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BOJ OPENS DOOR TO CENTRAL BANK DIGITAL CURRENCY

Earlier this year, Bank of Jamaica indicated a willingness to consider the use of central bank digital currency (CBDC).

In a step further, the Bank is now formally inviting interested CBDC providers to develop and test potential CBDC solutions in its recently established Fintech Regulatory Sandbox.

The Sandbox provides a controlled environment where technological financial innovations such as CBDC can be tested for viability while ensuring adequate consumer protection and data privacy before any introduction to the Jamaican economy.

CBDC is a digital form of central bank-issued currency and therefore is legal tender. It is not to be confused with cryptocurrency, which is privately issued, generally not backed by a central authority and does not perform all the essential functions of money. As legal tender, CBDC is fiat currency, which means it can be exchanged dollar for dollar with physical cash. Households and businesses will be able to use CBDC to make payments and store value, as now obtains with cash. CBDC is backed by the issuing central bank and issued to licensed deposit taking institutions on a wholesale basis just as now being done with physical currency.

If a viable solution is adopted and introduced, the anticipated benefits of CBDC for Jamaican citizens, businesses and the Government include increased financial inclusion, as it will provide another means of efficient and secured payments. For deposit-taking institutions, CBDC presents an opportunity to improve cash management processes and costs. In this event, however, the Bank wishes to assure the public that it will continue to issue bank notes and coins for facilitating all economic activities.

Bank of Jamaica remains committed to the development of the retail payments infrastructure and Jamaica's transition to a digital economy in which consumers have the ability to make and receive payments, any time, any place, using any convenient device. Actively exploring the feasibility of a Central Bank Digital Currency is the latest step in this regard. .

For further information and queries, please contact Bank of Jamaica at cbdc@boj.org.jm