

Digital Policy Hub – Working Paper

From Central Banks to Governments and Standards: CBDC Governance in Canada

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The Digital Policy Hub working papers are the product of research related to the Hub's identified themes prepared by participants during their fellowship.

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Key Points

- When it comes to central bank digital currencies (CBDCs), this working paper offers a novel perspective by shifting focus from central banks to the crucial role played by governments. It explores the democratic governance required to make an informed decision on whether to issue a CBDC and, if one is to be issued, how to develop and implement it responsibly.
- It reveals a disconnect in Canadian CBDC discussions: while the government is responsible for the decision to issue such a currency, political engagement on the topic remains limited.
- This paper explores how Canada can leverage existing collaborative initiatives, such as the Canadian Digital Regulators Forum, to create a more comprehensive and inclusive CBDC governance framework.
- It proposes innovative approaches to standards setting that balance technical expertise with public interest, ensuring that a digital Canadian dollar aligns with Canadian values and societal expectations.
- It also examines international perspectives on CBDC standards, highlighting the need to balance global interoperability with national sovereignty in CBDC development.
- The paper concludes by highlighting a twofold challenge: first, to make a decision about whether to issue a digital Canadian dollar responsibly, and second, if such a currency is released, to ensure that it is technologically advanced, economically sound and deeply rooted in democratic principles.
- Policy recommendations aimed at fostering democratic oversight, public engagement and the protection of rights in light of the potential development of a digital Canadian dollar are provided.

Introduction

As digital frontiers expand, the Canadian government might soon stand at a crossroads with the potential introduction of a digital Canadian dollar.¹ Yet, professional, academic and public attention has predominantly centred on central banks and their role in the development and implementation of CBDCs. This working paper shifts the spotlight from the Bank of Canada's development efforts to the Canadian government's main role in ensuring democratic governance and setting standards for the digital Canadian dollar.

CBDCs are a transformative development as our monetary system and economy are increasingly digitalized. CBDCs represent a novel form of money — the next step in the evolution of money (Siklos 2023). CBDC often has two different (and compatible) meanings: wholesale and retail CBDCs. Wholesale CBDCs are intended for interbank and cross-border transactions and settlements,

¹ After completing this working paper, the Bank of Canada paused its active CBDC development efforts in mid-September 2024 (Bakx and Read 2024). This decision, while altering the immediate landscape, does not negate the importance of the governance and standards issues discussed in this paper. In fact, it further underscores the need for continued research, public discourse and policy preparation for potential future development in any emerging technology relating to the digital landscape of finances.

while retail CBDCs are intended for the public and general use (Bech, Shimizu and Wong 2017). Although this working paper focuses mostly on the latter, the terms retail CBDC and CBDC are used interchangeably throughout.

While much attention has been given to the central banks' technical development of CBDCs, this paper shifts focus to the crucial role of governments in the CBDC decision-making process. It examines how public policy objectives can be achieved through a standards-setting lens. Standards setting emerges as a key policy tool through which governments can shape the development, implementation and governance of CBDCs in line with public interests. The intersection of public policy and standards setting illuminates how governments can ensure that CBDCs align with democratic values, societal needs and broader policy goals.

As a new form of currency, CBDCs differ from existing forms of digital money, such as those offered by credit card companies, commercial banks and other private market payment providers. They are issued and backed by central banks, rather than commercial banks and other financial institutions (Zhang 2020).

There are different sets of motivations to issue a CBDC: among them is a desire to provide a payment option that preserves the central bank's authority over monetary policy and protection from currency substitution. Another motivation is to address the declining usage of cash or the increased adoption of non-central-bank-issued cryptocurrencies. Also, CBDCs are often credited with promoting financial inclusion, as well as introducing new counterterrorism and anti-crime financing prevention measures and a way to fight the underground economy. They also have the potential to increase payment efficiency, as well as innovative programmable money and payments to support governmental social policies (Freiman 2024a).

It is possible that CBDCs may be exploited for surveillance by certain regimes (ibid.). Nevertheless, they could also present a chance for democratic nations to propose cutting-edge digital transaction systems that private companies cannot. Should central banks and governments prioritize user needs, CBDCs might offer stronger privacy compared to current payment methods, which frequently exchange financial information and are visible to enforcement bodies. In a utopic scenario, designing CBDC by imitating the cash-like property of anonymity could offer citizens a completely anonymous transactions payment system — a perfect digital answer to government surveillance and the erosion of privacy (Jiang, forthcoming 2025).

Back to reality: the need for a robust governance in digital financial systems has been proven time and time again. In January 2022, Eastern Caribbean CBDCs experienced two weeks of outage (Sundararajan 2022), while later that year, Canada experienced several hours of major telecommunications outage (Canadian Radio-television and Telecommunications Commission 2022). As Robert Fay (2022) argues, "Our digital infrastructure is deeply interconnected and has created a set of linked governance issues, yet our governance is unconnected. This must change."

The development of CBDCs shows how technical implementation closely relates to public policy. Standards setting often serves as a crucial bridge between these domains, as standards can be leveraged as policy instruments to achieve regulatory goals.

Public policy objectives directly influence the technical fabric of CBDCs by influencing standards for privacy, security, accessibility and interoperability.

However, this process is challenging and risky: vested interests can capture the process of standards setting. Therefore, inclusive and transparent processes that reflect diverse stakeholders' perspectives are necessary.

Shifting the Focus from the Bank of Canada to the Government

As of June 2024, 134 central banks worldwide are exploring CBDCs.² The Bank of Canada is a pioneer in this regard, as it has been researching this idea since 2016 (Fung and Halaburda 2016). In 2020, the Bank of Canada began developing a digital Canadian dollar to be ready, in case the government asks it to issue one (Bank of Canada 2020).

More recently, the Bank of Canada has engaged with members of the financial sector and civil society organizations, and also held an online public consultation. However, the financial sector remains unconvinced as to why Canadians need this new form of currency: only five civil society organizations have been consulted, and the online public consultation was very biased, since almost all participants had prior knowledge on the topic, meaning that the results do not represent the public's views. (For a survey of the Bank of Canada's research and engagement efforts, see Freiman 2024b; Freiman et al. 2024.)³

While this working paper remains agnostic as to the question of whether a digital Canadian dollar should be issued (Freiman 2024a, 11), acknowledging the criticisms regarding Canada's readiness for a CBDC is imperative. If Parliament and the government of Canada decide to proceed and instruct the Bank of Canada to issue a digital Canadian dollar, it is evident that the current state of sectoral consultation is insufficient (*ibid.*).

As the Bank of Canada (2020) notes, the decision to issue a digital currency belongs to the country's government and Parliament, not to its central bank. A decision to move forward with a CBDC will necessitate a critical examination of the government's actions and strategies. The political landscape must address these challenges, ensuring that a transition to a CBDC is not only technologically sound but also democratically legitimate and socially equitable.

CBDCs have become a topic of political dispute, primarily in the United States (Anthony 2024, 109–11; Schreckinger 2023; Alpher 2023; Maharrey 2023a, 2023b). The minimal political discussion surrounding CBDCs primarily centres on the decision of whether to introduce them or not. Meanwhile, crucial aspects such as public involvement, governance structures and regulatory standards receive little to no attention in discussions and debates outside of central banking circles.

² See www.atlanticcouncil.org/cbdctracker/.

³ This subject will also be explored further in a paper that is currently in progress titled "Rethinking Public Engagement for the Digital Canadian Dollar: Insights from Replicating the Bank of Canada's Public Consultation," authored by Ori Freiman, Anwar Sheluchin, Jordan Mansell, John McAndrews, Alex Beyer and Clifford van der Linden.

In Canada, the situation is even worse. Apart from the Conservative Party of Canada and its leader, who promised to ban a Canadian CBDC if elected (Tasker 2022),⁴ “there continues to be a lack of comprehensive discourse on the topic among Canadian politicians” (Sheluchin 2023).

A recent development further underscores the need for broader political engagement on this issue in Canada. On June 13, 2024, a private member’s bill (C-400), titled *An Act to establish a framework for the continued access to and use of cash in Canada and to make related amendments to other Acts*, was introduced in the House of Commons.⁵ The bill aims to ensure the continued availability and use of cash in Canada, including measures to maintain cash infrastructure, protect the ability to use cash alongside digital currencies and incentivize businesses to accept cash payments. These provisions align with the recommendation for legislative protection of cash by the author of this paper (see Freiman 2024a).

However, the first reading of Bill C-400 also includes an amendment to the Bank of Canada Act, stating that “the Bank shall not issue a digital form of the dollar.”⁶ One plausible interpretation of this amendment is that it expresses a lack of trust in the Bank of Canada’s reassurance that it is ultimately up to the government and Parliament’s decision to issue the digital Canadian dollar (see also Freiman et al. 2024).

Whether it be lack of trust or another reason, this amendment illustrates the urgent need for more comprehensive discussions about the digital Canadian dollar in the political sphere, moving beyond the question of whether to introduce such a dollar and beginning to tackle how to go about doing so.

But there is a disconnect here: while it is the responsibility of the government and Parliament to make the decision regarding whether to issue a CBDC, they have not engaged in any meaningful discussions on the subject. Hence, a critical examination of the government’s actions and strategies to address challenges is crucial. It is the government’s responsibility to ensure that a transition to a Canadian CBDC is not only technologically sound but also democratically legitimate and socially equitable.

4 See <http://web.archive.org/web/20231203175454/https://www.conservative.ca/cpc/reject-a-central-bank-digital-currency/>.

5 Bill C-400, *An Act to establish a framework for the continued access to and use of cash in Canada and to make related amendments to other Acts*, 1st Sess, 44th Parl, 2024 (first reading 13 June 2024), online: <www.parl.ca/DocumentViewer/en/44-1/bill/C-400/first-reading>.

6 *Ibid*, cl 8.

Standards Setting for the Responsible Implementation of the Digital Canadian Dollar: A Democratic Approach

Canada has taken initial steps toward integrated digital governance with the establishment of the Canadian Digital Regulators Forum in June 2023.⁷ This collaborative initiative, comprising the Competition Bureau, the Radio-television and Telecommunications Commission and the Office of the Privacy Commissioner of Canada, aims to enhance cooperation and information sharing to address the complexities of digital markets and platforms. While this forum does not include civil society organizations or financial regulators⁸ or address CBDCs specifically, its model of interagency collaboration provides a valuable precedent for the kind of integrated governance approach necessary for a digital Canadian dollar.

While regulatory cooperation is crucial, standards are another regulatory mechanism that governments can leverage to shape technical and societal aspects of CBDCs in alignment with public policy objectives. These standards should complement and reinforce other regulatory efforts, as part of a robust CBDC governance framework.

For Canada's project (should it advance), standards setting could play a key part in protecting consumer and citizen interests and upholding democratic values. Together with private sector entities, financial institutions and government bodies, civil society organizations would provide the knowledge needed for decision makers and the wider political landscape regarding the practical aspects of implementation, representing a critical juncture between policy aspirations and operational realities such as responsible implementation strategies.

This process extends beyond mere technical specifications. It embodies democratic values and diverse societal expectations that will shape the digital Canadian dollar. While the government holds ultimate authority in CBDC issuance, establishing standards necessitates a collaborative effort that involves technical experts, financial institutions, civil society organizations and the general public. This inclusive approach will ensure that the digital Canadian dollar is not only technologically sound but that it also aligns with Canadian values and serves the broader public interest.

One model for standards setting in Canada is the Standards Council of Canada. Their standards-setting process typically involves stakeholder consultation, drafting by technical committees, public review and final approval. One advantage of standards is their flexibility: they can be updated relatively quickly to adapt to changing technologies and societal needs, making them particularly suitable for rapidly evolving fields such as digital payments.

⁷ See <https://competition-bureau.canada.ca/how-we-foster-competition/collaboration-and-partnerships/canadian-digital-regulators-forum>.

⁸ Compare with the United Kingdom's Digital Regulation Cooperation Forum, which includes the Financial Conduct Authority as a key member (see GOV.UK [2021]).

With that in mind, two cautionary notes must be provided regarding standards: The first is that they must ensure diverse representation to prevent any single group from dominating the discourse and outcome. CBDC standardization groups must be oversighted and continuously make efforts to broaden participation, efforts that are crucial to maintaining the integrity of the process. The second is that guarding democratic values must be in not only the standards-setting process but every aspect of the CBDC governance framework.

From “Why” to “How”: Setting the Stage for CBDC Standards

Policy makers at the Central Banking Asia Summit, held in Bangkok in July 2024, said that they are transitioning away from the question of “why CBDC?” to that of “how.” Their reasoning behind this transition is that policy makers should not base a decision about whether to issue a CBDC solely on theoretical research (Choi 2024).

A key takeaway from policy-related research presented at the Central Banking Asia Summit was that regulators should consider how they transcend the “winner-takes-everything” business model of the past in order to create more inclusive technologies (ibid.).

This shift in focus is equally relevant for Canada. The Bank of Canada needs to progress beyond theoretical exploration and also address the gap in understanding within political circles. Therefore, the question of “how” must be reframed in the Canadian context to address the responsible implementation of a digital Canadian dollar. Such an approach emphasizes the need for a comprehensive strategy that considers the technical aspects as well as the societal and governance implications of introducing a national transformative digital financial infrastructure. It also highlights this working paper’s first recommendation to establish a broad multi-stakeholder CBDC standards committee in order to address the creation of this strategy.

The Imperative of Digitalization and Its Impact on Monetary Systems

The Bank of Canada suggests that the public policy response to the digitalization of money and its effect on monetary systems would be a digital form of retail public money: “henceforth a CBDC...would be essential for maintaining a well-functioning monetary system” (Rivadeneira, Hendry and García 2024, 4). This echoes similar sentiments, such as Deutsche Bundesbank governor Joachim Nagel’s statement that the business models of central banks have been forced to change due to the digitalization of the economy (quoted in Popowicz 2024). It is a necessity for monetary systems to evolve in response to the increasing digitalization of financial transactions and economic activities. This adaptation is a fundamental requirement to maintain the relevance and effectiveness of monetary policy in an increasingly digital economy.

Furthermore, the financial system is not a static entity that can wait for the next major overhaul in order to be fixed. Instead, standards must be developed with the understanding that adaptation to new technologies should be gradual and

measured. A responsible approach ensures that the financial system can evolve continuously, integrating innovation while maintaining stability and trust.

This recognition of the need to adapt to digital transformation — not just a single time, but as a way of being — underscores the importance of developing robust standards for the digital Canadian dollar that can withstand the evolving technological landscape while maintaining the integrity of Canada’s monetary system. This aligns with this paper’s second recommendation to implement a public program to mobilize knowledge about the digital Canadian dollar, as public understanding is crucial to the political debates of whether to issue this currency and how to go about doing so.

Applicable International Organization for Standardization Standards

Alexandre Kech from the Swiss Digital Exchange discussed leveraging existing International Organization for Standardization (ISO) standards at the Digital Euro Conference 2024 held in February 2024 in Frankfurt, Germany. Kech mentioned existing ISO standards such as ISO 20022 (for messaging between financial institutions), ISO 24165 (for the digital token identifier that is necessary for interoperability between blockchain networks, should this technology be used), ISO 17442 (for legal entity identifiers) and even basic standards — such as ISO 4217 (for currency codes) and ISO 3166 (for country codes) — as applicable existing standards that can be used on new technology (Digital Euro Association 2024). While his discussion is focused on digital assets, his remarks also apply to CBDCs.

In developing standards for the digital Canadian dollar, Canada is expected to build upon established ISO standards, adapting them to the specific context and needs of the country’s financial system, while also inventing new standards. Since no other country currently has a dedicated CBDC standardization entity, Canada has an opportunity to be a world leader in this regard. Exploring existing standards further supports this paper’s first recommendation, emphasizing the need for a Canadian standards committee.

Developing New Standards

The German Federal Commissioner for Data Protection and Freedom of Information advised that it is crucial to establish international standards. Their reasoning is that issues relating to international cybersecurity have led them to consider “the minimum security measures CBDCs should comply with” (International Working Group on Data Protection in Technology 2024, 13). Cybersecurity and international cooperation provide examples and a context for developing new standards.

The development of comprehensive standards for CBDC cybersecurity and resilience is crucial, as underscored by the vulnerabilities in existing digital infrastructure. The 2022 telecommunications outage in Canada revealed significant gaps in coordination and collaboration across various interconnected domains. As Fay (2022) notes, these gaps span across “financial systems, telecommunications infrastructure, competition and consumer protection, public safety — and, likely, even national security,” highlighting the need for a more integrated approach to digital governance.

As Canada develops standards for the digital Canadian dollar, it must prioritize cybersecurity and resilience and consider how to engage in international cooperation to ensure robust measures are in place. Furthermore, Canada has the opportunity to take a leadership role by establishing a CBDC cybersecurity standards forum. This forum could serve as a platform for discussing and addressing critical cybersecurity challenges specific to CBDCs, from developing quantum-resistant encryption protocols to innovating approaches to secure offline CBDC transactions and beyond. This supports this paper's third recommendation to establish a dedicated CBDC resilience, privacy and rights commission in order to address these critical issues.

Lessons from Stablecoins

One of the main CBDC alternatives are stablecoins, which are defined as “cryptocurrencies where the price is pegged to another asset deemed to be more stable, such as fiat currency, another cryptocurrency, or to exchange-traded commodities” (Kwok and Côté 2023, 10). The stablecoin industry has already partnered to engage with policy makers and regulators. Named “Stablecoin Standard,” this effort is advocating for a range of topics, from consumer protection to complaint management, disclosure and transparency.⁹

The proactive approach of the stablecoin industry in engaging with regulators offers valuable lessons for the development of the digital Canadian dollar. It highlights the importance of early stakeholder engagement and the need to address key issues, such as consumer protection and transparency, from the outset.

While industry engagement is crucial, a responsible implementation approach to standards setting should not be solely led by industry. Instead, it should involve a balanced representation of all stakeholders. This raises the important question of how to effectively orchestrate a multi-stakeholder dialogue that includes industry expertise, while still ensuring that the public interest remains at the forefront of the digital Canadian dollar development. This supports this paper's fourth policy recommendation, which is to mandate the inclusion of civil society organizations and non-financial stakeholders in all stages of CBDC development and governance.

International Perspectives on CBDC Standards

European Approach to Privacy and Governance

The European Central Bank (2024) “has agreed on the technical features required to guarantee that online digital euro transactions will provide...even higher privacy standards than current digital payment solutions.” The standards setting in regard to the digital euro project is set by the Rulebook Development Group, which is dedicated to creating procedures and rules to standardize the digital euro.¹⁰ Members of this group are representatives from various stakeholders within the European retail payments market as well as several national central banks from the Eurosystem.¹¹

⁹ See www.stablecoinstandard.com/policy/standards.

¹⁰ See www.ecb.europa.eu/euro/digital_euro/timeline/rulebook/html/index.en.html.

¹¹ See www.ecb.europa.eu/euro/digital_euro/timeline/profuse/shared/pdf/ecb.derdgp240527_RDG_members.en.pdf.

If Canada has the opportunity to develop its own standards for the digital Canadian dollar, it should consider the European approach to privacy, while also ensuring broader stakeholder representation, particularly from civil society organizations. While high privacy standards for digital payments, both offline and online, need to be as similar as possible to cash transactions in terms of security, membership representation in a Canadian group must include individuals from civil society organizations and other non-financial stakeholders. Broad membership involvement in these stages is crucial for building a better product, governing it and creating trust, supporting policy recommendation three on establishing a resilience, privacy and rights commission.

Balancing Privacy and Regulatory Compliance in US Conversations

In a FEDS Notes paper dealing with CBDC for international payments, Jean Flemming and Ruth Judson (2024) raise the topic of standards. After writing that design would influence the policy options, the authors consider three issues and point out that common standards can reduce friction in interoperability between the different payment systems across different jurisdictions.

Additionally, privacy standards and anti-money laundering policy would affect the appeal and adoptions of a US CBDC: On the one hand, “strong privacy and identification standards might enhance the appeal of a U.S. CBDC...for users concerned about the safety and soundness of the U.S. banking system” (ibid.). On the other hand, “stringent privacy and identification standards could also reduce the appeal of a U.S. CBDC for users concerned about anonymity” (ibid.).

These considerations are equally relevant for the digital Canadian dollar. Canada must carefully balance privacy protections with regulatory requirements, considering how different standards might impact the adoption and use of a CBDC. While balancing privacy and regulatory requirements has become a cliché in many discourses about technology, the challenge lies not just in creating standards, but in crafting a framework that harmonizes seemingly conflicting needs: robust privacy for users, effective tools for regulators and seamless interoperability across systems.

The standards Canada can set for its digital dollar will not only shape the future of its financial system but could also serve as a more general model for balancing values related to innovation, privacy and regulatory compliance in the digital age. The analysis of balancing various needs is reflected in the first, third and fifth policy recommendations, addressing the needs for a broad multi-stakeholder CBDC standards committee; a resilience, privacy and rights commission; and an independent advisory board to evaluate and advise on implications.

Balancing Global Interoperability and National Sovereignty

In November 2023, the Atlantic Council’s GeoEconomics Center and the Digital Dollar Project collaborated on an event titled “Evaluating Challenges and Developing International Standards” (Kumar et al. 2024).

At that event, the program director of the digital euro at the European Central Bank, Evelien Witlox, referred to the rulebook (Atlantic Council 2023a, at 3:40), emphasizing the importance of having standards between payer and payee to ensure the digital

euro works consistently across the Eurozone. Those standards would mean that it would be as easy for a person travelling to Germany from Italy to pay a merchant from their bank account in Italy as it would be with euro notes (Atlantic Council 2023a).

Yoav Soffer, advisor to the deputy governor of the Bank of Israel and digital shekel project leader, discusses standards in the context of international collaboration: to form standards for cross-border CBDC systems, similar to existing international systems. Soffer highlights the need to wait for direction from international discussions before finalizing technical aspects of the Israeli project (ibid.). This approach highlights the collaborative aspect of central banks to determine best practices and technical solutions — standards — for making different national CBDCs interoperable for cross-border transactions. Soffer’s comments reflect a broader recognition for the need to coordinate efforts to ensure different CBDC systems can work seamlessly across borders.

Miguel Diaz, head of the BIS Innovation Hub Toronto Centre, emphasizes the importance of developing foundational standards and infrastructure for digital financial innovation. In his view, creating “public rails” and “building blocks” can foster innovation across different countries — as well as fellow advocates for an open-source approach to developing these public rails and building blocks. Additionally, he points to the need for experimentation and engagement with different populations in order to develop standards (Atlantic Council 2023b).

While these international discussions provide valuable insights on technical standards, interoperability and innovation, they also highlight an important consideration for Canada in particular. Each country must develop its own processes for CBDC governance that align with its values and institutions.

Another speaker at the event, Sheila Warren, CEO of the Crypto Council for Innovation, expressed that the sooner we start having these conversations, the better off our policy and regulatory environment will be (ibid.). David Treat, co-founder of the Digital Dollar Project, said that “we should be having a much more elegant, detailed conversation around what are the characteristics of who we want to operate that node network...and around who’s providing the wallet infrastructure within which these tokens sit” (ibid at 31:49).

The insights from these international discussions underscore the importance of global collaboration in CBDC development. For Canada, participation in such international dialogues while developing standards for the digital Canadian dollar could prove invaluable, ensuring interoperability and alignment with global best practices.

However, it is crucial to note that while international cooperation is essential, Canada must also ensure that its CBDC standards reflect its unique economic, social and political context. The challenge lies in striking a balance between global interoperability and national sovereignty, ensuring that the digital Canadian dollar serves the specific needs of Canadians while remaining compatible with the evolving global financial digital ecosystem. The topics mentioned here touch on five of the six policy recommendations, namely, to have a broad multi-stakeholder CBDC standards committee (1), a resilience, privacy and rights commission (3) and an advisory board to evaluate and advise on implications (5), while mobilizing knowledge to the public (2) and including civil society organizations and non-financial stakeholders (4).

Conclusion

This working paper began by highlighting the transformative potential of CBDCs in our increasingly digitalized monetary system and economy. It emphasized the need to shift focus from the Bank of Canada's development efforts to the role of the Canadian government and political sphere in ensuring democratic governance and setting standards for the digital Canadian dollar. This shift is crucial as the decision to issue a CBDC ultimately lies with the government and Parliament, not the central bank.

In examining the political landscape, we observed a central dilemma: while it is the responsibility of the government and Parliament to make decisions about CBDC implementation, there has been a lack of comprehensive discourse on the topic among Canadian politicians. This disconnect underscores the need for a critical examination of the government's actions and strategies in addressing the challenges of CBDC implementation.

Because CBDCs could pose a risk to democracy, they are often demonized and rejected (Anthony 2024; Freiman 2024a). An alternative approach would be to explore the responsible implementation of such a currency. This would shed light on the questions of whether to ultimately issue a CBDC and if the private sector alternatives are good enough.

Under the limited scope of this working paper, the exploration of standards setting for the responsible implementation of the digital Canadian dollar revealed the complexity of balancing technical specifications with democratic values and societal expectations. The section regarding standards setting discusses the imperative of digitalization, the applicability of existing standards, the development of new standards, the lessons from alternatives such as stablecoins and international perspectives on CBDC standards.

As we move forward, several critical questions remain open, among them:

- What standards, particularly regarding data privacy and rights, should be set to ensure that the digital Canadian dollar operates within a secure and trusted framework?
- Who will sit at the standards-setting table?
- How can a balance be struck between the government and the public and private sectors in the governance of the digital Canadian dollar? How will this balance be expressed in policy and regulation?
- How can the digital Canadian dollar's infrastructure be managed and governed without being taken over by one sector?
- How will consumer rights be protected in an increasingly digital landscape, particularly concerning data privacy and rights?
- How can the government improve public consultation processes to ensure that a diverse range of Canadian perspectives are considered in policy making?

- What mechanisms should be implemented to facilitate ongoing public engagement and feedback?
- What will an oversight of the digital Canadian dollar mechanism look like?
- What lessons can we draw from the governance of the digital Canadian dollar to apply to other large-scale, economy-related projects, such as open banking?

In conclusion, a digital Canadian dollar is not merely a technological and financial mission, but also a profound manifestation of democratic governance and societal values. As Canada stands at this critical juncture, the decisions made today will shape not only our financial future, but also the very fabric of our digital society.

The challenge is twofold: first, to make a responsible decision about whether to issue the digital Canadian dollar, with well-justified reasons supporting either direction. If the decision is to proceed, the second challenge emerges: to create a CBDC that is not only technologically advanced and economically sound, but also deeply rooted in democratic principles, such as inclusivity, privacy and public participation. This approach ensures that any potential digital Canadian dollar would represent not just financial innovation, but also the values and needs of Canadian society as a whole.

The complexity and far-reaching implications of a digital Canadian dollar necessitate robust democratic oversight throughout its development and implementation (see the sixth recommendation below). A dedicated parliamentary oversight committee would serve as a crucial link between the technical aspects of development and broader legislative and policy objectives, ensuring that the digital currency aligns with Canadian values and interests. This committee would enhance transparency and accountability and foster public trust in the process, ultimately contributing to the legitimacy and success of a potential digital Canadian dollar, should its issuance be the decided path forward.

After completing this working paper, the Bank of Canada announced a pause in its CBDC development efforts, underscoring the dynamic and evolving nature of the CBDC field. While this decision delays the potential implementation of a digital Canadian dollar (if it will be implemented at all), it also reinforces the importance of the governance and standards issues raised in this paper. This pause provides an opportunity for a more thorough consideration of these critical aspects. The analysis and recommendations provided here remain highly relevant, not only for future CBDC considerations in Canada and other jurisdictions considering CBDC, but also ongoing global discussions in governance and standards setting of emerging technologies.

Recommendations

At the core of these recommendations is an emphasis on inclusivity, democratic oversight and transparency. The recommendations aim to create a multi-layered, diverse stakeholder governance structure that balances technical expertise with public interest. This focus is to ensure that diverse perspectives are considered at every stage of the development process. This approach underscores a commitment to embedding democratic principles deeply into the foundation of any future digital currency system.

Furthermore, these recommendations demonstrate a proactive and cautious stance toward CBDC implementation. By focusing on pre-implementation stages and establishing multiple interconnected bodies for oversight and consultation, the recommendations seek to create a robust system of checks and balances in advance of a CBDC release. recommendations seek to create a robust system of checks and balances in advance of a CBDC release.

This approach not only aims to prevent any single interest from dominating the development process, but also prioritizes informed public engagement. The emphasis on transparency and accessible information reflects an awareness of potential skepticism — from experts and the public — and the need to build trust through informed participation.

While this paper remains agnostic to the question of whether to issue a digital Canadian dollar, these recommendations are ultimately designed to ensure that if indeed a digital currency is released, it will be aligned with, as well as developed and shaped by, Canadian values and rights and the broader public interest.

The following set of recommendations (and categorized in Table 1) is an addition to the previous recommendations regarding privacy and rights, accessibility and governance that were put forward in an earlier working paper (Freiman 2024a). They address meaningful public participation across five areas: developmental approach, engagement strategy, regulation and consumer protection, regulatory novelty and further research (Freiman 2024b).

- **Recommendation 1: Establish a broad multi-stakeholder CBDC standards committee.** This committee will include representatives from government, financial institutions, technology experts, civil society organizations and the general public to develop and oversee standards for the digital Canadian dollar. This committee would ensure that diverse perspectives are considered in the standards-setting process. It would also serve as a bridge between technical expertise and public interest, fostering a more democratic approach to CBDC development.
- **Recommendation 2: Implement a public program to mobilize knowledge about the digital Canadian dollar.** This would include, for example, an accessible website detailing its risks and benefits with clear data about the ups and downs, phrased in a non-technical and accessible form. This program would aim to increase public understanding and participation in CBDC decision making, and potential development, processes. The website would serve as a central hub for transparent information, helping to build trust and informed public opinion.

- **Recommendation 3: Establish a dedicated CBDC resilience, privacy and rights commission** to plan how to safeguard user data and ensure that the digital Canadian dollar aligns with Canadian values and civil liberties. The commission would also serve as an advocate for user rights within the CBDC development and pre-implementation ecosystem.
- **Recommendation 4: Mandate the inclusion of civil society organizations and non-financial stakeholders in all stages of CBDC development and governance to ensure diverse representation.** This would help prevent the dominance of any single sector in shaping the digital Canadian dollar. It would also ensure that a wide range of societal interests are considered in decision-making processes.
- **Recommendation 5: Create an independent digital Canadian dollar advisory board to evaluate and advise on the societal implications of related policies and technical aspects.** This board would be comprised of experts from various fields. It would also include a public consultation framework that facilitates ongoing dialogue between policy makers and citizens on CBDC-related issues. It would aim to capture a broad spectrum of public opinion and concerns throughout the CBDC development process.
- **Recommendation 6: Create a parliamentary oversight committee dedicated to reviewing and providing input on CBDC governance decisions and standards.** This committee would ensure that the digital Canadian dollar aligns with broader legislative and policy objectives. It would also provide a formal channel for democratic scrutiny of CBDC development and implementation.

Table 1: Policy Recommendations

Category	Recommendations
Governance and oversight	Create a parliamentary oversight committee dedicated to reviewing and providing input on CBDC governance decisions and standards.
	Create an independent digital Canadian dollar advisory board to evaluate and advise on the societal implications of related policies and technical aspects.
Public engagement and knowledge mobilization	Mandate the inclusion of civil society organizations and non-financial stakeholders in all stages of CBDC development and governance to ensure diverse representation.
	Implement a public program to mobilize knowledge about the digital Canadian dollar, including an accessible website detailing its risks and benefits.
Standards and rights	Establish a dedicated CBDC resilience, privacy and rights commission to plan how to safeguard user data and ensure the digital Canadian dollar aligns with Canadian values and civil liberties.
	Establish a broad multi-stakeholder CBDC standards committee to develop and oversee standards for the digital Canadian dollar.

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