SAND DOLLAR

Driving Financial Inclusion and FinTech Innovation In The Midst of COVID-19
Outline

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• Effects of COVID-19 on The Bahamas

• Project Sand Dollar – Response to COVID-19

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Introduction

Central banks are tasked with ensuring that payment and market infrastructures are robust and meet the demands of the economy securely and efficiently, while also having the capacity to address social concerns.

The COVID-19 pandemic brought about new challenges in ensuring that these objectives are met.

The Central Bank of The Bahamas embarked on a central bank digital currency initiative, Sand Dollar, prior to Hurricane Dorian of 2019 which directly impacted the Bahamas.

The technical specifications and requirements for the project had built into it considerations for the impact of hurricanes, though not necessarily a monster hurricane such as Dorian. However, COVID-19 prompted swift actions in reassessing various aspects of the project deliverables, including technical resilience, approach to accessibility and national rollout, and rapid strategy adjustment.
Project Sand Dollar
An Overview
The Central Bank of The Bahamas, in addition to fostering monetary stability, as a component of its mission, is to ensure a stable and sound financial system. In this light, the Bank has undertaken a strategic initiative to modernize the payments infrastructure, including the introduction of a central bank digital currency (CBDC). Key considerations:

- Make the payment system more efficient;
- Achieve greater financial inclusion, cost effectiveness, and provide greater access to financial services across all of The Bahamas;
- Non-discriminatory access without regard for immigration or residency status;
- Strengthen national defenses against money laundering, counterfeiting, and other illicit ends.
Project Sand Dollar

What

• A digital representation of the B$

How

• Mobile phone based technology

How / Much

• Little to no cost; non-interest bearing
Key Specifications

Interoperability

- Multi-factor authentication
- Restricted to domestic use only
- Enhanced Security and Accountability
- Offline Functionality
- Real-time transactions processing
- Virtually cost free to use

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MULTI FACTOR AUTHENTICATION
A Sand Dollar enabled wallet can only be configured once multiple credentials have been authenticated

WALLET SECURITY
Each wallet provides a unique set of data encryption to ensure privacy and confidentiality

CYBERSECURITY ASSESSMENT
A security review of the software, mobile apps, and the participating approved financial institutions

Sand Dollar - Security

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How It Works

**Business**

Commercial
Proof of regulated status required. Self-employed can be treated as an individual based on the observed activity level.

**Personal**

Individual
Benefits from simplified due diligence. Lower wallet ceiling.

**Personal**

Non-Residents/Visitors
Can fund B$ wallets with foreign currency. Can cash out into foreign currency against card/instrument used to load wallet.

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### Operating Limits

Based on due diligence process and account category

<table>
<thead>
<tr>
<th>Limits/KYC Tier:</th>
<th>Person: Tier I</th>
<th>Person: Tier II</th>
<th>Business: Tier III</th>
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<tbody>
<tr>
<td>Holdings</td>
<td>$500</td>
<td>$5,000</td>
<td>$8,000 – $1 million</td>
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<tr>
<td>Transactions</td>
<td>$1,500/mth</td>
<td>$100,000/year</td>
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</table>

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Exuma – December 2019


Abaco – February 2020

To develop disaster recovery experience, applicable to any Bahamian sub-economy. Accelerate provision of financial services needed to support business sector recovery. Population of 17,000+ Equally diverse economy; mini-archipelago.
Critical Milestones

- **Pilot**: Began Dec. 2019
- **Legislation**: Sept. 2020
- **Regulations**: In development
- **National Launch**: Target Q4 2020
- **Fintech Innovations**: Post-launch 2020
Effects of COVID-19 on The Bahamas
Loss of Salaries/Wages
Losses in wages and jobs, due to layoffs, business disruptions and closures.

FS - Limited Access
Lockdowns restricted mobility and presented limited to no physical access to traditional financial services.

Unemployment Benefits Cost
Unemployment benefits of $84.2 million paid out to 36,813 persons over 5 months, exceeded normal annual levels multifold.
Source: nib-Bahamas.com

Personal Safety Concerns
Spike in crimes of opportunity (Fraud and robberies)
Tourism Sector Losses
The Bahamas is heavily dependent on the tourism sector to generate revenue. There has been a significant downturn in economic activity due to a contraction in the tourism sector.

Business Losses
Losses in sales, and/or profits, and businesses due to economic downturn.

Government Costs
Re-directed resources in further contributions to unemployment, including individuals and business, rent subsidies, other measures of assistance, and additional borrowings, increased the level of economic strain.
Project Sand Dollar - Effects of COVID-19

Covid-19 imposed logistical challenges around equipment deployment and physical site visits.

The worldwide effects of COVID-19 impacted the timeline of equipment delivery and security assessments.

**Logistics**
Need to innovate deployment methods.

**Technological**
Highlighted need for alternative sources and innovative approach to effective assessments.

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Project Sand Dollar – Response to COVID-19
Sand Dollar Strategies In Response to Covid-19

- **Direct Distribution**
  - Introduce direct batch distribution to wallets, reducing processing time and distribution challenges for social benefits and other payments such as payroll

- **Refinement**
  - Further refine technical solution during Covid-19 times of limited mobility

- **Accessibility**
  - Enhance ease of enrollment with the introduction of API contactless onboarding, Peer to Peer, and ACH direct wallet transfers

- **National Rollout**
  - Adjusted strategy from an island by island rollout approach, to a more aggressive national rollout, Q4 2020

- **FinTech Innovation**
  - Direct and indirect opportunities for FinTech innovation and job creation, thrives in light of the Covid-19 pandemic

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Sand Dollar – Central Strategies

- API Card-less Onboarding
- Offline Functionality
- Interoperability With Other Wallet Systems
- RTGS/ACH Wallet Transfers
- Integrated KYC/AML Module
- Distribution Mechanism

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Sand Dollar – Social & Economic Importance

Social Support
Available when and where needed across the Bahamas. A convenient, secure, cost effective, contactless payment method with remote/digital access to financial services.

Economic Support
Strengthening the payments infrastructure and financial inclusiveness to promote economic activity and growth.
Looking Ahead - Proactive Approach

A sound CBDC system built to reduce disaster and pandemic risks, such as through resilient infrastructure with adequate off-line capabilities, accessibility and safety.

Improve digital commerce amongst businesses and consumers to create a more financially inclusive economy.

Built in module to facilitate cross-boarder payments as the CBDC lifecycle matures and there is a demand within the global economy.

Contingency planning with rapid retooling and financing for speedy recovery in the event of unforeseen disruptions.

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Conclusion
Covid-19 underscores the need for a resilient and agile payments infrastructure to meet the needs of the people and the economy. Sand Dollar through a continuous process, aims to:

- Provide accessibility to all residents of the archipelago on a non-discriminatory basis.
- Foster an environment where there are no impediments to financial inclusion and by extension, spur economic activity and growth.

A supportive regulatory environment is a critical component in the success of a progressive payments model.
Thank You!