

The Future of Cash - RBNZ announces a series of consultations and research reports on the future of cash

[Jan Etwell](#), [Scott Abel](#), [Lara Wood](#), [Rebecca Green](#), [Simon Jensen](#)

26 October 2021

Current status

On 7 July 2021, the Reserve Bank of New Zealand (RBNZ) announced that it would conduct a series of public consultations over the course of 2021 on the future of cash (ie is there still a place for cash in the New Zealand market).

The RBNZ will be releasing a series of money and cash issues papers for feedback from August to November 2021 that will address the issues that were identified during the 'Future of Cash Use' consultations in 2019.

We will update this page as the papers are released. At the moment, the RBNZ are accepting submissions on the 'Future of Money – Stewardship' and 'Future of Money – Central Bank Digital Currency' issues papers (as discussed below). Submissions for these papers must be made by 6 December 2021.

If you would like assistance with making a submission on any of these consultations, please contact a member of our [financial services regulation team](#).

CONTACT US

VISIT OUR FINANCIAL SERVICES REGULATION PAGE

Background

Future of cash use consultation

In June 2019, the RBNZ published an [issues paper](#) on 'the future of cash use' and sought public submissions.

The purpose of this issues paper was to review the role of cash in New Zealand and identify some of the implications of moving towards a society with less cash as well as distinguishing what uses of cash were also met by electronic substitutes and what uses of cash had no adequate substitutes.

The topics of discussion included matters such as the impact on people who may be digitally excluded as well as topics such as the costs of cash infrastructure and reduction of overall transaction cost of payments.

In December 2019, the RBNZ published a [summary of responses](#) to the issues paper, with the consultation receiving 2,284 submissions.

Future of cash system consultation

In October 2019, the RBNZ published a [consultation paper](#) on 'the future of the cash system' and sought public submissions.

The paper proposed that the RBNZ take on a more active monitoring and coordination role in the cash system and be given appropriate information-gathering powers to support this role.

For clarity, 'cash system' is the network of businesses that supply, circulate and store cash. The key participants in the cash system in New Zealand are banks, the RBNZ, cash-in-transit operators (ie specialist cash transport and management services), and non-bank ATM operators.

Additionally, the paper proposed two tools that may be needed in the future:

- Giving the RBNZ the power to set standards for machines that process and dispense cash, such as banknote authentication machines in bank branches, ATMs (automated teller machines), and automated self-check-out machines

- Setting out regulation-making powers in the Reserve Bank Act 1989 that enable the Government and the RBNZ to act quickly to require banks to provide access to cash deposits and withdrawals. These powers are only intended to be invoked if there is risk of a significant reduction in access to cash across the country that prevents the public's needs being met. The paper set out that the proposed role of the RBNZ would be to design the proposed regulation and to provide recommendations and advice to the Minister of Finance (with additional parliamentary oversight).

In June 2020, the RBNZ published a [summary of responses](#) to the consultation paper, with the consultation receiving 277 submissions.

Future of money stewardship and central bank digital currency consultation

In September 2021, the RBNZ published two new issues papers on the future of money and sought public submissions.

The first [issues paper](#) on the 'future of money stewardship' formalised the RBNZ's role as a steward of money and cash. It set out the RBNZ's proposed interpretation of its responsibilities as a steward of money and cash, as well as the objectives and approach it proposes to pursue.

The issues paper proposed that the RBNZ, in its role as a steward of money and cash issues, prioritise the following areas:

- Optimising the lifecycle management of physical cash, and New Zealander's access to it, by redesigning the system that makes cash available around New Zealand
- Exploring the opportunities and threats 'stablecoins' (crypto-assets that typically take the form of digital tokens and are backed by an asset of certain value, such as central bank money) pose to the monetary system
- Assessing the potential case for a New Zealand central bank digital currency.

The RBNZ are currently seeking submissions on the issues paper. Submissions must be made by 6 December 2021.

The second [issues paper](#) on a 'central bank digital currency' set how a general purpose central bank digital currency (CBDC) could contribute to the RBNZ's stewardship objectives. The issues paper did not consider whether a CBDC should be adopted; it simply set out the potential opportunities and challenges a CBDC could bring.

The issue paper found that a CBDC would provide an additional monetary policy tool, ensure the long-term convertibility of private money into central bank money, and provide a fair and equal way to pay and save. However, a CBDC would have the following challenges:

- It could adversely affect the banking sector
- It would need to comply with relevant legislation and be operationally resilient (i.e. protected against outages and cyber security risks)
- A CBDC could crowd out innovation in the wider money and payment ecosystem.

The RBNZ used their findings to create a set of high-level design principles that set out what a future CBDC should look like.

The RBNZ are currently seeking public feedback on the opportunities, challenges, and design principles discussed in the issue paper. Feedback must be given before 6 December 2021.

Following this consultation period, the RBNZ intends to conduct a detailed design and scenario analysis to understand the performance and impacts of different CBDC designs.

Purpose for the 2021 consultations

The RBNZ has noted that the 'Future of Cash Use' issues paper process made it clear that the cash system remains fit for purpose despite falling transactional cash use and the emergence of new innovations in money. However, the RBNZ noted that the cash system as it stands will not remain sustainable in a world where cash is used less and less and that the cash system requires a broader response with either a series of changes to the cash system or a transformational redesign of the entire system.

To make this decision the RBNZ will undertake a holistic and strategic review of the cash system. As part of this review, the RBNZ will be releasing a series of money and cash issues papers for feedback from August to November 2021 which will address issues identified during the 'Future of Cash' consultation in 2019.

The aim of these consultations is to confirm key issues facing cash and other types of money in New Zealand and possible approaches to addressing these. The RBNZ has stated that it will be considering not only what it should be doing as steward, but what a resilient and stable cash and currency system in New Zealand might look like, and how it might best respond to digital innovations in money and payments.

Content of future consultation papers

The RBNZ expect to publish a new issues paper, 'Future of Money – Cash System', in November 2021. This will explain issues facing the cash system and explore options to make it more efficient and resilient. Feedback on this is expected to close in

February 2022.

Next steps

We will update this page with developments in relation to the 2021 consultations on the future of cash.

If you would like assistance with making a submission on any of these consultations, please contact a member of our [financial services regulation team](#).

Auckland

188 Quay Street
Auckland 1010

PO Box 1433
Auckland 1140
New Zealand

P: +64 9 358 2555
F: +64 9 358 2055

Wellington

Aon Centre
1 Willis Street
Wellington 6011

PO Box 2694
Wellington 6140
New Zealand

P: +64 4 499 4242
F: +64 4 499 4141

Christchurch

83 Victoria Street
Christchurch 8013

PO Box 322
Christchurch 8140
New Zealand

P: +64 3 379 1747
F: +64 3 379 5659