#### 3.1.2 The objectives of stewardship

The issues paper sought feedback on two proposed objectives, namely as a value anchor for the monetary system, and as a fair and equal way to pay and save so as to ensure New Zealanders have access to money that meets their needs.

Most respondents broadly agreed that the two proposed objectives for stewardship were worthwhile and supported efforts to maintain the health of the monetary system by striking a balance between innovation and safety.

A couple of respondents questioned the benefits of central bank money as a value anchor. For example, one financial commentator argued that the system of private money functioned well before the relatively recent introduction of central bank money. Consequently, central bank money did not, and should not, play a systemic role. Moreover, this respondent thought there was a lack of analysis to support such a role for money issued by the Reserve Bank.

The second objective was ensuring central bank money is available as a fair and equal way to pay and save, ensuring that New Zealanders have access to money in a form/s that suits them and their changing needs. A number of respondents from various backgrounds agreed with the emphasis on inclusion.

Several respondents thought that the stewardship objectives should feature more of the qualities of an open and efficient payments system and the vision for the future payment landscape in New Zealand. These qualities include, for example, transparency, competition, standardisation and interoperability.

In the view of a few respondents, there was a lack of clarity and details about the objectives. They suggested that the objectives should:

- be well defined when using words such as ‘reasonably accessible’ and ‘reliable’;
- be measurable based on the current and desired future state of the monetary system; and
- chart a clear pathway towards achieving clearly mapped outcomes.

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<sup>4</sup> The Reserve Bank is also undertaking work to consider how we can support a resilient and efficient payments ecosystem, alongside other agencies and partners. This work is branded as ‘the Future of Payments’.

Some submitters asked that the Reserve Bank work with the private sector to articulate the stewardship vision and ambition in more detail (and consider alternatives to a CBDC such as a fast payments system or the regulation of stablecoins to help deliver those objectives).

**Table 2: Proposed approach to stewardship**

	Money and Cash Stewardship roles	The Cash System (banknotes/coins/CBDC and supporting legal, technical and policy structures)	The Monetary System (including private money and payment systems)	The Financial System (including other banking and financial services)
Statutory (hard) Power	<b>Regulate</b>	Regulate banknote quality and processing*.	<i>Regulate access to cash services or cash acceptance; better align public and private incentives through cost caps.</i>	<i>Regulate new forms of money and payments that impact on stewardship goals (e.g., stablecoins).</i>
	<b>Design, produce and distribute</b>	Design, produce and distribute banknotes and coins.	<i>Issue general purpose CBDC.</i>	
	<b>Monitor</b>	Gather information from people involved in cash management and distribution, and monitor the impact of innovation in money and payment technologies.		
Non-statutory (soft) power	<b>Advise and lead</b>	Provide policy advice to decision-makers to set the strategic direction of the money and payment system and inform decisions on trade-offs related to money and cash system issues, for example on cash system redesign or Rural Banking Hubs.		
	<b>Coordinate and collaborate</b>	Identify relevant stakeholders and coordinate and collaborate across them to support the money and payments ecosystem functions well. This includes working with the cash industry on cash system redesign, to coordinating on payment system issues, and collaborating with other agencies in areas of on common interest e.g. a consumer data right.		
	<b>Steer and influence</b>	Promote outcomes that contribute to the Reserve Bank’s stewardship objectives, and influence other agencies/stakeholders to support better outcomes for all in areas where they have a primary role. This includes using suasion to prompt others to act in the public interest, such as on rural access to cash, and encourage a holistic approach so that money and cash-related issues do not fall through the gaps (such as in FinTech).		
	<b>Support and enable</b>	Support and enable others to do their jobs well, by providing interested parties with appropriate opportunities to comment and input, addressing barriers or impediments to others’ involvement, making a genuine effort to understand others’ interests, values, and concerns, and avoiding actions that could crowd out others, for example, in FinTech innovations.		
	<b>Communicate and educate</b>	Create greater transparency and incentivise beneficial behaviours through communication and information-sharing, including regularly collecting, analysing and reporting on money and cash data. The steward will also leverage the Reserve Bank’s central position to provide expert advice on money and cash matters, and to disseminate useful information to help others make informed decisions on money-related issues e.g., tax treatment of stablecoins.		

■ Possible future tools

**The Reserve Bank’s accountability framework, including transparent rules and expectations for how it carries out the stewardship role.**

\* Part 3, Subpart 5 of the Reserve Bank Act gives the Reserve Bank powers to set enforceable standards for machines that handle banknotes, such as ATMs and cash sorting machines. These powers are expected to come into effect on 1 July 2022, but is yet to be confirmed.

Source: The Future of Money – Stewardship | Te Moni Anamata – Kaitiakitanga issues paper

### 3.1.3 The Steward's role

The issues paper proposed that the Reserve Bank should play a stewardship role extending beyond central bank money.

Most respondents agreed that the Reserve Bank had an important stewardship role to play. However, they disagreed about the breadth of this role.

Given the Reserve Bank's critical role in the monetary system and wider economy, some respondents thought that stewardship should extend beyond central bank money to provide strategic oversight and support for the wider monetary and payments systems. They said this would need to be grounded in an in-depth understanding of New Zealand's payments ecosystem, payments and money innovation, and the existing infrastructure. They recommended proceeding in partnership with the payments industry and other stakeholders.

Other respondents were concerned about the Steward having too wide a role, leading to:

- a lack of focus on the really critical issues, and an insufficient depth of understanding of those issues;
- unintended consequences in addition to the above; and
- too much power concentrated in the Reserve Bank, particularly with respect to private market players, if the Reserve Bank was to issue a CBDC. The argument made was that it is the role of private players to provide the public with choices about what they need.

One legal professional thought that while the legislation makes the Reserve Bank the Steward of banknotes and coins with an operational function, this does not extend to policymaking related to money and payments, or to the issue of CBDC, that the proposed scope of stewardship implied.

About half of the respondents who commented on the Steward's role urged that the scope and responsibilities of the Reserve Bank as Steward be very clearly articulated, and the affected entities and systems be clearly identified, so as to:

- tie the stewardship role and powers back to the objectives rather than other considerations outside its remit;
- allow stakeholders to better understand the intentions of the Steward, with better predictability and certainty;
- delineate or align stewardship with other objectives in the financial sector more clearly (eg the strategic direction of the payments system); and
- avoid duplication or overlap of roles and responsibilities across financial system regulators and other stakeholders (eg the Treasury, the Financial Market Authority, Payments NZ and others).

Some thought that, without this information, they could neither agree nor disagree with the role of the Steward as described in the consultation paper.

### 3.1.4 The stewardship approach

Respondents generally agreed on the key elements of the stewardship approach, namely, being forward-looking, proactive and enduring, as well as strategic and coordinated/collaborative with other agencies/entities in the money and payments ecosystem. Respondents also highlighted the qualities of being transparent and accountable, and proportionate.

*Proactive/Strategic:* Respondents variously thought that the Steward should proactively provide advice and guidance on innovation in money and payments, actively monitor emerging opportunities and threats, and do so with an appropriately wide skillset.

These respondents voiced their support for an uplift in the strategic direction of payments in New Zealand. They hoped stewardship could provide this, and noted that putting money and cash issues in the context of a broader strategic plan for the payments ecosystem was important.

*Collaborate:* collaboration was similarly regarded as necessary to realise the benefits of stewardship, including working with:

- the private sector and industry bodies to i) nurture private sector solutions where direct intervention is not needed; and ii) find solutions to problems that cannot be solved in isolation (eg enhancing cross-border payments);
- other New Zealand regulators and officials to improve shared outcomes, such as through public sector initiatives to support a digital economy, or Payments NZ's Payments Modernising Plan, in addition to workstreams (eg consumer data rights) already noted; and
- global regulators and standard-setting bodies, for example, on approaches to payments systems modernisation and stablecoins, with a view to adopting a globally consistent framework.

*Transparency and accountability:* Several respondents noted the importance of transparency, strong governance, and public accountability in the Steward's approach. Some respondents highlighted the need for a clear framework, outlining, for example, objectives, initiatives, and measures of success, and then operating within such a framework and being accountable for it.

*Proportionate:* Some respondents thought a balanced approach to regulatory and industry initiatives would promote a payments-friendly environment, with an end-to-end view of relative risks across the ecosystem.

The issues paper also underlined the need to be inclusive and respect Te Tiriti o Waitangi, which one respondent specifically endorsed.

### **3.1.5 Stewardship responsibilities, powers and gaps**

The issues paper asked what the Steward would need to succeed (besides clear responsibility, comprehensive functions, effective tools and strong accountability) and what gaps there may be in the Steward's powers.

Some respondents were unsure of the need for increased stewardship powers at this time, especially pending further clarity on what the Steward's responsibilities, functions, processes and accountability mechanisms would look like in practice.

While several respondents supported further investigation of the role of regulation in advancing the stewardship objectives, these people noted that these investigations would have to be undertaken in collaboration with industry, officials, international colleagues and the government, and be subject to further public consultation.

Other respondents, including the cash industry, NGOs, fintech companies and the public, supported focused powers for the Steward to address specific issues, including:

- access to cash services and cash acceptance to support inclusion;



- ensuring the sustainability of the cash system;
- supporting innovative solutions for the unbanked and vulnerable; and
- ensuring interoperability within digital asset ecosystems and providing regulatory clarity for the fintech industry related to private innovations.

In contrast, some respondents were opposed to further stewardship powers, given their disagreement about the role and scope of the Steward and/or doubts about the Reserve Bank's capability or focus. One respondent thought that existing, rather than new, powers over commercial banks could be used to direct banks towards the public interest. One member of the public feared that a licensing regime for money issuers and payment service providers could reduce access to money that would otherwise be freely provided.

### **3.1.6 Information-gathering powers**

The issues paper asked if the Steward should, as a priority, regularly collect, analyse and report on money and cash data.

Respondents were in principle supportive of information-gathering powers for the Steward, which were seen as helpful or necessary to support public oversight and confidence in money.

Several respondents, while generally supportive, were concerned about the Steward's capabilities to manage a significant amount of personal and financial information prudently, both from a privacy and a security perspective (including national security). They were also concerned about the possible costs and risks for the Reserve Bank.

Regarding the use of information, one respondent thought it important that the Steward should not use the information gathered to gain a competitive advantage over other money and payment service providers. Another noted that data should not be the only basis and driver for the Steward's work programme, and that other factors such as the potential of emerging technologies should also be considered.

One respondent thought that data collection powers would require further consultation, scrutiny and accountability around what objectives it was advancing, and be part of a progressive and structured approach to data capability.

### **3.1.7 Key issues and priority matters for the Steward (excluding cash and CBDC issues)**

The issues paper asked about the key issues that the Steward should grapple with over the next ten years, including potential challenges of stablecoins.

The importance of clarity and detail again came up in feedback on the Steward's work programme. A couple of respondents were dissatisfied with the depth of the analysis on key issues and priority matters presented in the consultation, viewing it as superficial and simplistic, and needing deeper analysis to identify problems or opportunities. Banking sector respondents noted that the underlying problems and issues needed better articulation and to be viewed in the context of the wider ecosystem.

Some submitters thought that some of the information was incorrect (eg a primer on efficiencies in the payments system) and took issue with the points made (eg the assertion that New Zealand

doesn't have instant payments; and the characterisation of banks being at fault for withdrawing services).

Some respondents were also conscious of the need for accountability and proportionality in the Steward's work programme. One respondent cautioned that the "value" of each initiative pursued under the stewardship umbrella would have to be agreed upon, monitored and reviewed. Another said it was important to apply a wide lens to assess competing priorities and to focus on the most important ones with a proportional approach.

### 3.1.8 Stablecoins

Specific responses on stablecoins largely came from banking and fintech industry stakeholders. Views were mixed on stablecoins themselves, but most supported the Steward investigating the benefits, risks, opportunities and potential responses to innovation in money. In addition, most welcomed further detailed consultation on a possible regulatory framework for stablecoins in New Zealand, including those from the fintech industry.

One bank noted that the landscape was more complex than presented in the paper and that there were more opportunities than just stablecoins. Others thought stablecoins could provide immediate benefits that central bank money could not, especially for cross-border payments, and/or could better enhance competition in money. These submitters thought the opportunities should be explored further.

Other commentators questioned the risks posed by stablecoins to monetary sovereignty presented in the paper and asked whether generally available central bank money was necessary to maintain monetary sovereignty (another respondent also questioned the ability of a CBDC to support demand for domestic currency).

In contrast, another respondent thought the starting point should be the impacts of monetary policy. They were concerned that the consultation did not consider possible regulation as a solution to concerns about this issue.

### 3.1.9 Payments systems

Although not explicitly set out as a separate topic, the responses frequently commented on the implications for the payments system<sup>5</sup> of issues closely connected with money and cash. Many, particularly from the banking and payments services industries, noted the link between the stewardship workstreams and the Reserve Bank's ongoing Future of Payments work, and expressed a willingness to work with the Reserve Bank on both fronts.

Several respondents, including banks, the payment industry and others, did not agree with the impediments to efficiency, competition and innovation in the New Zealand payments ecosystem presented in the paper – with several disagreeing with the blame placed on the industry and highlighting the contributing actions of the Reserve Bank itself. Some of these respondents thought that the Reserve Bank should instigate a comprehensive review of the New Zealand payments system with MBIE or Treasury, similar to the recent payments review in Australia.

Other respondents wanted the Reserve Bank to investigate changes to the way the public is adopting new payments technology, and the impact this has on demand for cash and other payments mechanisms.

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<sup>5</sup> The payments system is a network of organisations, technology, processes and procedures, all working together to enable payments to be sent and received. This includes, for example, systems enabling banks to settle between each other for the payments made by each other's customers.

## Our response

- Our intention for the Issues paper was to set out a high-level view of stewardship, to provide strategic direction as well as flexibility to adjust to an evolving context. The need for clarity and a detailed stewardship approach has come through strongly in the responses.
- We will review, revise as needed, and continue to develop all aspects of the stewardship framework in light of the feedback we have received.
- We intend to develop a stewardship accountability framework, as planned, that would help clarify expectations of the Steward, including with respect to other stakeholders, and enable success to be measured.
- We view the feedback as providing support for our continuing to look at regulatory and non-regulatory responses to the risks and opportunities associated with increasing adoption of cryptoassets, including stablecoins, in collaboration with other agencies in the financial sector.
- We agree that it is important to consider issues holistically across money, cash and payments. We will explore opportunities for greater alignment across Future of Money and Future of Payments programmes.

## 3.2 Central Bank Digital Currency

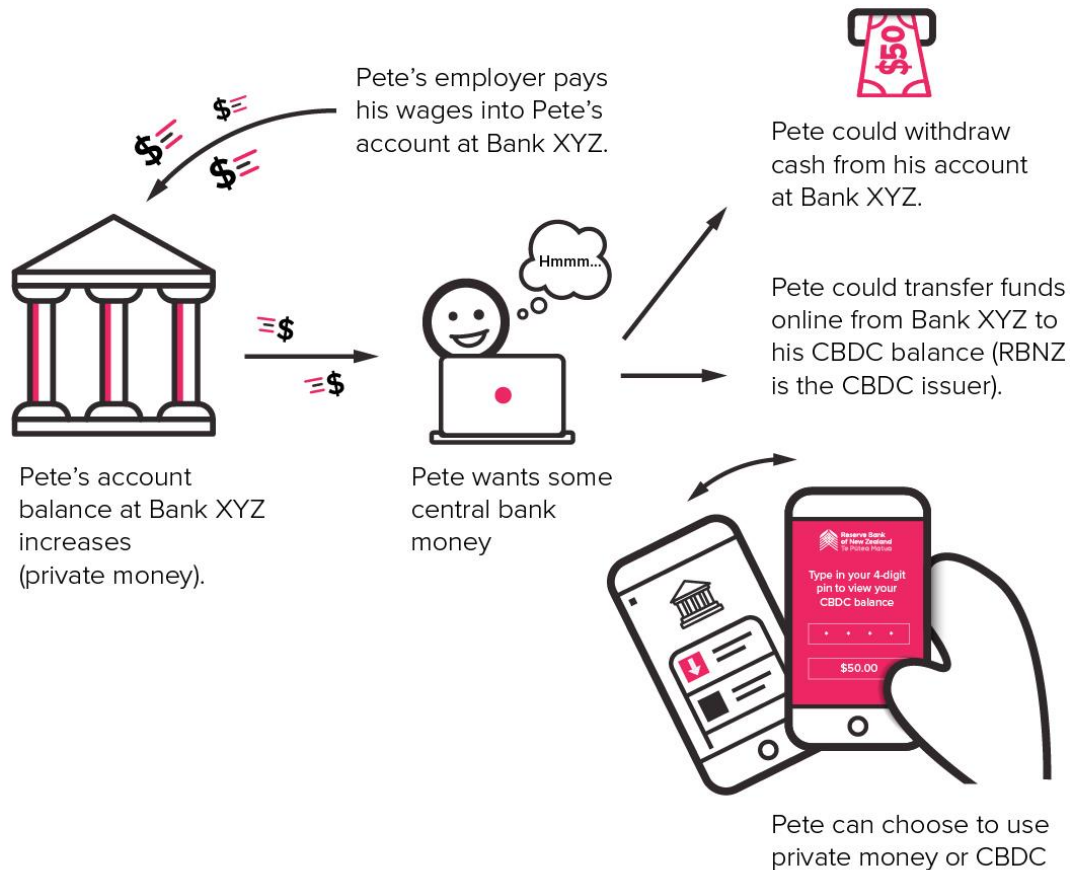
### 3.2.1 Overall comments

As noted earlier in this paper, the CBDC paper generated a lot of feedback that appeared to be based on a misconception that a decision to issue a CBDC was imminent and this meant going cashless. Much of this feedback strongly supported cash and was provided succinctly via the online response tool.

Much of the feedback received in this way didn't engage in the paper's details on the opportunities and challenges associated with a CBDC in New Zealand. Where it did, reasons for not issuing a CBDC can be grouped in the following areas:

- concerns about privacy and anonymity;
- social inclusion of vulnerable groups who may be digitally excluded;
- the limited use case of CBDC given existing alternatives both in digital bank money and cryptoassets; and
- cyber and operational risks given the reliance on digital infrastructure.

**Graphic 2: A CBDC would exist alongside cash and private money**



Source: Future of Money – Central Bank Digital Currency | Te Moni Anamata – Aparangi ā Te Pūtea Matua issues paper

However, a number of substantive responses were also received from members of the public, fintechs, banks, payments service providers and other organisations that carefully considered the specific questions in the paper. This section focuses on the specific responses. In general terms, these stakeholders were more enthusiastic about the opportunities a CBDC could provide. While often sharing concerns such as privacy, these responses did not reject CBDC out of hand. Rather, they tended to highlight opportunities and risks, including new risks and the need for the right balance.

Several respondents would have liked the discussion paper to include more details beyond its scope. For example, a number of them requested more details on existing barriers in relation to cross-border transactions or financial inclusion, as well as how a CBDC would address these issues in practice, compared to alternatives such as streamlining AML/CFT requirements.

Related to the above, other respondents sought more clarity on use cases for a CBDC and a focus on improving individual user experiences to ensure any CBDC would actually be used.

### 3.2.2 Motivations for considering the CBDC

Respondents were asked to rank the motivations for considering a CBDC. These include the trends of declining cash use and innovations in private money, as well as the Reserve Bank's stewardship objective to preserve the fairness and equality afforded by central bank money.

Among the trends noted, declining cash use attracted most of the commentary from members of the public. Some of them disagreed that cash was in decline. These respondents pointed to the absolute increase of cash in circulation and reasoned that declining use was simply temporary, or a result of under-reporting of illicit or informal use. Relatively few addressed the proportional decline of cash among the options for payments that the issues paper also pointed to.

In contrast, other respondents disagreed with the significance of cash (and its decline). They stated that cash use had been declining for some time, but confidence in central bank money appeared unaffected.

Given the decline in cash use, several institutional respondents across a range of backgrounds agreed that CBDC could support ongoing demand for central bank money. Responses on the motivation to preserve fairness and equal access through central bank money were also mixed. A number of respondents agreed that financial inclusion should be central to a CBDC. Others, including some banks, called for more clarity about what fairness and equality (and inclusion) entailed, and identified existing barriers to access and their causes.

Many institutional respondents, including the fintech and banking sectors, also thought innovation in private money posed risks that warranted consideration. Some suggested that monetary sovereignty should be a key motivation, given the potential challenge from private innovation outside New Zealand. A couple of respondents, by contrast, believed that there would be little or no impact on the domestic financial system, particularly given their view on the overstated importance of central bank money.

Nevertheless, some of these respondents and others also noted the complementary roles that private and central bank money can play. One fintech company, for example, noted that private innovation should not be seen as competition to central bank money in a zero-sum sense.

A couple of responses suggested that the inefficiency of the cash system, and its environmental impact, could be considered motivating factors.

### 3.2.3 Scope of work on a general-purpose CBDC

Respondents were asked to provide their thoughts on whether the scope of work should focus first on a general-purpose CBDC used by individuals and businesses, along with the banking and finance sectors.

Among those who supported the exploration of a CBDC, there was general agreement on prioritising a general-purpose CBDC. Several respondents expressed support for the Reserve Bank's intention to explore a wholesale CBDC (used only by the banking and finance sectors) in the future.

Some banks and other commentators suggested the Reserve Bank focus instead on addressing inefficiencies in wholesale payments first via a wholesale CBDC. This included focusing on addressing the complexity of correspondent banking arrangements.<sup>6</sup>

### 3.2.4 A multi-step process for development and implementation

Respondents were asked whether they agree that a multi-step process for developing and implementing a CBDC should be followed.

Those who supported further investigation of a general-purpose CBDC generally agreed with the multi-step process. One respondent also suggested early planning about critical paths and strategies for roll-out. Some fintech respondents urged a faster response given the rapid proliferation of unregulated private currencies.

However, some comments from members of the public expressed concerns about the apparent speed at which the Reserve Bank was moving to implement a CBDC, partly due to a misunderstanding that the consultation was about a decision to adopt a CBDC (and go cashless), as noted earlier. Nevertheless, other respondents, including some banks, have also called for a cautious ‘wait-and-see’ approach as other jurisdictions progress their CBDC projects.

### 3.2.5 Opportunities presented by a CBDC

Respondents were asked their views on the opportunities afforded by a CBDC. These included the opportunity for a CBDC to directly support our stewardship objectives (strengthen New Zealand’s monetary value anchor and ensure fair and equal ways of paying and saving) and to indirectly advance our stewardship objectives by incentivising inclusion, innovation and resilience in wider money and payments ecosystems.

Respondents generally agreed that a CBDC would support the role of central bank money as a value anchor. Respondents also agreed that a CBDC could provide personal freedom, autonomy and backup in paying and saving, and payments efficiency and resilience. Some respondents also highlighted cross-border payment efficiency as an essential objective, rather than merely desirable. However, the use of CBDC as a monetary policy tool attracted the most opposition.

A couple of banks and payment industry respondents, however, were critical of the opportunities outlined, particularly considering alternative options to deliver the desired benefits. They questioned whether the paper correctly identified problems with existing services and unmet customer needs, and whether a CBDC would address these.

Respondents also expanded on the opportunities identified in the paper. In particular, respondents noted the potential for CBDC to support:

- programmability to support further innovation and meet customer needs, potentially in conjunction with other digital initiatives;
- improved access for New Zealanders to funds anywhere, any time;
- good governance and transparency in respect of unregulated cryptoassets, and better compliance (eg with AML/CFT measures), with fewer compliance costs;

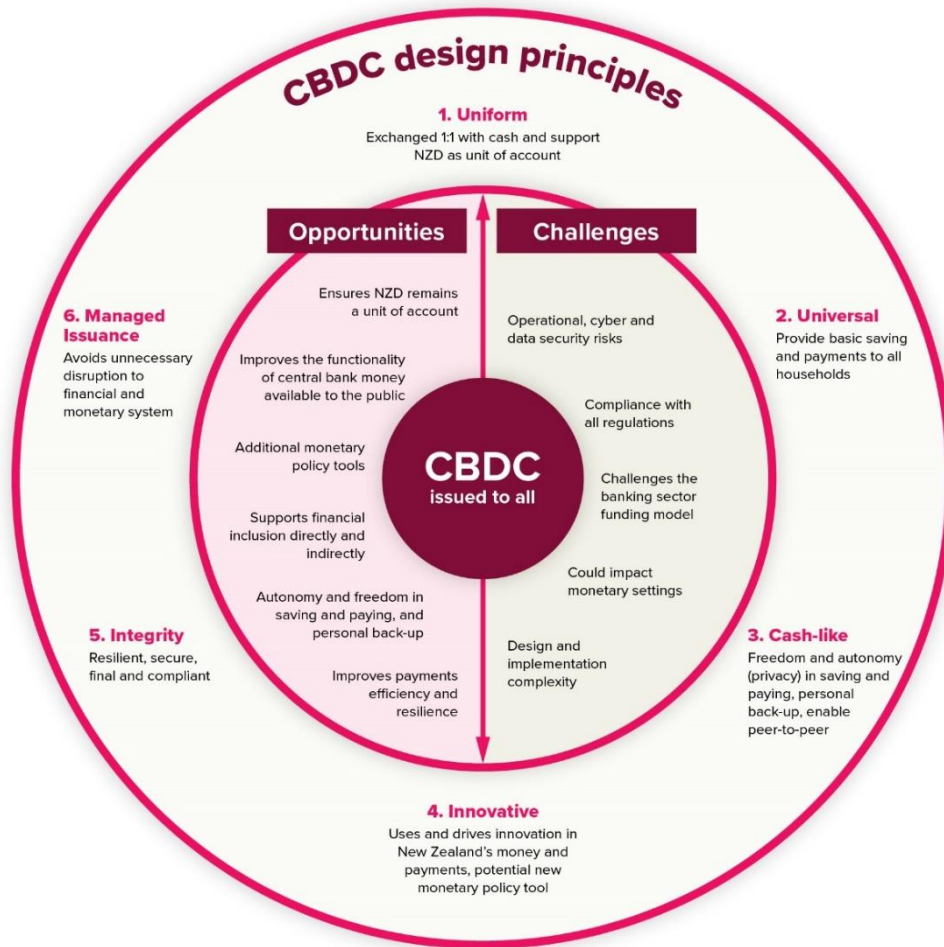
<sup>6</sup> Correspondent banking refers to an arrangement where one financial institution (the correspondent) provides banking services to another financial institution (the respondent), where the financial institutions carry on activities or business at or through permanent establishments in different countries.

- further innovations such as micro payments and digital wallets;
- improved efficiency in other financial market operations besides payments (eg capital market settlement; tokenised securities or supply chain integration); and
- access to and integration with a digital global economy on an equal competitive footing.

### 3.2.6 Design principles that capture opportunities

Respondents were asked to comment on the design principles for a CBDC that would ensure it captured the opportunities presented. The principles were that a CBDC should be uniform, universal, cash-like, and innovative, as the graphic below illustrates.

**Graphic 3: CBDC design principles**



Source: Future of Money – Central Bank Digital Currency | Te Moni Anamata – Aparangi ā Te Pūtea Matua issues paper

The CBDC design principles of being cash-like and innovative attracted the most support. This reflected the importance of privacy and anonymity, and of being able to transact peer-to-peer, as well as of supporting new use cases that are not supported by existing payments technology and payments service providers. The principles of ‘uniform’ and ‘universal’ were also well supported, reflecting the importance of a CBDC being exchanged 1:1 with the New Zealand dollar and

available to all, an important characteristic for a public form of money. One respondent highlighted the potential trade-offs between privacy and AML/CFT requirements.

Several respondents, particularly in the fintech sector, have suggested interoperability should be elevated to its own design principle (as it's currently captured in the principle of innovation). They noted that interoperability is critical to delivering benefits such as payment efficiency and global competitiveness. One respondent in the banking/fintech sector noted that interoperability must not be an afterthought, and that RBNZ should contribute to developing international standards and ensure interoperability within domestic payments systems as well as internationally. Others suggested that interoperability with cryptoassets should also be considered.

Some of the fintech respondents rated adaptability as a key consideration. They considered that a CBDC should be able to be updated to support innovations and respond to the changing context. Adaptability is even more desirable as international standards evolve.

Other respondents have drawn out various aspects of the four principles listed. Several respondents, both individual and institutional, regarded offline capability (a component of the cash-like principle) as key to ensuring access and resilience.

Sustainability was also mentioned by a number of respondents. This reflected concerns about the carbon footprints of cash and some cryptoassets, which draw on significant amounts of computing power (and therefore electricity) to prevent double-spending and to ensure trust in the network.

### **3.2.7 Challenges and risks**

Respondents were asked to comment on the challenges and risks presented by a CBDC. These include exposure to operational and cyber risks, implementation challenges to the financial system, and design complexity.

Respondents generally agreed with the challenges and risks identified. The potential impact on the banking system was the area of most concern, particularly for banking sector respondents. Operational and design complexities were also an area of concern, with a significant number of submitters uncertain about the impact on the Reserve Bank's balance sheet.

'Disintermediation', where CBDC could displace the supply of bank deposits or even compete with commercial banks, was regarded as a key risk by some, including banks themselves, along with some individual commentators. One respondent pointed out that disintermediation might not be a concern if the 'price' of a CBDC is correctly set, that is, without implicit and unjustified subsidy. Conversely, getting prices wrong could lead to harm. One fintech respondent also noted that the disintermediation risks could also come from a stablecoin or foreign CBDC.

Many respondents considered cybersecurity a major challenge and, for some, a priority focus. Many also saw offline capability as a key challenge, particularly given the risks of disruption (eg natural disasters) to the digital infrastructure. One respondent observed, though, that such risks (and others such as privacy) were not exclusive to CBDC and also need to be managed by commercial banks.

A couple of respondents also pointed to the challenge of convincing consumers to adopt a CBDC. They emphasised the need for momentum in rolling out a CBDC, as low initial adoption could itself limit the appeal of a CBDC. Therefore, more work would be needed to understand consumer preferences and address their practical needs (such as the use of digital devices). One also noted that, given the complexity of the payment and financial landscape, successful adoption would



need to address the challenge of coordinating and upgrading multiple systems (eg point-of-sale networks).

Other issues raised by respondents include, for example, the governance of CBDC across the ecosystem and relationship with the private sector, reputation risks for RBNZ given the significance of a CBDC project, and managing offshore use.

### 3.2.8 Design principles that address risks

Respondents were asked to provide comments on the design principles for a CBDC that would ensure it managed the challenges and risks presented. The principles were that a CBDC should have managed issuance and a high level of operational, governance and regulatory integrity.

Specific feedback was limited on these design principles, but respondents generally agreed that both managed issuance and integrity were important.

Some respondents talked about the need for education, as the public were not accustomed to thinking about different types of money technologies. Another point raised by respondents was to focus on where a CBDC would be of most value, rather than attempting to address too wide a range of issues within the payments and financial landscapes. One respondent also suggested that RBNZ should investigate a range of models (eg indirect CBDC), in addition to a direct general-purpose CBDC, and against the emerging financial and payment landscape.

#### Our response

- The consultation was helpful for us to guide further investigation into the CBDC design principles.
- The feedback affirms the importance of privacy and autonomy. This will be a focus of further policy work and technical testing to better understand what this means to New Zealanders, and how a CBDC can support privacy and autonomy while meeting legal requirements.
- We also plan to prioritise further work on how a CBDC can support inclusion and innovation.
- Developing a deeper understanding of stakeholders through further engagement will be important for this further work.
- As the project becomes more developed, there will be opportunities to examine particular issues in more depth, both through targeted engagements and as part of the structured multi-stage iterative process.

### 3.3 Cash system redesign

#### 3.3.1 Overall comments

There was widespread agreement amongst submitters that the cash system is important and that a review is warranted. However, there were differences in views about the urgency and scale of the required reforms.

The predominant message from members of the public was consistent with what was heard from the submissions on stewardship and CBDC – namely, that cash plays an essential role in people’s lives economically, socially and culturally, and is at risk of disappearing, and that urgent action is needed. This message was reinforced by the submissions from community service providers, charities and consumer advocates. It was also a theme that featured in responses from cash services firms such as the CITs (‘cash-in-transit’ firms), which provide comprehensive cash services to banks and merchants.

In contrast, the banks reported that, in their view, the nature and scale of the problems articulated in the paper lacked sufficient clarity. In their view, any problems with the cash system were localised, and solvable by bank-led initiatives such as assisting customers to participate in digital banking and the multi-bank ‘hubs’ currently being trialled in four locations across New Zealand.

Merchants welcomed acknowledgement of their significant role in the cash system and agreed that the cash system is struggling and needs reform. Mandated cash acceptance raised concerns among merchants about unintended consequences such as increased security risks for merchants, increased costs related to handling cash, and complications due to AML regulations. Except for mandating cash acceptance across all merchants, merchants were supportive in principle of the ‘starter-for-ten’ policy bundle approach and welcomed further discussions.

A digital payments service provider questioned the need to reform the cash system, saying cash is an antiquated payment mechanism and the effort would be better spent preparing well for a digital future.

#### 3.3.2 Characterisation of the cash system

There was widespread acceptance of the paper’s characterisation of the cash system. Some banks questioned the cost estimates presented in the paper, saying they viewed the share attributed to merchants as being an overestimate.

Merchants welcomed the characterisation’s explicit recognition of the significant role of merchants in the cash system.

#### 3.3.3 Description of issues facing the cash system

With the exception noted above, there was widespread support for the review and redesign of the cash system, and general agreement that the scope of the issues arising in relation to cash can be summarised as financial and social inclusion, resilience, and efficiency.

However, there were differences between banks and others on what they perceive to be the drivers of change. Banks expressed the view that an ever-increasing consumer preference for digital money and payments is the dominant driver, with cash-related merchant risks and costs also playing a role. Others accepted the multi-driver narrative provided in the paper, which

included the incentives faced by banks when making decisions about supporting the cash and digital payments needs of the general public and merchants.

Submitters suggested some issues were under-represented in the paper. Merchants and banks asked that more attention be given to the challenges to cash acceptance posed by AML, and cash-related safety risks for merchants. Some submitters asked that the significance of cash to charities not be overlooked. Banks said there was insufficient consideration of the role of cash in crime.

An additional driver of challenges facing the cash system was suggested: the incentives provided to fintech innovators from opportunities to monetise personal data acquired through digital payments.

### 3.3.4 Feedback on the ‘starter-for-ten’ policy bundle

#### ***Table 2: Starter-for-ten policy bundle***

Starter-for-ten policy bundle

Achieving resilience and efficiency:

- Achieve consolidation within the cash system by creating utility entities
- Expand the number of firms that are wholesale cash customers of the Reserve Bank
- Accelerate the setting of cash machine standards
- Find efficiencies related to coins

Addressing cash acceptance:

- Mandate acceptance of cash by merchants and government entities (requires decisions about scope, thresholds)
- Instigate the remuneration of merchants (or other providers) by banks when a cash service is performed

Addressing cash access:

- Create new tools that allow the Reserve Bank to direct banks to provide cash services, at low cost to customers

Addressing cash demand:

- Campaign to increase public awareness of cash issues

Members of the public who completed the online survey had a strong preference for four policies:

- mandating acceptance of cash by merchants and government agencies;
- the Reserve Bank acquiring tools that enable them to direct banks to provide cash services, and at low cost to customers;
- prescribing minimum service standards for banks; and
- providing financial incentives such as a discount to use cash.

Of these, the first two policies were included in the ‘starter-for-ten’ policy bundle included in the paper.

Among community service providers and representatives, there was support for the holistic (‘bundling’) approach, and in-principle support for the starter-for-ten policy bundle. One service provider suggested a further policy aimed at achieving financial and social inclusion outcomes: mandating that low-denomination notes be dispensed in ATMs, reflecting the needs of those with low private money balances.

Merchants said they supported the holistic approach and policies signalled in the starter-for-ten policy bundle in principle, with the exception of mandated merchant acceptance. Merchants suggested that if they are to play an even larger role in the cash system, they will need support in areas such as physical safety, cash service costs to service rural areas, and AML compliance.

Banks preferred policies to be tailored to an identified problem, and rejected what they see as a ‘blanket’ approach. Cash-related problems were said to be localised/context-specific and thus resolvable with tailored, localised solutions.

CITs supported the holistic approach, including mandated merchant acceptance, but had reservations about excessive consolidation (eg, they would not support a proposal that would see New Zealand having only one cash-processing centre) and remunerating merchants for cash services (a policy they thought could accelerate the demise of the ATM and bank branch network.)

There was strong interest across those who provided substantive submissions in continuing to be consulted as policy details are further developed. Banks requested that each policy be subject to a comprehensive cost-benefit analysis before being implemented.

Additional comments on the feedback received on specific policies are provided below.

#### **3.3.4.1 Efficiency- and resilience-themed policies**

There was general support for exploring collaborative approaches, including creating utility entities in key areas of infrastructure such as the ATM network. Banks viewed the current regional banking hub pilot as a major initiative relevant to this context, and requested that the Reserve Bank wait for the pilot to be completed before proceeding with policy reforms. The CITs said any consolidation of cash centres must lead to at least one centre in the South Island and ideally no less than three across New Zealand.

There was widespread agreement on the need for a cost-effective solution for coins/small-denomination banknotes, especially if cash acceptance is to be mandated.

There was a request that minimum cash machine standards be transitioned carefully.

### **3.3.4.2 Cash acceptance-themed**

Community service providers and representatives as well as cash service firms expressed strong support for mandated cash acceptance. This mirrored the strong support among members of the public evidenced in the online survey.

Merchants had strong reservations about mandated cash acceptance, but did suggest it could be a feasible policy if limited to some merchants and some types of spending. There was a strong merchant interest in further discussing the policy and merchant remuneration for cash services.

Banks did not support blanket measures, and in this context, expressed strong concerns about mandated cash acceptance. Merchants' and banks' concerns about mandated acceptance included unintended consequences for merchant safety, merchant CIT costs, and AML compliance.

Cash-service firms did not support remunerating merchants, fearing it may lead to reducing ATM and bank branch infrastructure.

### **3.3.4.3 Cash access-themed**

Community service providers and representatives, merchants, cash service firms and the general public supported the Reserve Bank acquiring new tools to direct banks to provide cash services, at a low cost to customers, and/or imposing minimum service standards on banks. Some submitters asked that the minimum service standards not be confined to cash services, but to all aspects of consumer banking.

### **3.3.4.4 Consumer demand-themed**

Support for a public campaign was expressed by some submitters, but views on the purpose of the campaign varied. Banks asked that the campaign be used to inform consumers of cash issues, not to promote the use of cash. In contrast, other submitters asked for a campaign that encouraged merchants and their customers to transact in cash.

As noted earlier, a majority of members of the public supported the use of financial incentives such as discounts to support cash use.

### **3.3.5 Who should pay for the cash system?**

Relatively few submitters addressed this question. Banks expressed the view that costs should be proportional to the benefits received, and some community service providers said that cash is an

essential service and so the cost should be shared by everyone, not just cash users, but funded out of general government revenue.

### **Our response**

- Additional policies proposed by respondents will help us develop further the holistic ('bundling') approach proposed in the paper.
- Given strong support for merchant-themed options (remunerating merchants and mandating cash acceptance) and minimum service standards for banks, we intend to prioritise initial policy development work in these areas, while also seeking to progress other options in the starter-for-ten policy bundle.
- We can see value in further articulating the problem definition, and in exploring this collaboratively with all stakeholders before proceeding to the next phase of work.
- We will continue to engage with stakeholders, work collaboratively to develop detailed policy options, and present these for a further round of public consultation.

## 4 Our response

This section repeats in one place our response given at the end of each preceding subsection.

### 4.1 General theme: Concerns about the future of cash

- 4.1.1 The feedback confirmed the importance of a coordinated and holistic approach to progressing the three workstreams. To strengthen this approach, we plan to explicitly align the focus, pace and delivery of these workstreams to provide additional assurance of the availability of cash for those who need it.
- 4.1.2 Our view is that CBDC and cash would be complementary, rather than conflicting. Care needs to be taken to ensure that the public can benefit from the innovation that may be possible from a CBDC, while cash is still there to meet other needs and to provide choice.
- 4.1.3 We have learnt that many New Zealanders are concerned about the rapid pace of change relating to cash, fearing the changes will be hard to reverse. We think the clear message from submitters reinforces the need to expeditiously develop options to redesign the cash system, while taking a comprehensive approach to consider different options.

### 4.2 General theme: Privacy and autonomy

- 4.2.1 Our proposed CBDC design principle of 'cash-like' reflects that future CBDC design options should at a minimum ensure privacy. The consultation further underlines that New Zealanders attach a particular importance to privacy, among other key aspects of policy/design.
- 4.2.2 Work is under way to investigate what this looks like in practice. This work will include further research on public expectations for privacy, and relevant regulatory frameworks (including the Privacy Act and the Anti-Money Laundering and Counter Terrorism Financing Act), to help decide which technical design options are most appropriate for any future CBDC for New Zealand.
- 4.2.3 We will investigate innovative privacy and anonymity-preserving mechanisms and technical solutions, learning from international experience. We will explore this through future experiments and proof-of-concepts.
- 4.2.4 This work will help illustrate in a practical sense how a balance can be struck between preserving privacy and anonymity, and achieving other policy objectives. It will help inform any decision on whether to proceed further, including to further consultation on more developed proposals.

### 4.3 General theme: The public want an ongoing voice in the Future of Money

- 4.3.1 We agree that New Zealanders must have meaningful opportunities to participate in the future development of their money. Our intention remains to use a range of different tools to engage with New Zealanders through our ongoing work, including public consultations, working and advisory groups, workshops, and other market research tools such as surveys and deliberative workshops.
- 4.3.2 We acknowledge that, particularly in areas of money innovation, public trust will take time to build. We consider the best approach to achieve this will be through future consultations and our actions to support public input throughout the process.
- 4.3.3 The public's feedback on the best way to engage with them has been helpful in shaping our future engagement and consultation planning.
- 4.3.4 As we progress the Future of Money programme, we will consider how best to apply the Reserve Bank's Te Ao Māori strategy and reflect Te Tiriti/Treaty of Waitangi principles.

#### 4.4 Issues paper specific: Stewardship

- 4.4.1 Our intention for the Issues paper was to set out a high-level view of stewardship, to provide strategic direction as well as flexibility to adjust to an evolving context. The need for clarity and a detailed stewardship approach has come through strongly in the responses.
- 4.4.2 We will review, revise as needed, and continue to develop all aspects of the stewardship framework in light of the feedback we have received.
- 4.4.3 We intend to develop a stewardship accountability framework, as planned, that would help clarify expectations of the Steward, including with respect to other stakeholders, and enable success to be measured.
- 4.4.4 We view the feedback as providing support for our continuing to look at regulatory and non-regulatory responses to the risks and opportunities associated with increasing adoption of cryptoassets, including stablecoins, in collaboration with other agencies in the financial sector.
- 4.4.5 We agree that it is important to consider issues holistically across money, cash and payments. We will explore opportunities for greater alignment across Future of Money and Future of Payments programmes.

#### 4.5 Issues paper specific: Central Bank Digital Currency

- 4.5.1 The consultation was helpful for us to guide further investigation into the CBDC design principles.
- 4.5.2 The feedback affirms the importance of privacy and autonomy. This will be a focus of further policy work and technical testing to better understand what this means to New Zealanders, and how a CBDC can support privacy and autonomy while meeting legal requirements.
- 4.5.3 We also plan to prioritise further work on how a CBDC can support inclusion and innovation.
- 4.5.4 Developing a deeper understanding of stakeholders through further engagement will be important for this further work.
- 4.5.5 As the project becomes more developed, there will be opportunities to examine particular issues in more depth, both through targeted engagements and as part of the structured multi-stage iterative process.

#### 4.6 Issues paper specific: Cash System Redesign

- 4.6.1 Additional policies proposed by respondents will help us develop further the holistic ('bundling') approach proposed in the paper.
- 4.6.2 Given strong support for merchant-themed options (remunerating merchants and mandating cash acceptance) and minimum service standards for banks, we intend to prioritise initial policy development work in these areas, while also seeking to progress other options in the starter-for-ten policy bundle.
- 4.6.3 We can see value in further articulating the problem definition, and in exploring this collaboratively with all stakeholders before proceeding to the next phase of work.
- 4.6.4 We will continue to engage with stakeholders, work collaboratively to develop detailed policy options, and present these for a further round of public consultation.