



The Bahamas' Experience with the Sand Dollar

Remarks by Governor John Rolle

At the Digital Euro Conference

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Good Afternoon.

I would like to thank the European Commission and other organizers of this conference for inviting me to share on the experience with the Sand Dollar. Other than its digital representation, the governance and legal arrangements around issuance are identical to how other currency liabilities of the Central Bank of The Bahamas are treated.

Similar to the approach being taken in the European Union, The Bahamas played close attention to the policy and technical issues surrounding the design of its CBDC. However, even ahead of conceiving the CBDC, risk-based policies for anti-money laundering and counter-financing of terrorism were tailored and enhanced to promote significantly improved financial inclusion outcomes. Likewise, The Bahamas made reforms to open up the payments system to non-bank financial institutions. In addition, broader standards for electronic money services, and for consumer and data protection were expressed at a high level in the payments system laws and regulations.

Regulations specific to the CBDC, were crafted within this framework. They specify qualifying cybersecurity and governance standards for the payment services platforms that connect to Sand Dollars; design considerations for financial stability, and a range of technical standards which have financial inclusion and consumer choice in mind.

Our efforts in The Bahamas to encourage CBDC adoption are still in the very early stages, however. Although Sand Dollar circulation is still less than 1 percent of physical currency, it understates public interests because e-money issued by non-banks is also present and we anticipate that such balances will convert fully to Sand Dollars, as the cross-platform movement of funds increases.

But e-money penetration is also still low.

In a population of under half a million, it is estimated that less than 20 percent of adults make use of e-money wallets. These individuals only make low frequency, low value use of such mobile wallets, on average. All of such wallets now have access to Sand Dollars. That compares to about no more than 70 percent of adults who engage more frequently and at higher average transactional values in retail payments with credit and debit cards.

There are many lessons that we have taken from the experience so far, many of which matter to our adoption strategy going forward. I will highlight just four of them.

- ✓ First, expanding the merchant network is important to accelerated adoption. This is where our efforts are beginning to accelerate through direct outreach to the business community, with an education focus on the benefits of reducing reliance on physical cash in commerce. In the next version of our core application, the Central Bank of the Bahamas will add more features to allow financial institutions to seamlessly structure and manage merchant fee arrangements. For merchants, more access to basic data analytics will also be featured.
- ✓ The second lesson has been recognizing the importance of interoperability with the traditional banking system for merchants, who need to treat CBDC revenue like any other form of receipt. The Central Bank has just completed the two-way linkage between the banking system, through the Automated Clearing House or ACH. This solution has now been released for financial institutions to build into their proprietary interfaces with the digital currency platform.
- ✓ Third, enlisting participation from the traditional banking sector and credit unions is important. That process has started. One of the six retail banks has already begun to pilot the system. Also, one of the largest of the five dominant credit unions has completed the technology systems assessments to become a provider of Sand Dollar wallets. However, the Central Bank has also had to manage its own staffing capacity, in sequencing such engagements.
- ✓ Fourth, user education is important. This messaging is being crafted to inspire user confidence, especially around data protection, cybersecurity, and ease of use.

To conclude, much of the early discussion in the international central banking circles was about whether it made sense for countries to issue CBDCs, and around the risks that could be posed to monetary policy and financial stability. The Bahamas benefited tremendously from this thought process. At the same time, we paid close attention to our national circumstances and settled on an approach that accelerated the emphasis on financial inclusion and other priorities. I expect as well that the European experience will enrich our own. In this respect, it is critical that any cross-border initiatives take an inclusive approach to the needs that will be expressed by The Bahamas and other small countries in this arena.

Thank you.