



Opening Remarks for the Deputy Governor

At its core, a Central Bank Digital Currency (CBDC) is simply another payment system. It serves as a mechanism to store a balance and to transfer balances from one user to another – essentially, to make a payment. There's nothing overly complex about that.

However, the global interest in CBDCs has been significantly driven by the emergence of new technologies, which have sparked the imagination of many regarding the future of financial systems. Several years into this exploration, there is still no definitive answer on the extent to which innovations like Distributed Ledger Technologies can truly enhance the movement of money and the operation of financial infrastructures. But this is just one aspect we aim to deepen our understanding of through the technological consultation that we launched ten days ago.

In the beginning of March, we published the Preliminary Design for the Digital Shekel System. Our design aimed to be as technologically agnostic as possible. We focused on what the digital shekel would do, who it would serve, its functionalities, and the ecosystem, without delving into the "how." Where we developed architectural thinking, we kept it at a logical rather than technological level. Some found it surprising that, given the proven track record of Israel's technological sector and academia, we were not also exploring the frontier of technological possibilities. However, this was a strategic decision aligned with our priorities and resource constraints.

If you've reviewed the design we published, you'll see that it is much more than a simple ledger of balances and transactions. It's a complex system designed to support a wide user base with various use cases, under stringent requirements for performance, security, and privacy, and in a manner that will support innovation, and most importantly in my view - competition. At the same time, it must be inclusive, offering every Israeli the possibility to transact with digital money that is safe and reliable. This is getting ever more important with the wave of financial fraud incidents we've been seeing recently.

To be able to make an informed decision on launching this complex system, if we decide to do so, we cannot remain technologically agnostic forever. We need to explore what the most advanced technologies can offer, how best they can be utilized in such a system, understand the technological feasibility of our vision, and begin assessing the potential costs of building and operating it. And to do this, we need you – the experts and those with experience in the field – from Israel and abroad.

For this consultation, the project team has broken down the design into six main components, which they will explain shortly. We welcome your responses to any part of the consultation where you have developed a technology or are offering a relevant solution. The team will soon explain the process, what you can expect from the consultation, and how it



may progress. I'll conclude by saying that I am confident the benefits of this process will be mutual – for the Digital Shekel Project, which will gain a comprehensive understanding of the technological feasibility of the design, and for you, the respondents to the consultation, who will have the opportunity to see how your technologies align with the policy and design decisions of a central bank and maybe even test your solutions against real-world requirements.

On behalf of the Bank and the Digital Shekel Steering Committee, I wish to thank you for your work and your willingness to contribute and participate in the Technological Consultation Process. I wish you an interesting and productive webinar.