

Submission

to the

Reserve Bank of New Zealand

on the

Future of Money – Central Bank  
Digital Currency Issues Paper

13 December 2021

## About NZBA

1. The New Zealand Bankers' Association (**NZBA**) is the voice of the banking industry. We work with our member banks on non-competitive issues to tell the industry's story and develop and promote policy outcomes that deliver for New Zealanders.
2. The following seventeen registered banks in New Zealand are members of NZBA:
  - ANZ Bank New Zealand Limited
  - ASB Bank Limited
  - Bank of China (NZ) Limited
  - Bank of New Zealand
  - China Construction Bank
  - Citibank N.A.
  - The Co-operative Bank Limited
  - Heartland Bank Limited
  - The Hongkong and Shanghai Banking Corporation Limited
  - Industrial and Commercial Bank of China (New Zealand) Limited
  - JPMorgan Chase Bank N.A.
  - Kiwibank Limited
  - MUFG Bank Ltd
  - Rabobank New Zealand Limited
  - SBS Bank
  - TSB Bank Limited
  - Westpac New Zealand Limited

## Introduction

3. NZBA welcomes the opportunity to provide feedback to the Reserve Bank of New Zealand (**RBNZ**) on The Future of Money – Central Bank Digital Currency Issues Paper (Issues Paper). NZBA commends the work that has gone into developing the Issues Paper. NZBA suggests this submission be read alongside our submission to the RBNZ on the Future of Money – Stewardship Issues Paper, dated 13 December 2021.

## Contact details

4. If you would like to discuss any aspect of this submission, please contact:

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## Summary

We support the RBNZ undertaking further work in relation to cryptocurrencies and a potential Central Bank Digital Currency (**CBDC**) for New Zealand. We would welcome the opportunity to work with the RBNZ on emerging issues in this space, particularly given the potential impact on payments systems and banking. Our comments on the paper are:

- It is important to understand what public policy “problem” a CBDC would address, and any related discussions should include the potential for that problem to be resolved more efficiently through other means. We note that some central banks, most notably the Federal Reserve, have suggested that CBDC’s may be a “solution looking for a problem”, and that even where there are problems in the payment system, there are more effective means to resolve them than a CBDC.
- We agree that a CBDC may be considered as important for the sovereignty of the New Zealand Dollar (**NZD**) and without an NZD CBDC our currency may be negatively impacted if, for example, online payments (e.g. peer-to-peer) begin to utilise other digital currencies that become mainstream through online platforms.
- We agree that the ability to manipulate the economy through use of monetary policy could be vastly reduced if the majority of money trade is not with the NZD. A CBDC could be a useful tool in mitigating this risk.
- CBDC should be considered as part of New Zealand’s strategy planning to address the decline in cash usage. It could be designed to be more inclusive than other means of payment and stored value tools.
- Some of the perceived benefits of the CBDC in the consultation document are based on current state of the systems for example peer to peer capability. It’s worth noting as these new systems are in a lot of cases under development and may impact the way in which CBDC may benefit the financial system in the future.
- In our view, the questions which would need to be properly worked through to determine the value and potential success of a CBDC include:
  - a) what need/problem a CBDC would address;
  - b) what form would it take;
  - c) how would it be distributed and used;
  - d) what infrastructure would be needed; and
  - e) how would this be funded.

These issues require a detailed understanding of both the current and developing payments systems, technologies, operational processes and business models, making it even more important that the RBNZ works closely with banks and other payments services providers as it develops potential policy approaches.

- We do not agree with aspects of the Reserve Bank’s analysis of the current state of payment services in Annex A (page 41). For example:
  - We disagree with the statement “The lack of competition in New Zealand’s payments system has contributed to low incentives to address front end pain points ...”.
  - Referring to issues with cross border payments on page 42, in our view, most of these issues are due to the regulatory environment, including local and international AML/ CFT regimes.
  - The development and delivery of services demanded by customers which involve industry cooperation will require the participants to be cognisant of, and carefully navigate, relevant legislative frameworks such as the Commerce Act.