

Frequently Asked Questions – FAQs about CBDC (Central Bank Digital Currency)

Q. What is a Central Bank Digital Currency (CBDC)?

A. A CBDC is like digital cash issued by the central bank. It's similar to regular money you use but in a digital form. People and businesses can use it, or sometimes only banks. There are two types: retail for everyone and wholesale only for banks.

Q. What is a cryptocurrency?

A. Cryptocurrencies, like Bitcoin and Ethereum, are digital money that works through computer code, not physical cash. They don't have a central authority like CBDCs. Instead, they use a decentralized system for transactions and creating new units.

Q. How is Rwanda's CBDC different from cryptocurrencies like Bitcoin?

A. Rwanda's CBDC is an official digital currency regulated by the National Bank of Rwanda. Cryptocurrencies are privately issued digital tokens. While crypto values change, Rwanda's CBDC will always match the value of regular money.

Q. What forms can CBDC come in?

- A.
- CBDC can be like a bank account (account-based) or like digital cash (token-based)
 - Account-based CBDC links ownership to an identity and keeps records with a third party.
 - Token-based CBDC doesn't need a third party and is like using physical cash.

Q. How does CBDC impact privacy?

A. CBDC might not offer full privacy like cash, but it can be designed to protect privacy with good rules and technology.

Q. What's the difference between CBDC and cash?

A. Cash is physical money issued by the central bank. CBDC is the digital version of cash, doing the same things but online and issued by the central bank.

Q. How does e-money differ from CBDC?

A. E-money is stored electronically on devices like cards or phones and issued by institutions licensed by the Central Bank. CBDC is the digital version of the national currency, issued by the central bank.

Q. What's the difference between CBDC and commercial bank money?

- A.
- Commercial bank money comes from loans, which means there is a chance the person borrowing might not pay it back, causing a risk called credit risk.
 - CBDC, on the other hand, comes directly from the Central Bank and does not involve risk.



Q. Will CBDC replace existing payment methods?

A. No, CBDC will work alongside existing methods like cards and electronic payments, just like cash does. It may offer new services and more payment options.

Q. How does retail CBDC issuance impact monetary and financial stability?

A. Retail CBDC could influence how banks work and affect monetary stability, but it can be designed to lessen these impacts.

Q. Why is Rwanda considering a retail CBDC?

A. Rwanda wants a retail CBDC to be more resilient against problems, boost innovation and competition, move toward a cashless economy, and improve cross-border remittances.

Q. What risks is Rwanda considering with CBDC?

A. Rwanda is looking at risks to financial stability, monetary policy, financial integrity, and cybersecurity to make sure CBDC works as intended.

Q. What's the purpose of the Public Consultation by the National Bank of Rwanda?

A. The consultation wants public opinions on the Rwanda CBDC. This helps the bank understand technology, regulations, and risks, as this new digital money will change how we use money.

Q. Where can I find more information on Rwanda's CBDC?

A. You can find the research paper on the BNR website (www.bnr.rw). The paper concludes with a request for public comments where you will be able to respond to a questionnaire also found on the website.

