Road to the
Digital Caribbean Guilder
D-CMg

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1. Our motivation for the research

- Payment opportunities
  - E-government initiatives progressing on the document submittal side, but facing challenges on the (web) payment side
  - Same for online domestic web stores
    - Only credit card payments are possible
1. Our motivation for the research (cont’d)

- **Cost aspects**
  - Cost savings in design and printing of Caribbean Guilder
  - Cost saving and efficiency in storage and distribution

- **Financial inclusion**
  - Promote financial inclusion
  - Promote cashless society
    - The digital Caribbean Guilder should operate along the existing cash circuit in medium term
1. Our motivation for the research

Objective for the research

To perform a feasibility study for the introduction of the digital Caribbean Guilder in Curacao and Sint Maarten covering the following areas of interest:

- Digital currency infrastructure and distribution
- Monetary policy and financial stability
- Legal tender & other considerations

Outsourced part of the research to external party in the blockchain space
2. Challenges for introducing D-CMg

- **Digital currency infrastructure and distribution**
  - Degree of robustness of the technology (Cyber risks/ Resilience)
  - Degree of knowledge to design, development, operation of digital Caribbean Guilder infrastructure
  - Distribution model to be applied and the role of commercial banks
  - Type of ledger to be used (Bitcoin, Ethereum, IBM hyperledger), centralized vs decentralized
2. Challenges for introducing D-CMg (cont’d)

- **Monetary policy and financial stability**
  - Effect on monetary policy implementation (influence M1/M2 and interest rates)
  - Effect on CBCS seigniorage income
  - Effect of the digital Caribbean Guilder on the balance sheet of the commercial banks and CBCS
  - Effect on financial stability in case of a flight from commercial bank deposits to the digital Caribbean Guilder
  - Impact on banks business models and market infrastructure
2. Challenges for introducing D-CMg

- Legal & other considerations
  - Amendment of Central Bank’s Statute and currency legislation so that digital Caribbean Guilder can be considered legal tender
  - Tax and accounting treatment considerations
  - Privacy considerations
  - Acceptance by users
3. Design strategies to overcome the challenges

- Central Bank legal team prepared amendments to Central Bank’s Statute and currency legislation
- Use of a private permissioned ledger, like: Hyperledger
- Partnership with technology service providers to manage and operate digital Caribbean Guilder network
4. **Status digital Caribbean Guilder research**

- Draft Research Report Ready for review (focus monetary policy, financial stability and technology, mainly based on desk research)
- Draft Legal amendments to CBCS statute and legislation for consideration
- Need for more detailed (empirical) research based on Curaçao and Sint Maarten market situation
- Potential pilot project for digital Caribbean Guilder postponed
5. Conclusion and lessons learnt

- Small Central Bank with lack of experience and limited resources may better focus on more proven technology.

- Research partner for feasibility study should not be a CBDC technology service provider but a more neutral research organization.
END