



PUBLIC CONSULTATION PAPER
ON THE
CENTRAL BANK DIGITAL CURRENCY:
THE DIGITAL RUPEE

2 June 2023

1. Foreword

More than 100 countries are currently exploring the possibility of issuing a central bank digital currency (CBDC). Each country is considering the design of its CBDC based on its specific context and requirements.

The purpose of this Consultation Paper is to collect the views of the public on the potential issuance of a CBDC, the Digital Rupee, by the Bank of Mauritius (Bank).

The feedback will help in the design of the CBDC.

2. About a CBDC

A CBDC is a digital form of a country's banknotes and coins. A CBDC can be used in the same manner as banknotes and coins.

In Mauritius, the CBDC will be known as the Digital Rupee.

The Digital Rupee will not be a crypto asset. In Mauritius, crypto assets do not have legal tender status, that is, there is no obligation to accept them as a means of payment. The value of crypto assets fluctuates over time, whereas the value of the Digital Rupee will always be the same as the physical notes and coins.

3. Purpose of a CBDC study in Mauritius

Technological advancements such as Internet of Things, Artificial Intelligence, Blockchain are transforming the way in which customers and businesses interact and transact with each other.

The payment landscape is also evolving and digital payments are playing a greater role. It is therefore important for the Bank to prepare itself for this new ecosystem and ensure that the whole population has access to a digital version of our rupee.

The introduction of a CBDC will offer opportunities for commercial banks to provide innovative services and offer a wider range of payment options.

The Bank is conducting a study on the potential introduction of a retail CBDC, the Digital Rupee, taking into consideration the following:

- i. The CBDC will complement cash and not replace it. The physical banknotes and coins will continue to be available.
- ii. The Bank has not yet decided on the design features of the CBDC. The Bank is considering a distribution model where the Digital Rupee will be provided through banks, in the same manner as banknotes and coins are currently distributed.

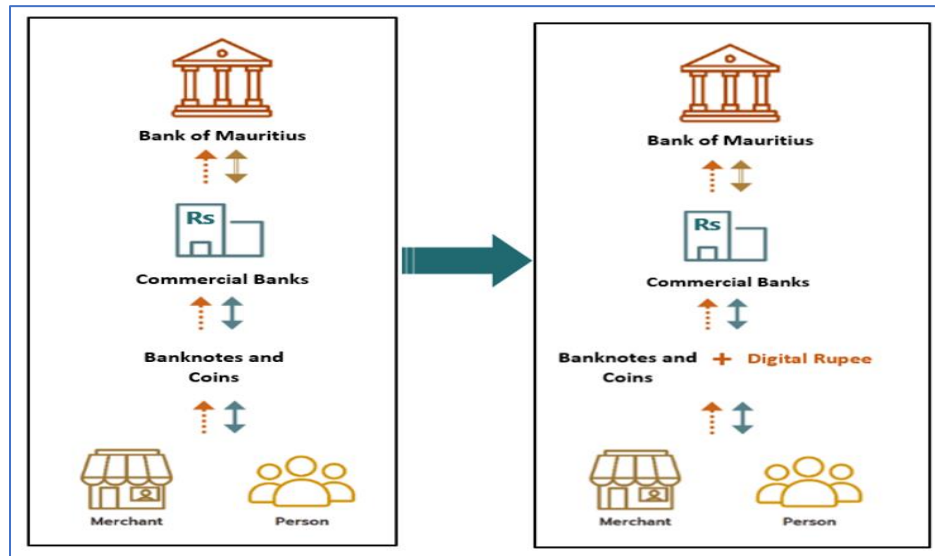
4. CBDC Considerations

The Bank will issue the Digital Rupee which will be accessible to every citizen.

4.1 Distribution System: Different models are being studied by different countries for the CBDC.

The Bank prefers a model where it will issue the Digital Rupee to commercial banks, which will in turn distribute it to their customers. The Bank will not have access to information on users' transactions. As can be seen from Figure 1 below, the distribution model will not change with the introduction of the CBDC and only banks will interact with their customers.

Figure 1: "Banknotes and Coins, both digital and physical"



4.2 Design Features: The Digital Rupee would have functions that are similar to cash but with added benefits. The proposed CBDC would be integrated with existing payments systems to facilitate switching funds between the Digital Rupee and users' bank accounts.

Some of the desirable design features of the Digital Rupee are:

- i. *Offline Capability*: allows transactions even in the absence of network connectivity.
- ii. *Accessibility*: similar to banknotes and coins.
- iii. *Availability*: 24/7/365 basis.
- iv. *Programmability*: CBDC issued for specific purposes
- v. *Privacy and Data Protection*: The central bank will not have access to end-user's private information.
- vi. *Interest-free*: similar to banknotes and coins.

5. Call for Comments

The Bank invites members of the public, industry and stakeholders to provide their feedback and suggestions on the potential issuance of the Digital Rupee in Mauritius, by **Friday 16 June 2023** on <https://www.bom.mu/CBDC-survey>.

The Bank may make use, in full or in part, of any feedback or suggestion received during this Public Consultation Exercise, without disclosing the identity of the party who submitted the feedback or

suggestion. The Bank shall not be held accountable for, nor incur any liability from the use, in full or in part, of any feedback or suggestion received.

You may also wish to visit the FAQ section on the Digital Rupee on the Bank's website <https://www.bom.mu/cdbc-FAQs> before filling in the online survey form.

Should you have any query or wish to clarify any aspect pertaining to the Public Consultation Paper or have any additional suggestion, you may email us on rCBDC@bom.mu. Any query, clarification or suggestion received may be entertained by the Bank at its discretion.