

Norges Bank's CBDC project



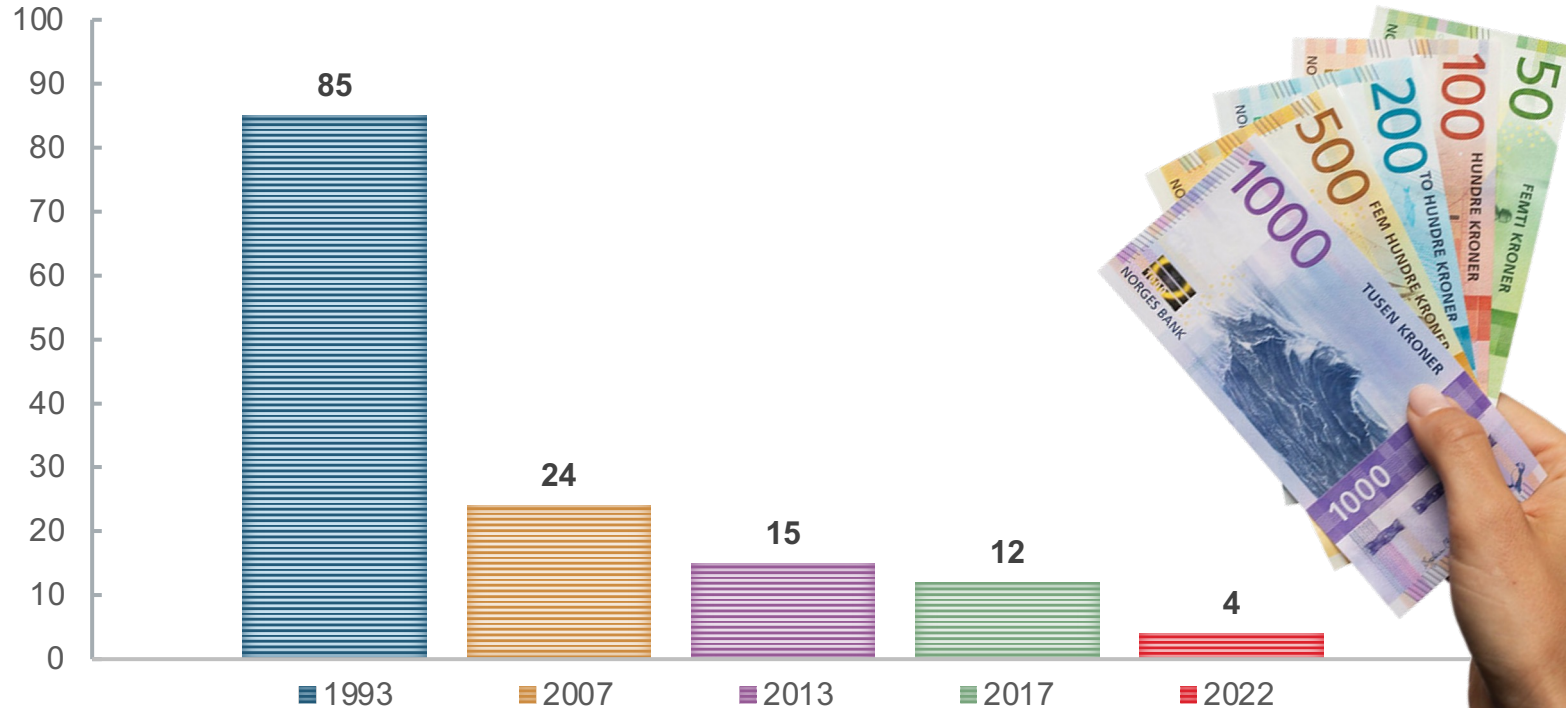
Picture for illustration
purpose only

Torbjørn Hægeland, 21.10.2022



Share of cash payments in Norway

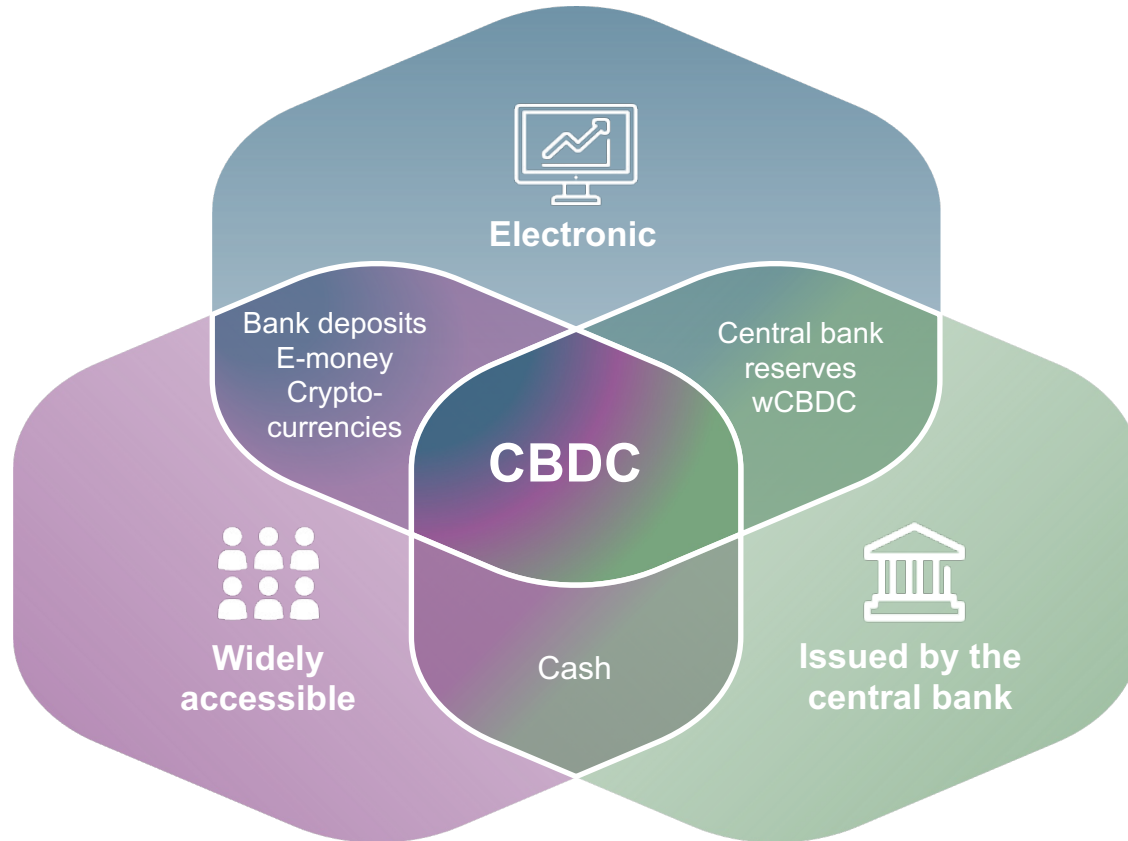
At points of sale. Household survey data. Per cent



Source: Norges Bank



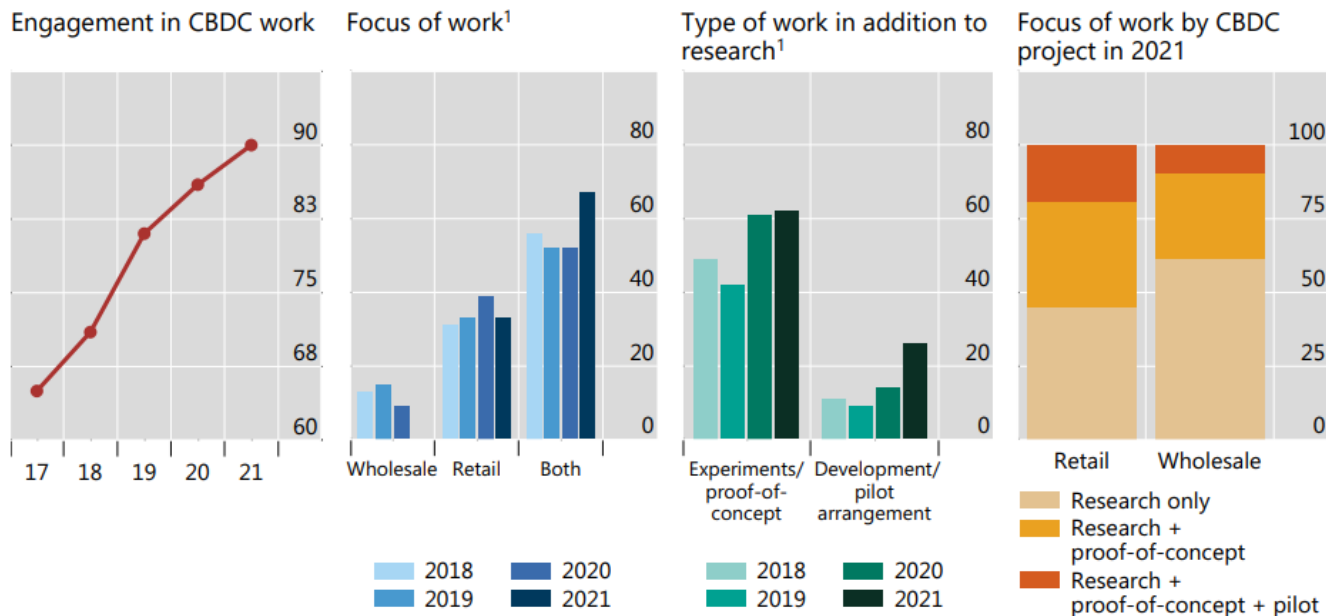
What kind of money creature is a CBDC?



Many central banks are looking into CBDC

Central bank involvement in CBDC work rises further

Share of respondents



¹ Share of respondents conducting work on CBDCs.



The rationale behind our CBDC enquiry

Is introducing a retail/general purpose CBDC an appropriate measure to fulfill our mandate in the Central Bank Act?

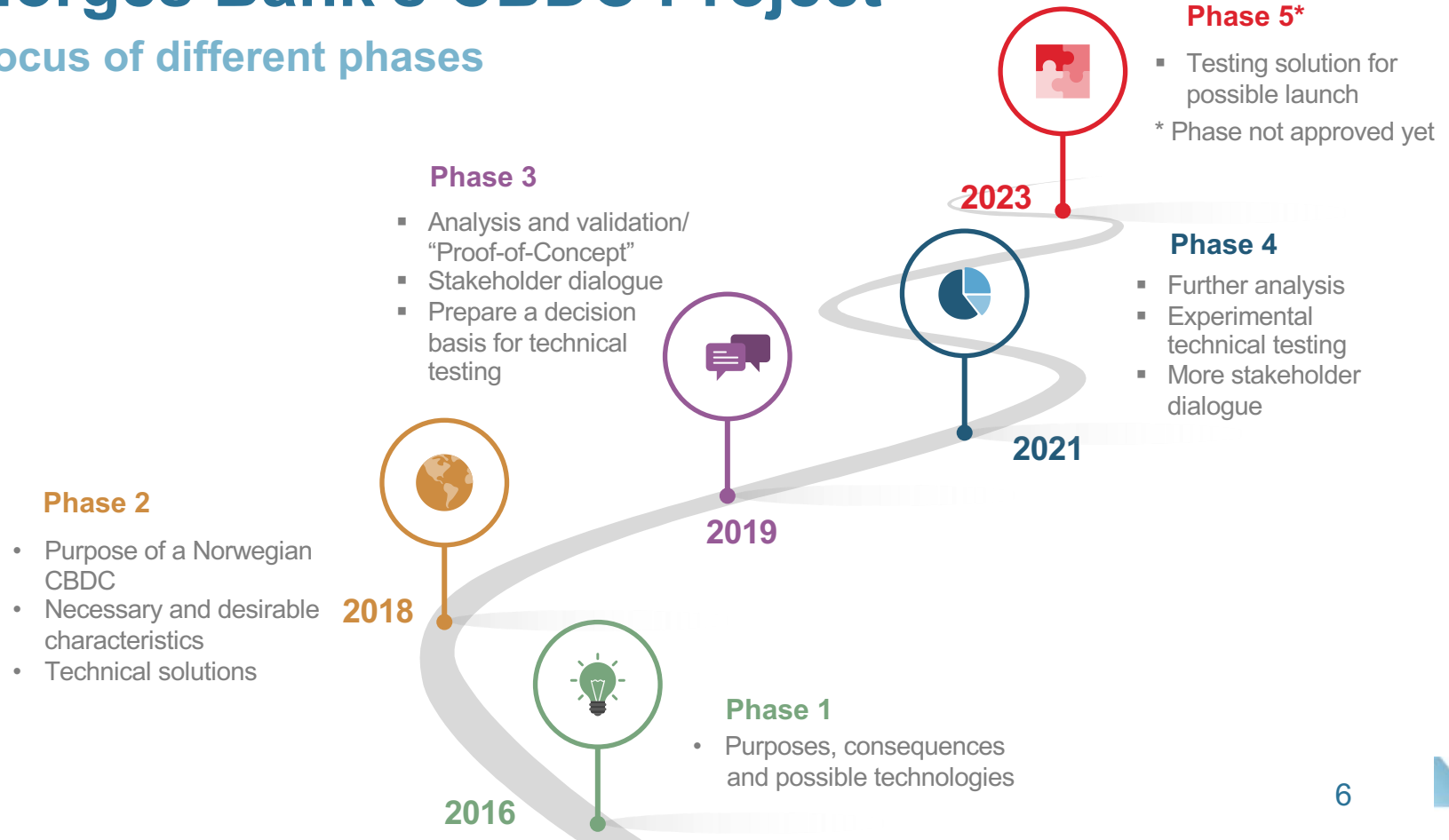
- Necessary for a secure, efficient, and attractive payment system in Norwegian kroner in the future?

- Can we ensure the existence/develop further important properties of cash?
- Are we able to meet users' future needs, in competition with new types of money and payment systems ("Precautionary principle")



Norges Bank's CBDC Project

Focus of different phases



How do we work?

Central Bank Act Mandate



Purpose for CBDC in Norway



Characteristics



Technical solutions



Characteristics of a Norwegian CBDC

Claim on Norges Bank

Parity value with cash and bank deposits

Customer orientation

Adequate frictions in transfers between the CBDC and bank deposits

Controlled by Norges Bank

Capable of functioning as legal tender

Compliant with obligations under EEA law

Payments are immediate and final

Compliant with sound IT architecture principles

Satisfy requirements relating to technical autonomy and offline payment functionality

Customer communications and due diligence undertaken by third parties

Flexibility to accommodate different data protection solutions

Platform for third-party providers

Safeguard monetary policy efficacy

Information relevant to Norges Bank's macroeconomic monitoring

DLT compatible

Attractive niche solution

How do we work?

Central Bank Act Mandate



Purpose for CBDC in Norway



Characteristics



Technical solutions



Validation

Experimental testing

Some premises for a Norwegian CBDC

CBDC shall not impede
private sector's role in
credit intermediation

CBDC shall not impede
financial stability

DSP shall not crowd
out private innovation,
but

Flexible design robust
to policy trade-offs

Facilitate private
innovation

Contribute to
responsible innovation



Experimental testing



Part of validation

- Validating technical solutions against characteristics

Detecting regulatory and economical issues

- Not all of these are discovered by analysis alone

The process

- Transparent and open participation
- Not limit testing to specific suppliers/technology

A CBDC is not a cryptocurrency

CBDC is a measure to promote the goals in the Central Bank Act

- Price stability, financial stability and an efficient and secure payment system
- Cryptocurrencies serve various purposes more or less related
- Some of the technology may be useful for a CBDC

CBDC must satisfy a range of characteristics not satisfied by cryptocurrencies

CBDC offers ultimate settlement in central bank money

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