

BANK OF ISRAEL

Office of the Spokesperson and Economic Information

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Press Release:

**Potential Scenarios for Deciding to Issue a Digital Shekel**

**The Bank of Israel Steering Committee on the Potential Issuance of a Digital Shekel outlines potential scenarios for deciding to issue a digital shekel; The following are the main points:**

* The Bank of Israel is preparing an action plan for the potential issuance of a digital shekel (SHAKED), despite the fact that a decision has not yet been made as to whether the Bank intends on doing so. The questions of the circumstances under which it would be decided to issue a retail CBDC is a complementary important discussion to the significant work being done on the business and technological specifications.
* This document discusses the conditions that would enable or support a decision to issue a Bank of Israel digital currency at some point, and indicates a number of variables that may have an effect on the Steering Committee’s recommendation:
  + **CBDC issuances by other countries** – A decision to issue a CBDC by the US or the European Union, or by a significant number of other developed economies, would be an important factor to the issuance decision in Israel. The probability of such a development in the next few years is significant.
  + **Decline in the legitimate use of cash and its acceptance in transactions in Israel** – According to our data, cash is still used in Israel in a significant portion of the consumer transactions. However, it is highly probable that the use of cash as a means of payment will decline in the future, with the expanding adoption of payment applications and of electronic means of payment in general. The public’s payment habits may change more rapidly than what we had previously expected. As a result, the public’s ability to make transactions using central bank money may decline rapidly. The public’s ability to use central bank money is important both in maintaining the public’s trust in other means of payment, since it can always convert those into central bank money, and in order to maintain individuals’ and businesses’ ability to make transactions while minimizing the intervention of private entities. We must therefore monitor developments in the use of cash as a means of payment, and examine the extent to which the ability to make (legitimate) transactions using cash is maintained.
  + **Significant penetration of stablecoins or other private means of payment that would be broadly used** might impair the payment system**.** A stablecointhat isn’t pegged to the shekel might also harm the monetary transmission. At this point, there are no signs of substantial adoption of stablecoins as means of payment in Israel. However, paying habits of the public might change rapidly, for instance in a scenario of an issuance by a major private sector entity.
  + **The extent of competition in the domestic payment system-** Continued concentration in some segments of the domestic payments system due to the dominance of a small number of participants, incomplete competition in the deposits market, and relatively high entry barriers may justify the issuance of central bank’s digital currency in order to support competition in the payments system and in the financial system in the digital era.
  + **Technological developments in the payments system** – It may turn out in the future that there would be significant justification for issuing a digital shekel, since it would be able to serve as an efficient and secure platform for advanced technological use cases.

The Bank of Israel must be prepared to advance the issuance of a digital shekel, if the variables listed above support it. The Steering Committee will therefore monitor the developments in the aforementioned aspects on a periodically basis.