BANK OF JAMAICA'S PRACTICAL APPROACH TO (CBDC) IMPLEMENTATION

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DISCUSSION TOPICS

01 A Project Approach –

PROCUREMENT PROCESS

02 GOVERNANCE ARRANGEMENTS

03 TENETS OF THE PROJECT

04 STAKEHOLDER ENGAGEMENTS

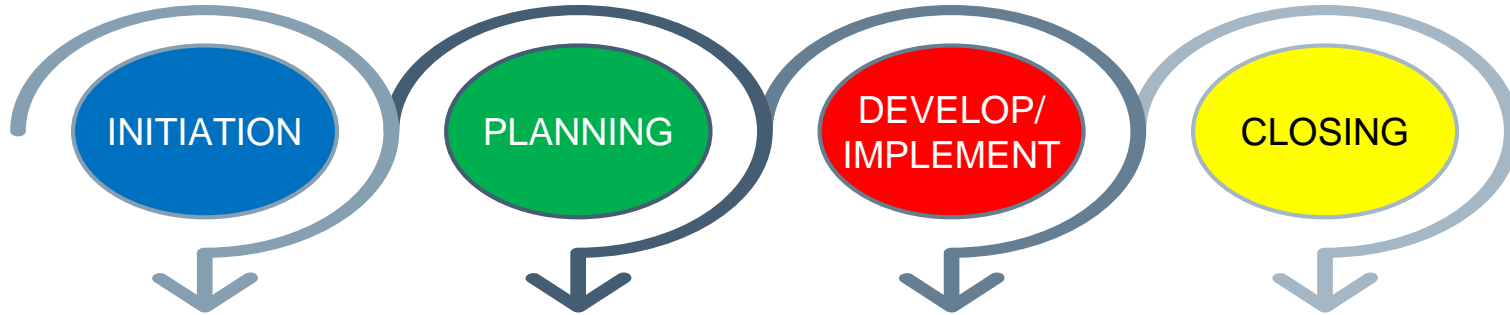**05** PILOT PROCESS & NEXT STEPS

06 LESSONS LEARNED

Jamaica's CBDC Decision

In May 2020, Bank of Jamaica took the decision to introduce a CBDC as an additional means of payment and launched it in July 2020.

A PROJECT MANAGEMENT APPROACH TO CBDC PILOT

INITIATION → **PLANNING** → **DEVELOP/ IMPLEMENT** → **CLOSING**

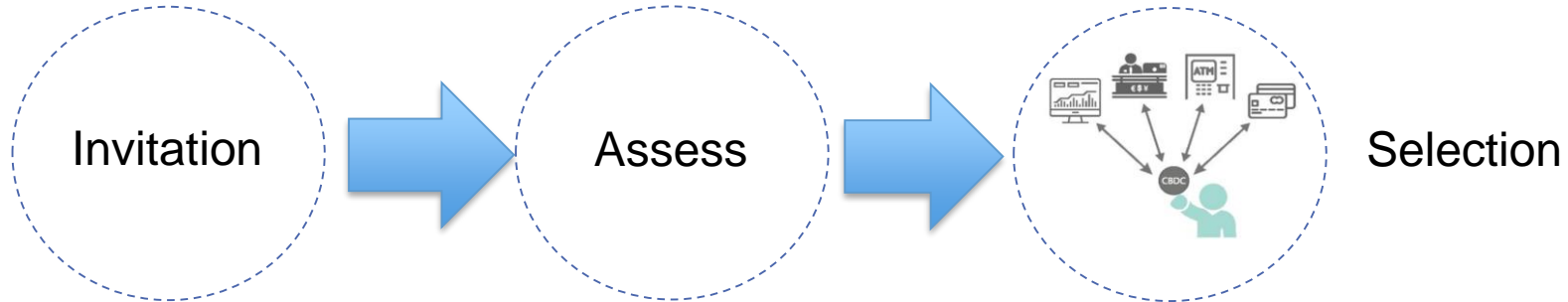| INITIATION	PLANNING	DEVELOP/IMPLEMENT	CLOSING
1. Determined CBDC feasibility 2. Approval from Governor and Minister of Finance 3. Establish Committee and Team 4. Exposed and trained members	1. Published EOI and general guidelines 2. Formulate vendor assessment team 3. Developed assessment tools 4. Vendor selection 5. Draft Business Requirements 6. Engaged Communications	1. Prepared Sandbox Environment 2. Engaged CBDC Solution Provider 3. Legal Review 4. Contractual arrangements 5. Stakeholder testing 6. Work in Progress – Other aspects	1. Pilot testing 2. Pilot test assessments 3. Pilot test reporting

01

PROCUREMENT
PROCESS

Vendor Procurement Process

To adhere to standards set for public bodies and to ensure transparency in the selection process of Vendor to provide the technology solution:

The Bank undertook steps for an invitation process to select a vendor.

VENDOR PROCUREMENT PROCESS

- 3 Step Process: Invitation, Assessment, Selection:

- On 16 July 2020, the Bank extended an invitation to providers of technological solutions for the provision of a CBDC in the Bank's Fintech Regulatory Sandbox.

- Phase 1: Of forty three (43) submissions, six (6) vendors were shortlisted;

- Phase 2: The six (6) shortlisted vendors were invited to conduct a product demonstration/presentation of their solution;

- Phase 3: Vendors were further shortlisted to four for the final assessment phase, from which eCurrency Mint Limited was selected – Cabinet approval in March 2021.

UNDERLYING TECHNOLOGY

01 | **Not Blockchain technology that is often associated with CBDCs.**

02 | The BOJ is mindful of the importance of utilizing a technological solution that would as **seamlessly as possible interface with the country's payment infrastructures**.
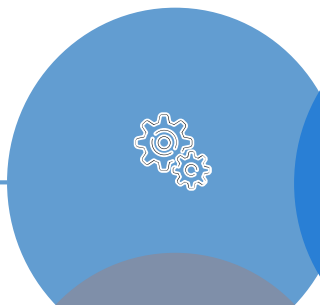
03 | Consequently, the solution that BOJ opted for adapts to traditional technology which is **easily integrated with the Bank's RTGS**.

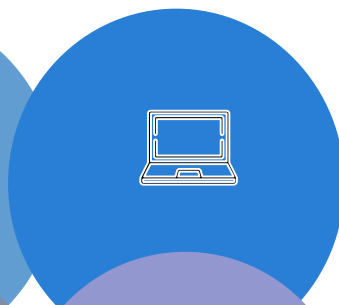# SUMMARY OF THE TECHNOLOGY FEATURES THAT FACILITATED THE DECISION-MAKING PROCESS

1. Solution Access and Control

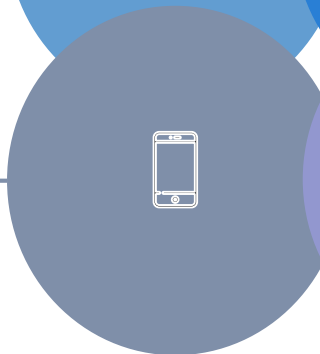1. Ability to login
2. Create users
3. BOJ has control

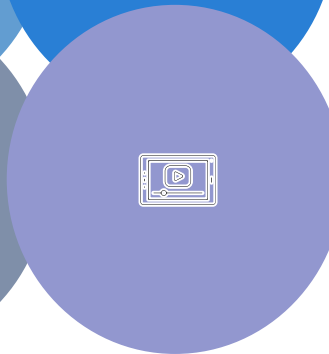**2. Currency Management**

1. Mint
2. Issue
3. Redeem
4. Destroy

3. Payment System

1. Wallet Creation
2. Payment Use Cases (P2P, etc.)
3. Integration
4. Offline Capability

4. Risk Management

1. AML/CFT Monitoring
2. Traceability
3. Cyber-security Mechanism
4. Compliance Limits

e**CURRENCY SOLUTION**

eCurrency Mint Inc. will provide:

i.   A turnkey product that clearly establishes the currency management process: minting, issuing, redemption and destruction;

ii.   Seamlessly interfaces with the national payment and settlement system (RTGS)

iii.   Supports distribution of the CBDC through financial intermediaries' payment solution and facilitates immediate integration with existing legacy and payment systems;

iv.   Facilitates delivery to end-user on mobile devices, cards;

v.   Facilitates robust risk management tools established to support real-time monitoring for AML at the transaction level and audit capabilities and is configurable for BOJ use.
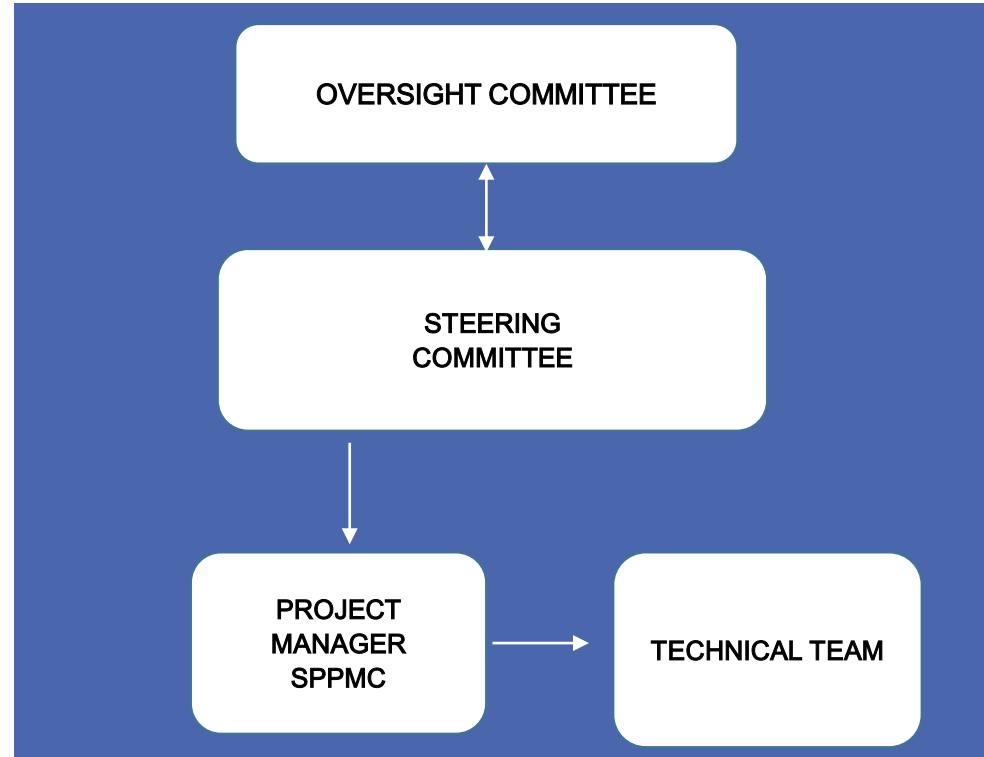
02

GOVERNANCE

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- The Central Bank Digital Currency Project is led by an Oversight Committee;

- Project Responsibilities are discharged to Strategic Project Manager.

OVERSIGHT COMMITTEE

STEERING COMMITTEE

PROJECT MANAGER SPPMC

TECHNICAL TEAM

03

TENETS OF
THE PROJECT

CBDC ECOSYSTEM – HOW WILL IT WORK?

HOW WILL IT WORK?

01 The CBDC to be issued by Bank of Jamaica is solely for domestic use and will not be used for cross border transactions.

02 BOJ will issue CBDC to deposit-taking institutions licensed under the Banking Services Act (commercial banks, building societies and merchant banks).

03 In addition, CBDC will also be issued to payment service providers (PSPs) that are operating in the Bank's Fintech Regulatory Sandbox (the Sandbox).

04 To use CBDC, consumers will need to have a CBDC wallet, which will be different from a regular bank account and much easier and simpler to obtain, with streamlined and simplified Know Your Customer (KYC) requirements.

HOW WILL IT WORK?

- DTIs and Authorised Payment Service Providers will distribute CBDCs to the retail market.

- Persons who already have bank accounts will be able to automatically obtain a CBDC wallet.

- Authorised Payment Service Providers and DTIs will be able to on-board unbanked customers.

- Customers will be able to transfer and convert funds seamlessly between regular and CBDC accounts.

- To carry out CBDC transactions anywhere and at any time, consumers will be able to access, download and deploy a mobile wallet app on any mobile phone, tablet or similar device using the networks of both major telecom service providers.

- Customers will be able to top-up their wallets with CBDC through all authorised agents or smart ABMs and do business using CBDC phone-to-phone with merchants.

Legislative Tenets

Steps undertaken to-date for legislative amendments to Bank of Jamaica Act (which will include among other things BOJ being sole issuer of CBDC and CBDC as legal tender) are:

1. Minister of Finance and the Public Service approved proposed amendments to BOJA;

2. Draft Cabinet submission prepared and approved in part by the Attorney General's (AG) Department;

3. Processing comments from Ministry of Justice in order for the AG to give final approval to facilitate submission to Cabinet;

4. Submission to be presented to Cabinet for approval for consideration of the proposed amendments to BOJA by end-July 2021.

COMMUNICATION TENETS

- The CBDC Project communication to date includes:
  - i. External exposure in the print media, radio and television;
  - ii. presentations to various international interest groups, BIS, World Bank, Federal Reserve Board, IMF, CEMLA;
  - iii. Internal Survey Focus Group sessions & Survey;
  - iv. National roll-out of Naming, Tagline, Logo and Currency Design Competition

Next Steps:
Administering National Survey;
Procurement of External Advertising Agency.

04

STAKEHOLDER ENGAGEMENTS

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External Stakeholder Technical Meetings – eCurrency and BOJ Core Team

- First round of meetings – April 2021 Met: Key stakeholders (DTIs, PSPs, Telecom Providers and Government MDAs) during April 2021

- These stakeholders were apprised of their role in the process and the hardware and other system requirements to participate.

- Second round of meetings – May 2021 – Technical discussions

- Signing of commitment to participate in specific phase of the pilot.

STAKEHOLDER ENGAGEMENTS

Stakeholders Internal to the project have been selected for testing in the Sandbox
The selected participants have a demonstrated history of:
- Track record of implementation
- Track record of digital innovation
- Relevant footprint (ATMs, customers etc.)
- Relevant e-money userbase

06

PILOT PROCESS & NEXT STEPS

PILOT PROCESS

1. **eCurrency/BOJ Core Team - April & May 2021:**

   Conduct design Sessions to finalize Pilot Design & conduct pilot feasibility assessment

2. **Sandbox testing via Simulation - June & July 2021:**

   Implement CBDC solution and integrate with existing systems of FIs.

3. **Sandbox Testing -Managed Pilot - August to December 2021**
   Issue CBDC and formulate next steps

TIMELINE IN PILOT

April 2021 — Design — May 2021 — Virtual Simulation — June 2021 — July 2021 — August –December 2021 — Managed issue, distribution and use of CBDC

NEXT STEPS

National Roll out of CBDC by end Q1 2022

In 5 years, the Bank foresees a robust digital financial system underpinned by a safe and secure digital Jamaica Dollar that will be more widely acceptable for use by all Jamaicans.

The Bank envisions CBDCs significantly entering mainstream by the end of ten years from roll-out if not before, as it proves its utility to the average citizen and business operator.

7. LESSONS LEARNED

01

DEDICATED RESOURCES

1. Engage a project manager
2. Build cross-functional technical team.
3. Engage team at every stage.

02

BUILD TECHNICAL CAPACITY

1. Train technical team.
2. Continued collaboration.
3. Draw from experiences shared.
4. Seek support from countries that already executed CBDC projects.

03

BUSINESS REQUIREMENTS

1. Analyse the business operations
2. Identify key requirements
3. Draft basic business requirements.

THANK YOU