



Reserve Bank
of New Zealand
Te Pūtea Matua

Responses to submissions on Digital Cash.

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1 Introduction

Background

As steward of money and payments, the Reserve Bank of New Zealand - Te Pūtea Matua is responsible for ensuring that the money, cash and payments system supports the prosperity and wellbeing of New Zealanders. This includes developing options to support a reliable, efficient and inclusive cash system, maintaining access to physical cash, monitoring developments in private money such as stablecoins and crypto assets, and determining if a central bank digital currency (Digital Cash), is right for New Zealand.

We know the way people pay for things is changing, and our economy is becoming more digitalised. Digital Cash would not replace physical cash but would be an additional choice for New Zealanders that would be safe, secure and trusted. Ultimately, we will work with the Government to decide whether we introduce Digital Cash or not. In the meantime, we are working on a Digital Cash proposal, which will be heavily informed by the views and needs of New Zealanders.

Consultation process

We first consulted with the public on Digital Cash in 2021, focusing on high-level policy objectives and design principles for Digital Cash. The feedback informed further research, especially in relation to privacy, inclusion and innovation opportunities for Digital Cash. The current consultation, from April 17 to July 26, 2024, aimed to share the progress in our policy thinking since then and seek feedback on additional design issues.

Invitations were sent to more than 6,000 stakeholders who had previously engaged with us on similar topics. The consultation was also promoted via media interviews, social media/podcasts, public webinars, and workshops/meetings with stakeholder organisations. Also, for the first time, we provided materials in accessible formats, including easy read, large print, braille, audio, and New Zealand Sign Language, to ensure the perspective of disabled communities was included in the broader feedback.

Public response

This consultation received the highest ever response to any public consultation we have done, demonstrating strong public interest in cash. We received valuable input through more than 500 written submissions and discussions with stakeholders. We also received over 18,000 responses to the online public survey portion of the consultation, more than three times the responses to the 2021 consultation.

Respondents' views on Digital Cash were varied but results clearly showed there is more work needed on the costs, risks, benefits, and design. The insights garnered from this consultation will inform our next stage of work and the proposal for a Digital Cash. We expect to complete this work and provide an indicative business case to government by 2026.

Our feedback summary is outlined below, including high level themes and some specific issues. Copies of submissions can be found at <https://consultations.rbnz.govt.nz/money-and-cash/digital-cash-in-new-zealand/>

2 More details are needed to support ongoing public assessment

Many respondents expressed a strong desire for more detailed information, for example, raising questions around governance, infrastructure planning, and technical standards. There was also a strong appetite for more concrete and practical examples—like how offline capabilities would work. These open questions were at the forefront of many written submissions, and respondents emphasised the lack of details limited the feedback they were able to provide.

We acknowledge there is a trade-off between being transparent and forthcoming with our early policy thinking and providing the tangible details the public wants. The questions and comments received around unknowns are useful to inform our next steps and point to areas of public interest. We are committed to investigating the open questions raised and re-engaging when more information is available through a multi-year, iterative process.

3 Common themes from consultation

Given the wide-ranging nature of responses, we have grouped the feedback according to main themes, which are largely consistent with those raised during the previous consultation. They are discussed below.

Physical cash plays a fundamental role in society

Feedback strongly emphasised the fact physical cash still plays a fundamental and important role in society, despite declining usage rates. More than 80% of respondents expressed concern about losing access to physical cash, with 63.5% worried Digital Cash use by others might crowd out physical cash in the wider economy.

Comments about cash came from charitable organisations, public agencies, and many individuals. Respondents emphasised cash availability is crucial for those who are digitally excluded, such as the elderly. They also highlighted the various social and cultural roles cash plays, from financial education to community activities, as well as its importance in emergencies.

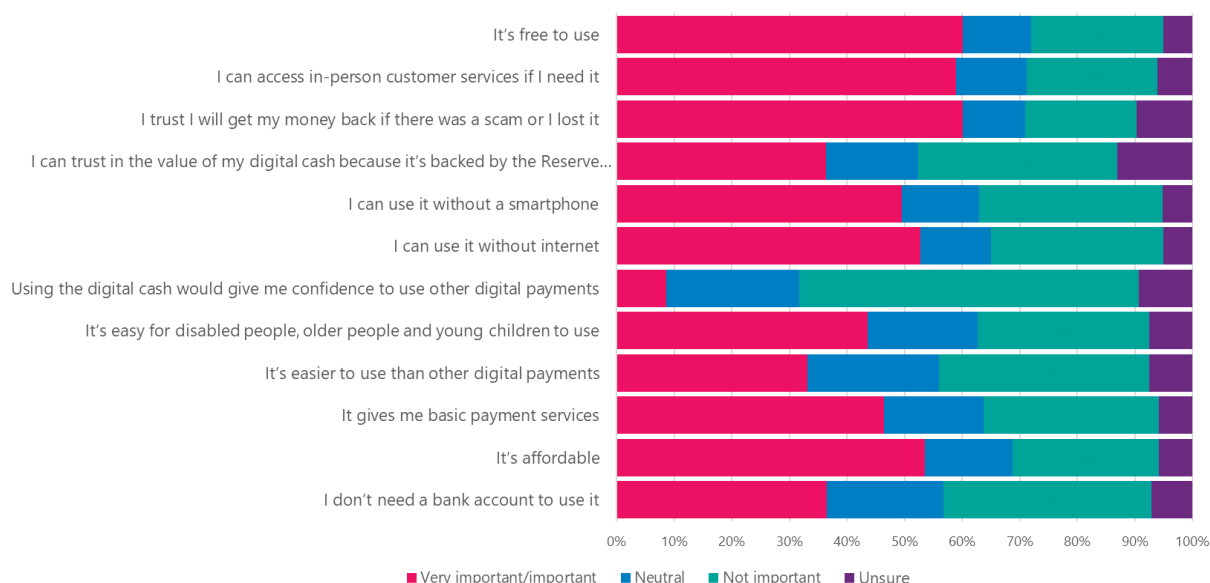
We share these concerns and are actively working to protect the role of physical cash in New Zealand. Banknotes and coins will continue to be available, regardless of whether Digital Cash is introduced.

Not all of New Zealand's money and payment needs are being met by private sector providers

Many respondents identified money and payment needs that were not being met by the current digital money and payments system. For example, respondents valued faster, more direct, and cheaper payments as well as innovative features, with over 60% of respondents wanting offline functionalities. Respondents also wanted better protection against frauds and scams and innovative features. Bank notes and coins are currently the only option for offline payments, with no digital or private sector alternative available.

Unmet payment needs and barriers were more significant for disabled and vulnerable communities. For example, 46% of 102 respondents to the alternate format survey for disabled people agreed with the objectives for Digital Cash, compared to 16% of wider respondents. However, over 50% of respondents in the wider survey indicated New Zealand’s payment system should be accessible to everyone.

Figure B: Which design features would be the most important to you and have the most impact on your day-to-day life?



Respondents to the alternate formats identified restrictions on how they pay and examples when they are forced to use higher-cost private sector options, like payWave (due to inaccessible payment terminals). For those with limited income, including many in disabled communities, money and payment costs can add considerable stress. In addition, disabled communities generally see innovation and intervention as opportunities to address these issues, with Digital Cash as a potential option. Real-time payments and richer data also have stronger appeal for disabled communities (around 60%, compared to around 25% in general).

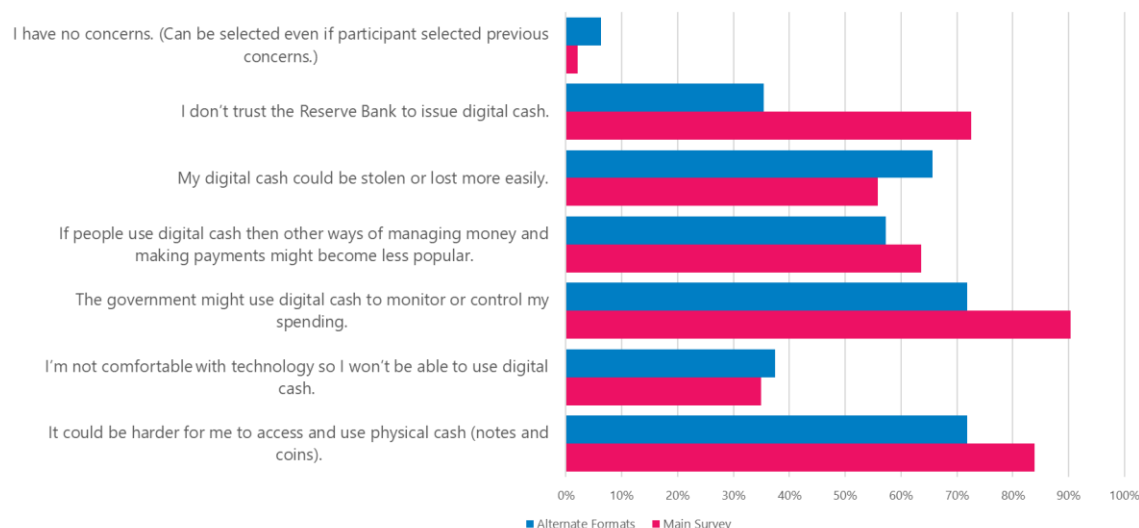
When it comes to payment methods, New Zealanders value privacy and autonomy

The main concern about Digital Cash for New Zealanders (90%) was the potential for government control. Respondents were clearly concerned about the implications of Digital Cash for traceability, and by extension privacy and autonomy. Many feared Digital Cash will be used to facilitate unacceptable intrusion into their privacy or social control, even if it is not originally designed to do so.

Written submissions suggested that for some, the issue was not unique to Digital Cash but reflected wider distrust in public institutions. This was often linked to experiences during the COVID-19 pandemic or perceived or real events in other jurisdictions. However, other respondents were forthright in their distrust of the Reserve Bank, often conflating it with the Government.

Individual respondents saw the anonymity of physical cash as the only way to eliminate the risks of future abuse. Organisations shared similar concerns and argued that providing an absolute guarantee against potential abuse is impossible. For them, the solution was to maintain the status quo, viewing the current forms of digital money as less risky, largely because they are privately managed.

Figure A: What are your biggest potential concerns with digital cash?



We agree that privacy is an important consideration for Digital Cash, and remain committed to a privacy-centric design for Digital Cash.

Stakeholder specific feedback

The following paragraphs summarise feedback reflecting the specific interests or concerns of stakeholder groups. Many engaged with the design-oriented content of the consultation paper and expressed interest in further discussions on technical and operational details.

Feedback from the consultation shows many businesses and organisations that interact with the existing complex payment system share our concerns and are generally supportive of continued investigation, even if some remain unconvinced Digital Cash may be the solution. For fintech organisations and disabled communities which are not well-served by the current system, Digital Cash presents more opportunities. Some of these sentiments are not shared by members of the public responding to the survey.

Banks and financial market institutions

Bank and financial institution feedback was generally supportive of our ongoing investigation into Digital Cash, but some thought the case for it was not strong.

Several submissions highlighted the significant opportunities offered by wholesale digital cash (with cross-border use cases), while questioning the need for a retail version. This interest echoes the growing financial markets interest in asset (or deposit) tokenisation. For instance, one respondent described “more compelling use cases” and emphasised the “transformative role” Digital Cash could play, noting the “commercial opportunities and value propositions” that could justify the

necessary investment. Respondents also pointed out many other central banks are exploring wholesale CBDCs, suggesting potential for global cooperation.

Some submitters felt the current payment system is already "relatively advanced" and concerns, such as risks to monetary sovereignty or access to central bank money, were overstated. Others highlighted ongoing efforts to modernise the system, such as Payments NZ's Payment Modernisation Plan, digital identity initiatives, and consumer data rights. They argued these efforts, along with tokenised deposits, could address any unmet needs if successfully implemented. For these respondents, if there was a need for further innovation, it was the private sector's role to deliver them.

Banks and other stakeholders expressed related concerns about the burden of implementing these initiatives while also adapting to Digital Cash, if a decision is made to progress it. They called for improved coordination and alignment among regulatory agencies and private sector stakeholders. For some, proper sequencing of these efforts would mean extending the current proposed timeframe, with 2030 considered too soon.

The need for sufficient uptake was another key issue highlighted, as well as the related potential impact on financial stability. One stakeholder noted low user uptake would undermine the utility and usability of Digital Cash, especially if holding limits are imposed to mitigate financial stability risks. It was also pointed out macroeconomic benefits, such as preserving monetary sovereignty, 'could only be achieved if end users use Digital Cash at sufficient scale'. Others urged the Reserve Bank to better understand consumer demand to evaluate likely uptake and determine the necessary level of support, at least initially.

Fintech including the cryptoasset sector

The fintech and cryptoasset sectors were generally more supportive of the objectives related to long-term innovation and competition. For example, one respondent highlighted the potential beneficial 'disruption' of the 'current complex legacy banking infrastructure, which has acted as a barrier to innovation and competition', that could come from some configurations of Digital Cash.

Stakeholders also share a positive view of wholesale CBDC, provided it would be openly accessed. Some considered such benefits to be technology-dependent (e.g. decentralised or on blockchain) and were sceptical of Digital Cash's ability to deliver the benefits without sufficient technical details or demonstration of the Reserve Bank's technical capability.

However, while the cryptoasset sector stakeholders held positive views about new technology some also saw greater benefits from cryptoassets. Cryptoassets such as bitcoin, they say, have fixed supplies, the prices of which are not controlled by any authorities, including central banks. Some pointed to stablecoins as an alternative while questioning the need for direct access to central bank money.

The importance of uptake was also discussed by these stakeholders. Some considered incentivising uptake to be appropriate and necessary to achieving beneficial disruption. The need for a balance against potential financial stability risks was recognized.

Business organisations and other interest groups

Some stakeholders expressed strong opposition to the concept of Digital Cash. They were of the view risks to the value anchor role of central bank money or monetary sovereignty have not been established, or do not exist. They cited the Government’s ability to enforce tax payments in New Zealand dollars as sufficient to drive demand and maintain monetary sovereignty.

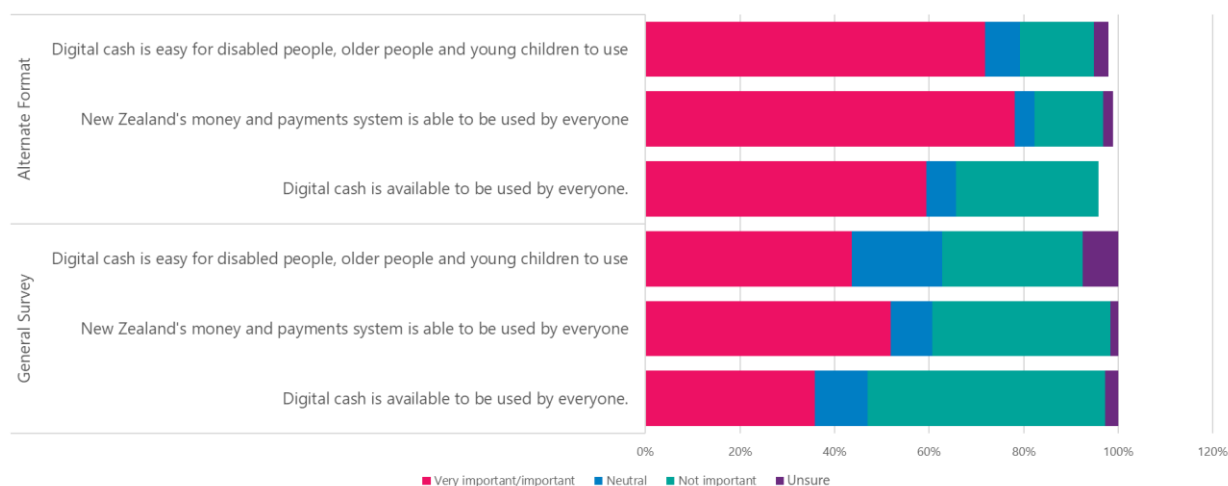
For these groups, natural free market forces are generally preferred over government intervention, especially when payment competition and innovation are concerned. Nevertheless, it is acknowledged corrective action could be taken in cases of market failures. Stakeholders were concerned Digital Cash could instead crowd out private sector innovation.

Other stakeholders highlighted the need to consider the wider ecosystem of Digital Cash, more than just financial intermediaries and practical challenges. These challenges range from merchant need for seamless interactions across payment systems to meet their diverse needs, to consistency of accounting and/or tax treatment.

Community organisations, academics and agencies

Community organisations and agencies generally underscored the importance of inclusion of vulnerable groups. Figure C below highlights the selected responses to inclusion-related parts of different questions (which means they will not add up to 100%). This includes adequate and equitable access to privacy and autonomy for all New Zealanders. These stakeholders were pleased to see the work on the cash system to make sure it will be available to those who need it and urged the Reserve Bank to progress this work while investigating Digital Cash.

Figure C: Inclusion related questions – How important is it that



These stakeholders welcomed the opportunity Digital Cash can potentially provide, especially for individuals who face more complex barriers and have limited options. Having adequate access to money, we were told, is a key enabler of basic human rights.

Community organisations and agencies also expressed the desire to be engaged throughout the process. They emphasised Digital Cash must be inclusive by design and in its implementation.

4 Our response

The future of money in New Zealand includes cash

Meeting the future needs of New Zealanders means we must make sure banknotes and coins will remain available over the long term. To this end, we have key initiatives aimed at exploring different ways of distributing cash to the public and providing cash services to businesses and merchants.

Our community cash services trials will launch in 2025 across six to nine communities in different parts of Aotearoa New Zealand. These trials will compensate retailers for offering free cash-out services to customers in areas where access to cash is otherwise limited. Running for at least 12 months, the trials will provide insights for future efforts to support cash accessibility. We will also assess broader considerations around cash provision such as whether regulations are necessary or effective to safeguard cash infrastructure and maintain a sustainable level of cash usage in the community.

Additionally, we are working on ways to make sure Digital Cash can integrate seamlessly with physical cash, including for example, how to enable easy and low- or no-cost conversions of Digital Cash to cash, and vice versa.

Cross-sector collaboration is fundamental to our role as steward of money and payments

As the steward of money and payments, we recognise money and payments are interconnected, and both must function effectively to meet the needs of end users. We are actively contributing to the Council of Financial Regulators (CoFR)' work on its Vision of Payments across the money and payments ecosystem, alongside other CoFR members.

Our efforts aim to provide the industry with greater clarity and direction on New Zealand's strategic approach to money and payments, while also better coordinating the complex work needed to drive long-overdue progress.

Digital Cash is just one of the workstreams contributing to this vision. We recognise Digital Cash is best delivered in partnership with both existing and future participants in the private sector. We will continue to engage with the private sector to understand how the proposed two-tier approach will work in practice, where the private sector will have a lead role in delivering end-user services. Additional work will also continue to explore how we can minimise the risks, while fostering structural enhancements in efficiency, competition and innovation in our money and payment system.

We also acknowledge the connection between Digital Cash and a possible faster payments system. We are of the view industry should prioritise investment in a faster payments system that delivers fast, low-cost, inclusive services. A faster payment system and Digital Cash could be complementary, each contributing to payment efficiency and financial inclusion.

We will adequately address feedback on the importance of privacy and autonomy, and lack of technical detail

Feedback from this consultation is a key input into our near-term research agenda. Given the significant concerns around privacy and autonomy, these issues will form the backbone of our end-user strategy. While our work to date has examined the conceptual aspects of these topics, looking forward we will unpack these concerns at a practical level. We intend to look at a wide range of instruments to protect privacy and autonomy, such as legislative, cultural or technological means.

We will begin to investigate different technological options to understand some of the trade-offs across platform designs and to better engage with industry. This work will help demonstrate how Digital Cash would practically work and support our cost-benefit analysis. It will also facilitate more meaningful conversations with payments sector stakeholders and fintechs going forward.

We will work with the Government to decide whether or not to issue Digital Cash

The results of this public consultation are one of many inputs into our assessment of the case for Digital Cash in New Zealand. Ultimately, our work will result in a proposal to help the Government decide whether Digital Cash is the right option to meet New Zealand's payment needs in a modern digital economy. We will work closely with government and other interested stakeholder groups as we develop this.

The Digital Cash proposal is a multi-year, multi-stage exploration. Further design work, policy development and cost-benefit analysis are planned through 2025 - 2026. This analysis will begin to develop selected alternatives and scenarios that Digital Cash can be measured against and capture a wide range of costs as well as benefits. At that stage we will seek feedback and direction from Government on how to proceed with Digital Cash.

We will continue to engage with the public and key stakeholders.

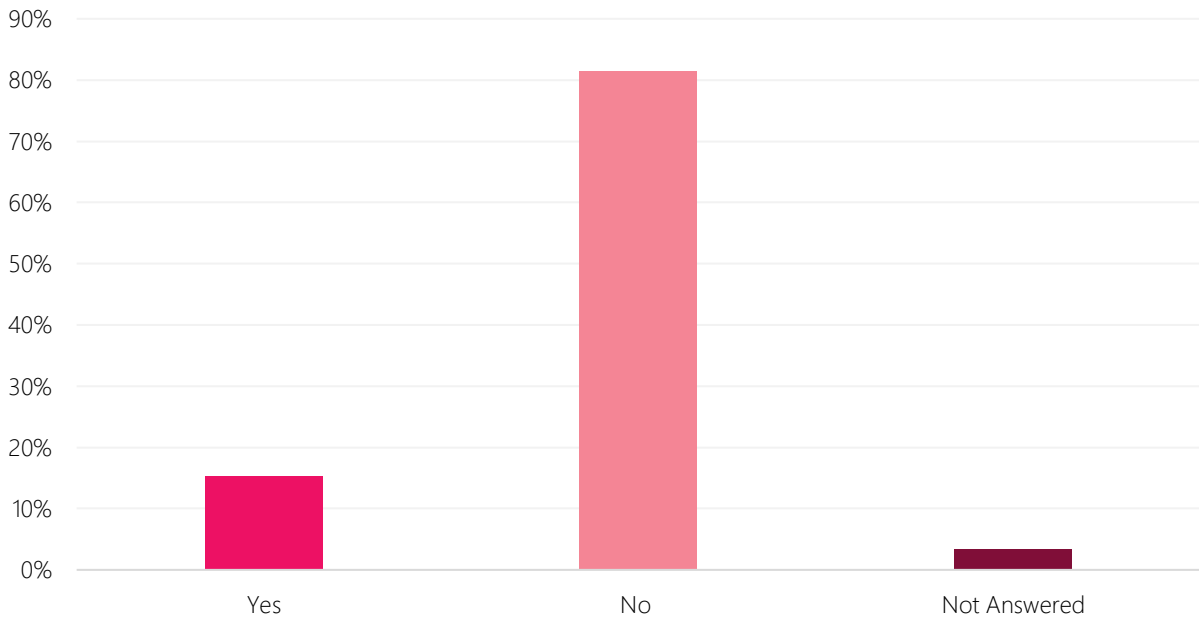
As our proposal develops, we are committed to engaging with stakeholders as more meaningful information becomes available to address specific needs. In the next phases of research and development we intend to implement a targeted stakeholder engagement plan to most efficiently solicit inputs and considerations across key participants.

When we are ready to progress a Digital Cash proposal with the Government, further public consultation may be needed. The scale of such consultation will reflect the importance of the decision.

Appendix A: Summary Graphs of Survey Responses

This section contains additional summary graphs of quantitative survey responses from the main survey which are not otherwise included in the body of the report. For presentation purposes, in a couple of graphs we have presented some responses 'e.g. very important/important' and the rest can be inferred from the percentage total.

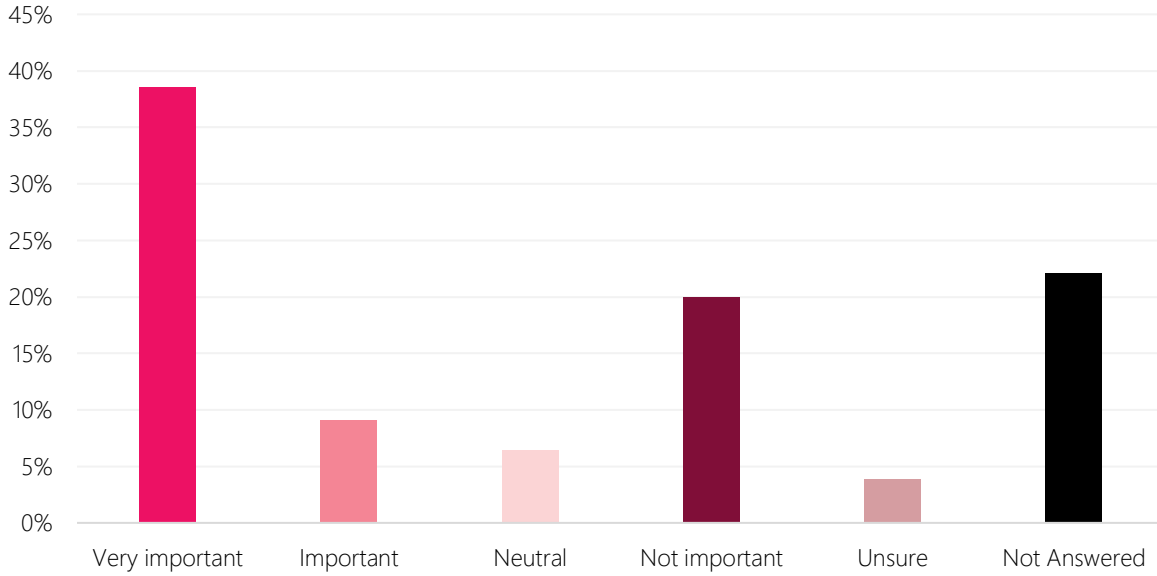
1: Do you agree with our reasons for investigating Digital Cash for New Zealand,



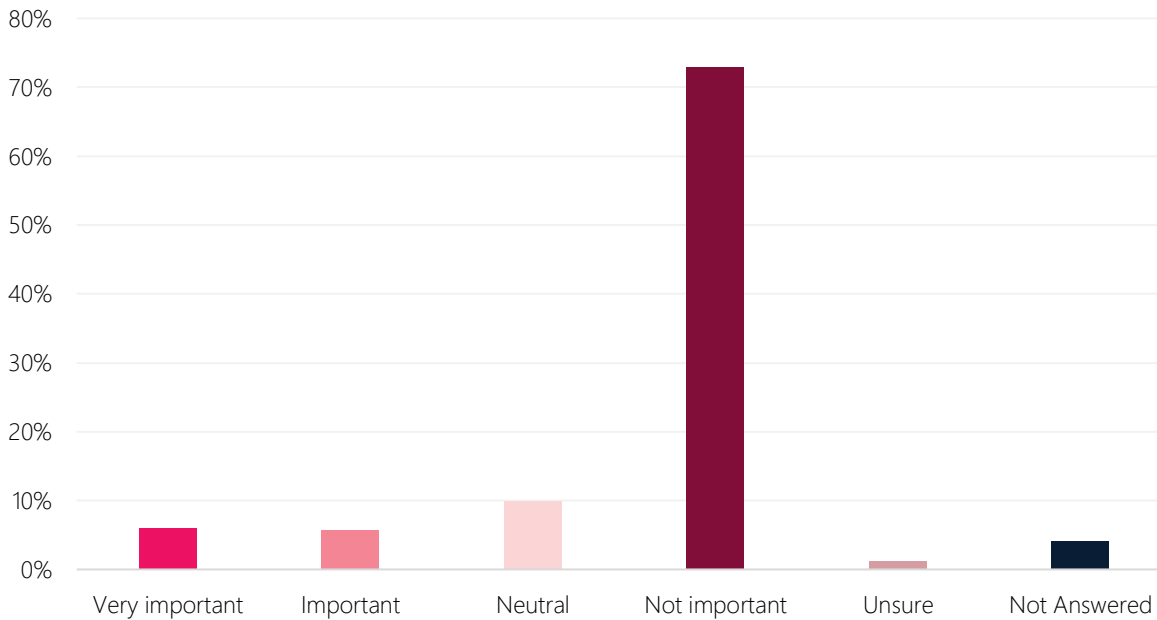
Note these reasons are that we want to

- ensure that central bank money is available to New Zealanders and allow it to be used digitally.
- enable a money and payments system that is innovative, competitive and contributes to the development of New Zealand's digital economy

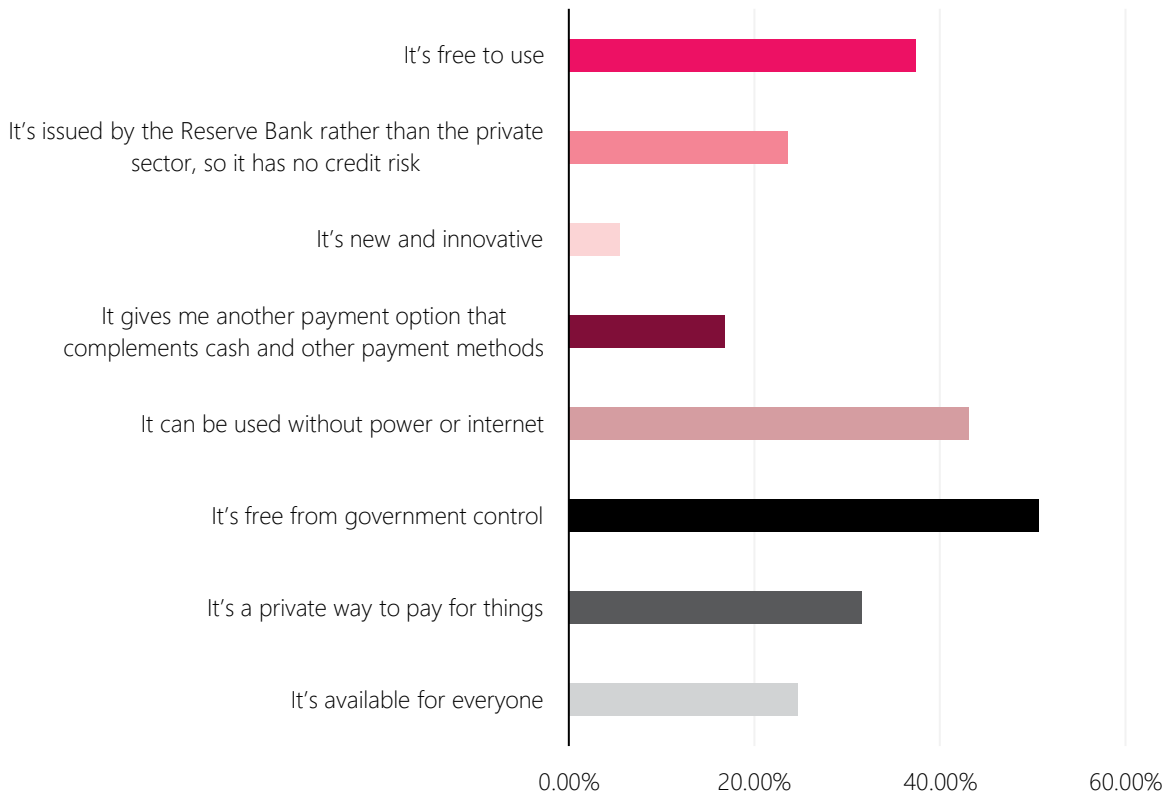
2: How important is it to you that the Reserve Bank issues central bank money such as physical or digital cash that the public can use?



3: How important is it to you that people can use cash in a digital form?



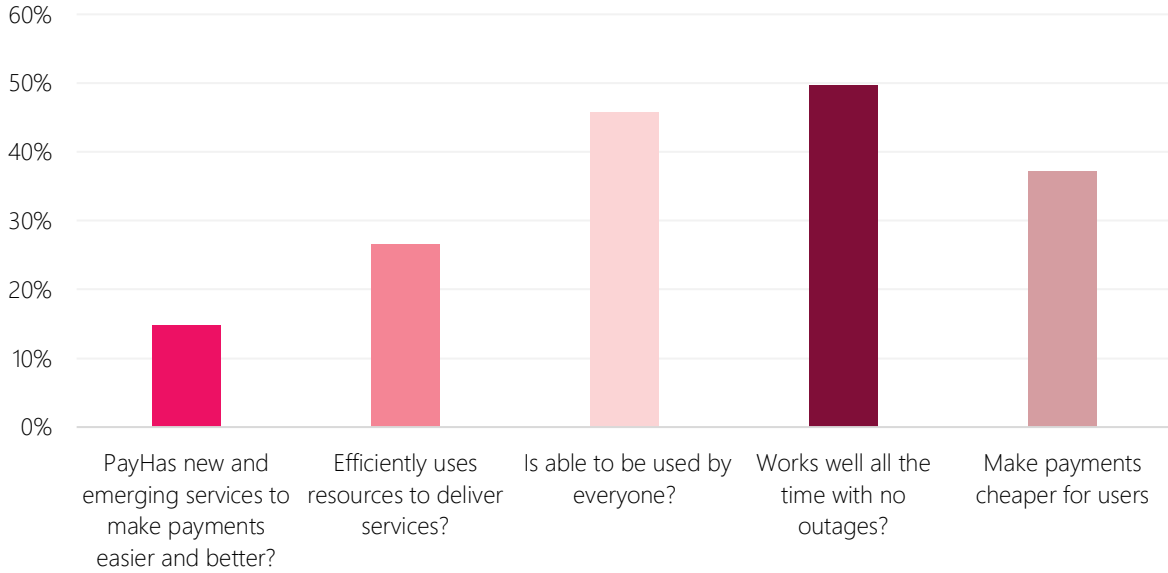
4. Which features of Digital Cash are important to you? Total of "Very Important" or "Important" responses



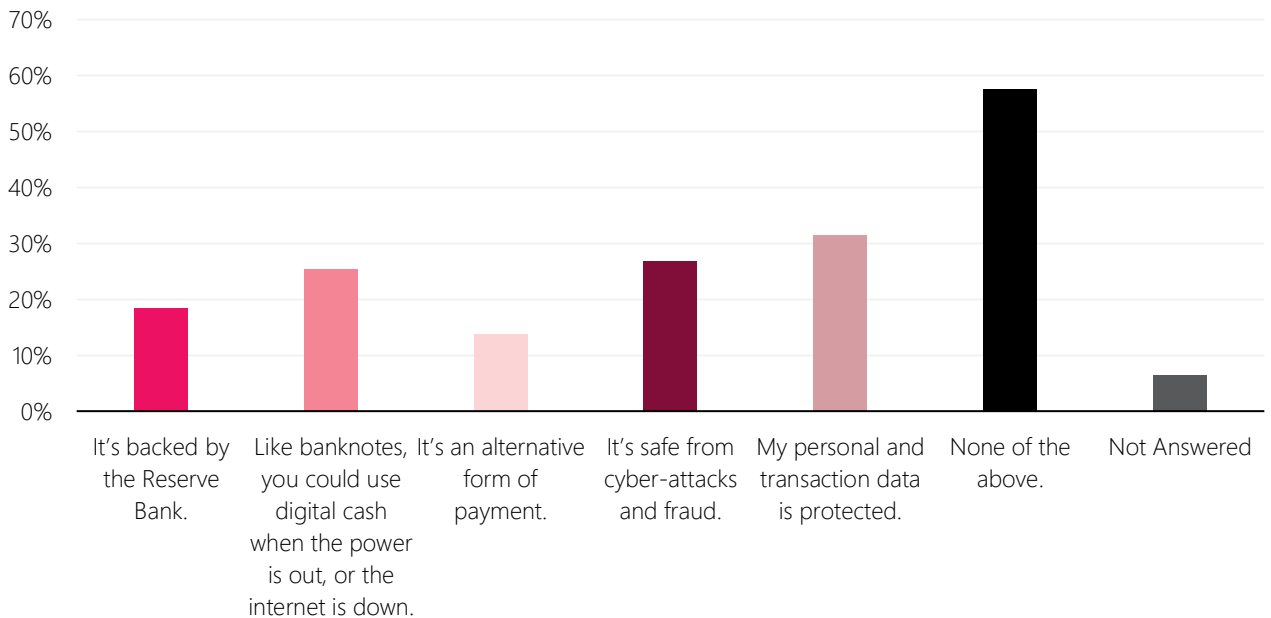
The graph for **Question 5 What are your biggest concerns** is presented as Figure A in the body of the text.

6: How important to you is it that New Zealand has a money and payment system that:

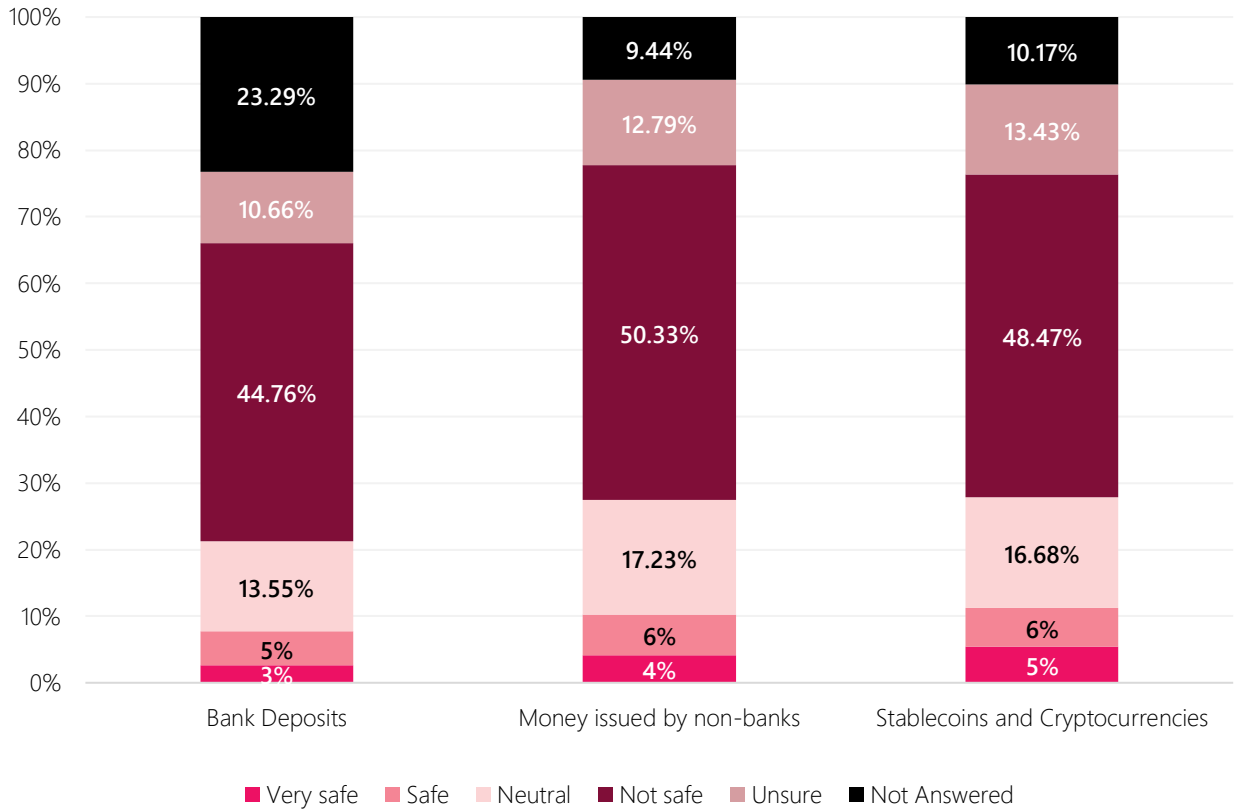
Total of "Very Important" or "Important" responses



7: Which of the following security and reliability features appeal to you? Choose all that apply.

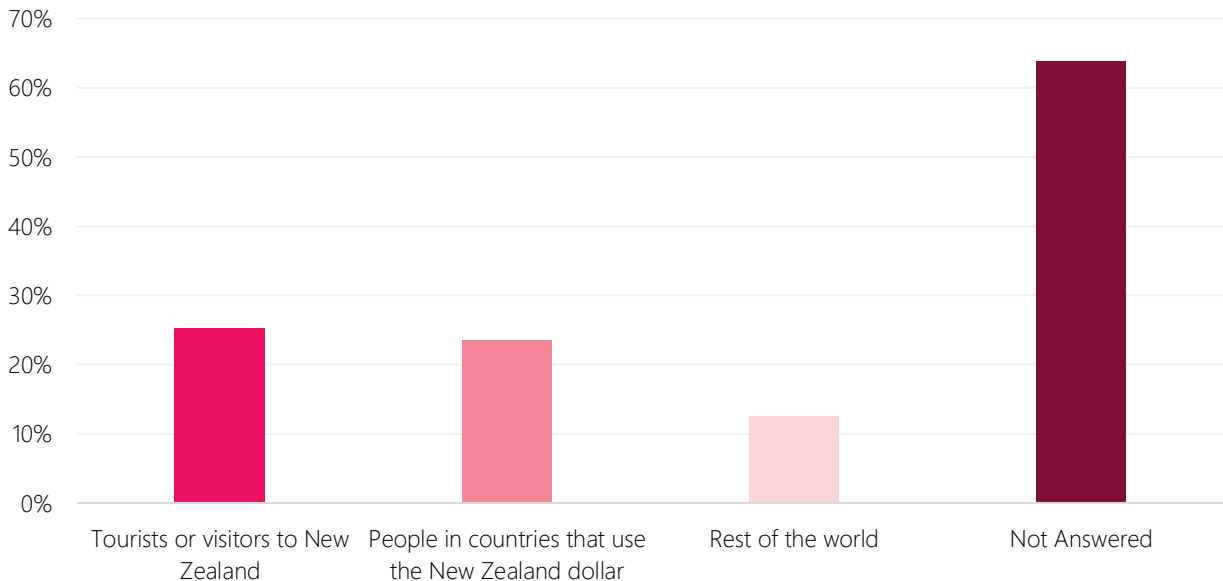


8: How would you rank the safety of Digital Cash compared to:

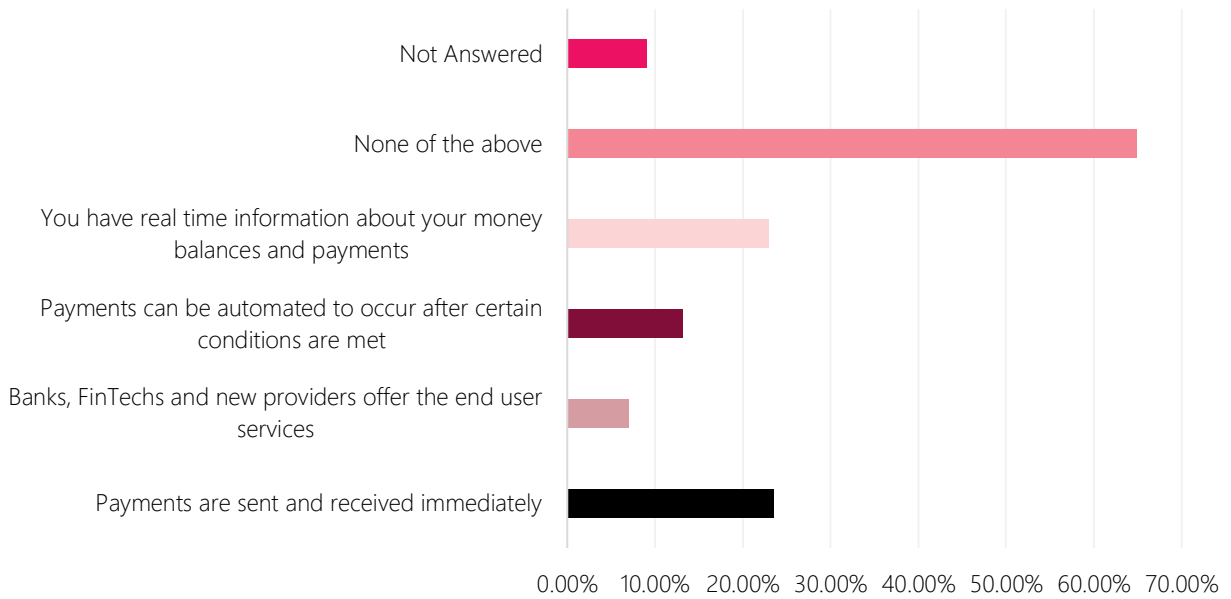


Graph for Question 9: Which design features would be the most important to you and have the most impact on your day-to-day life? is presented as Figure B in the body of the text

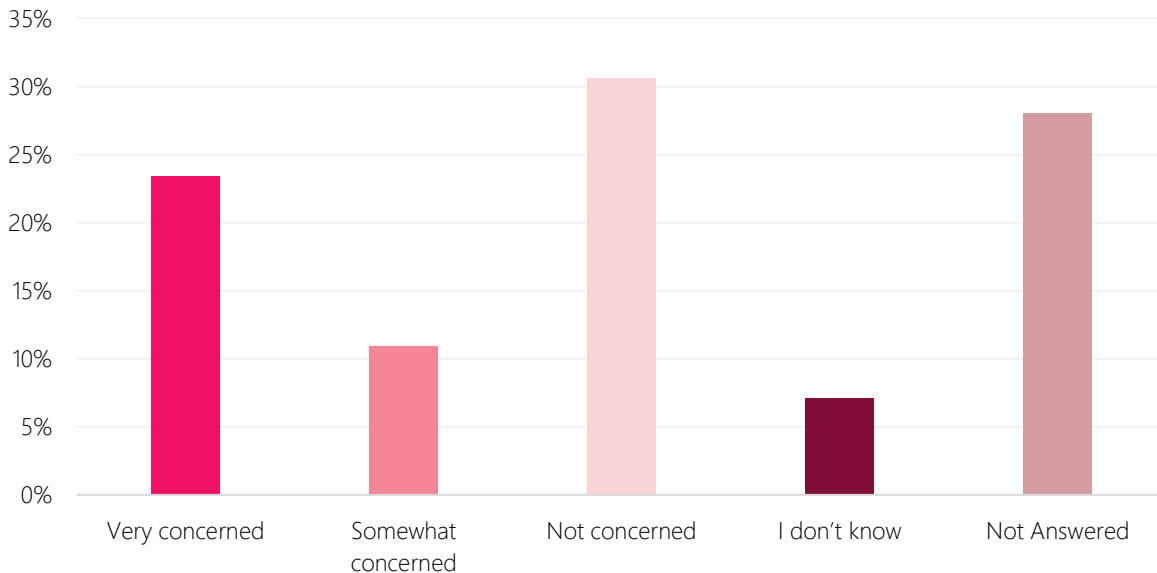
10: Digital Cash would be widely available to New Zealanders and people living in New Zealand. Are there other groups who should have ongoing access? Choose all that apply.



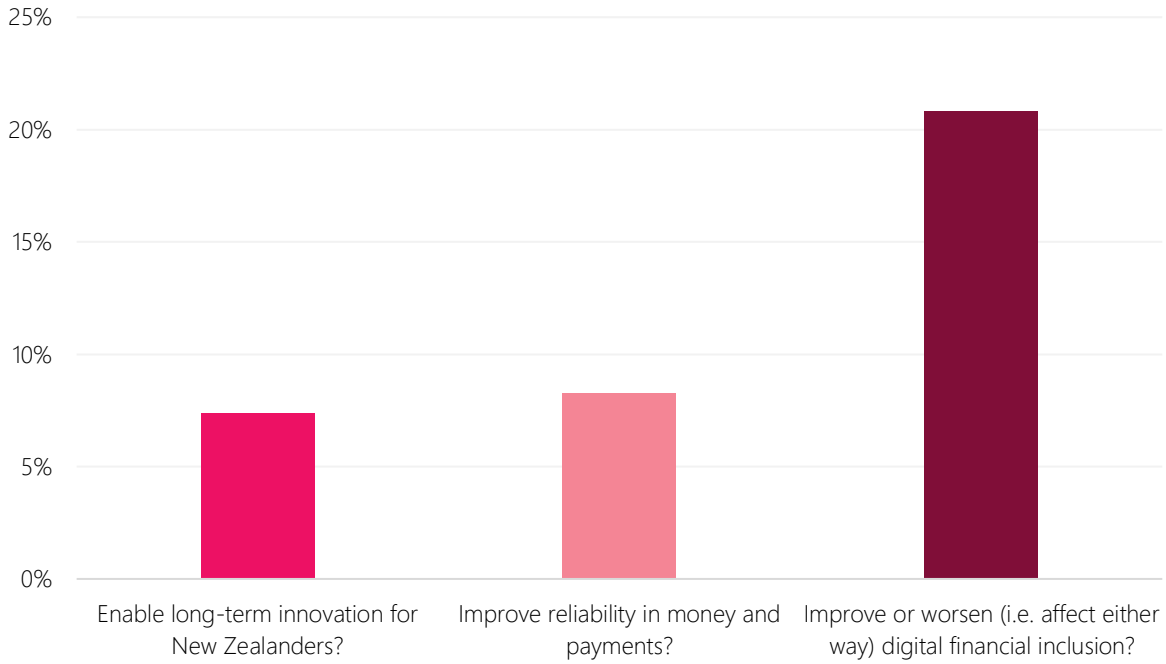
11: Which of the following innovative Digital Cash features appeal to you?



12: How concerned are you about the impact of innovations like cryptoassets (Bitcoin or Ethereum), or big tech-issued digital money, on the use and popularity of the New Zealand dollar?



13: Do you think Digital Cash can:



The bars in this graph show those who indicated "likely". Other options of responses are 'not likely', 'don't know' and 'not answered'.