OFFICIAL INFORMATION ACT REQUEST

CENTRAL BANK DIGITAL CURRENCY:

ROLE OF INTERNATIONAL MONETARY FUND IN ADVISING THE RESERVE BANK NEW ZEALAND; AND THE FUTURE OF MONEY CONSULTATION.

Request made by Jodie Bruning, December 15, 2023.

This Official Information Act request is lengthy as it is intended to be distributed widely in New Zealand, in the public interest, so as to promote debate and discussion. The issue of the introduction of CBDCs and the risks pertaining to them relating to enhanced powers of the Reserve Bank of New Zealand (RBNZ), and the programmability of these new digital currencies, appears to not have been introduced into public discussion by the Labour Government, nor by shadow ministers. There has been no critical discussion by academia and the topic has been widely neglected by the New Zealand media.

The general public appear to be broadly uninformed on issues of risk relating to the taking of powers by the RBNZ to issue digital money. The RBNZ is widely advocating the benefits of CBDCs. There appears to be no public institution which has capacity to promote discussion on the risks that relate to CBDCs,

The public might not be aware that New Zealand already has digital money. A CBDC would be a digital publicly-provided counterpart to private money, which is already digital. It may make central bank money a more effective lever to incentivise competition and innovation, and potentially lessen the need for more stringent regulation.

Digital money in New Zealand, arriving through commercial banks and through the Parliamentary appropriations (budgetary) process.

It is unclear whether prospective RBNZ issuing of currency would be inside or outside the appropriations process. Of concern is that CBDCs key difference is their programmability, with smart contact functionality. This might include an expiry date on a distributed CBDC, or the toggling of conditionality. Receipt of a CBDC in a digital wallet might be dependent on a level of need, or a specific behaviour by a person or family member.

A CBDC is digital money issued by a central bank that represents a legal claim on that central bank. And as Agustin Carstens, head of the United Nations Bank for International Settlements, one of the key institutions leading CBDC deployment, stated:

> 'a key difference with the CBDC is that the central bank will have absolute control on the rules and regulations that will determine the use of that expression of central bank liability, and also we will have the technology to enforce that.'

In September 2021 the RBNZ consulted on the Future of Money. Three consultation papers were released with a consultation period ending December 6, 2021.

The Future of Money consultation included a paper exploring the case for designing a CBDC system and asking for public feedback. The April 2022 Future of Money – Te Moni Anamata : Summary of responses to our 2021 issues papers acknowledged broad public concern about risk-based issues, specifically connected with the adoption of CBDCs. While there were three papers for consultation, '140 were received in relation to the stewardship paper, *6,404 in relation to the CBDC paper,* and 338 in relation to cash.'

The summary paper stated that many people had 'understandable anxieties about the perceived displacement of cash by CBDC.'

The summary paper did not discuss publicly expressed concern - nor articulate the extent of concern across those 6,404 CBDC-related submission - about the potential for CBDCs to be programmable, including for smart contacts functionality to be developed. Smart contract functionality is the arguably the major differentiating factor between existing digital currencies and a CBDC.

In December 7, 2022, one year later, another consultation The Future of Money – Private Innovation was released. The paper continues to advance CBDCs as only a positive benefit and did not reflect the public input from the consultation one year earlier. Only 50 submissions were received from a cross section of stakeholders.

I quote Professor Philip Joseph (2021), Joseph on Constitutional and Administrative Law, 5th Ed. Thomson Reuters):

> Ministers and public servants are under reciprocal obligations to uphold the political neutrality of the public service.
>
> Public servants, too, must exercise discipline and restraint. They operated under a code of conduct that is intended to preserve their neutrality and anonymity. They owe a duty of loyalty to their employer, the government of New Zealand, and are expected to uphold the public service ethic (knowledge, fairness, integrity). They must be 'fair, impartial, responsible and trustworthy', and their advice to ministers honest, impartial and comprehensive. A public servant's duty is to the government in perpetuity, not the political party or parties in power at any time.

It is evident that policies pertaining to CBDCs have not been led by public advocacy, nor the advocacy of elected representatives but appear to have primarily originated outside of public fora in meetings and policy discussions held by and conducted with, global banking institutions, which include the Bank of International Settlements, the International Monetary Fund, but also other banks such as the Bank of England. The content of these meetings are not disclosed and are not covered by legacy media.

The IMF has taken an active role in fostering and leading 'Central Bank Digital Currency Capacity Development' and has developed a Central Bank Digital Currency (CBDC) Virtual Handbook, a reference guide for policymakers and experts at central banks and ministries of finance. The Handbook 'also serves as the basis for the IMF's engagement with country authorities and other stakeholders'.

Yet the public are unaware of the IMF leadership role and the extent of development of CBDCs that has been stewarded by the IMF.

The Bank of England provides a background for the public to understand the extent of planning that is going into CBDCs.

In 2020 the Bank of England (BoE)'s examples focussed around largely apolitical issues such as tax payments or shareholder payments, and electricity meter payments based on use. Yet the BoE is very clear, there would be a wholesale CBDC for big finance, and a retail CBDC for everyone else. Retail CBDCs would 'meet the payments needs of households and businesses outside the financial sector.'

> If CBDC were to support programmable money functionality, we see three broad potential approaches: building the functionality into the core ledger; providing the functionality via a separate 'module'; or enabling the functionality to be provided by Payment Interface Providers.

The Bank of England envisages a 'platform model'. Using a 'fast, highly secure and resilient technology infrastructure' the BoE would provide the platform, while (page 6),

> private sector Payment Interface Providers would connect in order to provide customer-facing CBDC payment services. Payment Interface Providers could also build 'overlay services' — additional functionality that is not part of the Bank's core infrastructure, but which might be provided as a

value-added service for some or all of their users. As well as providing more advanced functionality, these services might meet future payment needs by enabling programmable money, smart contracts and micropayments. Payment Interface Providers would be subject to appropriate regulation and supervision in line with any risks they might pose.

By 2023 the Bank of England highlighted how

> Technology is emerging that allows users to set rules to limit their spending on certain products, for example on gambling, or to automatically save a small amount of money after each purchase. This technology builds on existing, familiar applications like Direct Debit.

There is potential for a huge transfer of power to Reserve Banks and, by association, the FinTech industry if they then have the power to distribute and design contracts into CBDCs, and manage the data that is required and produced through these processes.

It is evident that there will be different rules for the financial sector and public sector; and that Reserve Banks envisage that the corporate sector will have a role in designing smart contracts.

Yet there seems to be no discussion of risks that arise from a transfer of power to Reserve Bank of New Zealand, and the risk of the abuse of power, should Reserve Banks have control of CBDCs.

There doesn’t seem to be any impartial academics, including social scientists, ethicists, administration and constitutional law experts and human rights law experts researching the potential risk that might be envisaged in the Reserve Bank of New Zealand taking over this activity.

Currently, injections of digital currency are distributed through the appropriations process, through democratic means, through Parliament. It is evident that the revised purpose of the Reserve Bank Act 2021 grants the RBNZ far greater political power.

Such shifts in policy cannot be looked at in isolation.

There has been little or no discussion in public media that sheds light on the transfer of power that may arise from Reserve Banks taking on the production of CBDCs. We are currently in a time of unprecedented private-sector debt. It is apparent to many observers that, should a debt-related crisis occur, that carries with it the trauma of other monetary crisis events such as the Great Depression or the oil shocks of the 1970’s that there is a substantial opportunity for Reserve Banks to control money release to an impoverished and vulnerable public.

As I discuss, unlike cash or digital currency, CBDCs can be programmable. The potential to direct money to personal priorities may be removed, and the potential to save may be removed. Bank of International Settlements director Augustin Carstens and Ex People’s Bank of China, IMF Deputy Managing Director Bo Li are acutely aware of this opportunity. In November 2022 Bo Li stated:

CBDC can allow government agencies and private sector players to programme to create smart contracts, to allow targeted policy functions. For example, welfare payments, for example, consumption coupons, for example, foodstamps. By programming CBDC those money [sic] can be precisely targeted for what kind of people can own and what kind of use this money can be utilized. For example for food. So this potential programmability can help government agencies to precisely target their support to those people who need support.

The RBNZ claims that

> ‘Having digital money issued by the Reserve Bank of New Zealand would help maintain New Zealander's trust in money, protect our financial system, and improve payments by increasing

efficiency and enabling innovation. A CBDC would also support financial inclusion and wellbeing because it would be available for everyone.'

This is a RBNZ claim, the RBNZ neglects to mention this would give the RBNZ vastly greater powers. The public are aware that when the old Reserve Bank Act 1989 was replaced with the new Reserve Bank Act 2021, the RBNZ secured a wider scope and much greater powers to carry out political activities.

In 2021, the year the RBNZ Act was amended the RBNZ released a report which includes pseudo-scientific presumptions and costings of 'climate change'. RBNZ as a non-scientific institution makes the presumption that changing climates are predominantly driven by human activities and that policy measures and actions by humans will hence directly alleviate climate change in future. This infers that the costs of climate change may be directly alleviated through policy and legal instruments that have direct potential to increase living costs and reduce the quality of life of current generations.

The report now leads to further policy development, expanding the political remit of the RBNZ. Yet these reports and value-based discussions do not tie in other complex and interrelated issues which raise the spectre that instruments and regulations relating to climate change might reduce wellbeing, such as by increasing taxes that impact consumers and small business, or for example, by making meat protein more expensive for low-income families.

It is alarming that the RBNZ has taken on such a political role, while at the same time the RBNZ seeks to expand its powers to issue digital money.

It is in the public interest that the public are made aware of the extent of consultation around this issue and which entities are advancing the cause of CBDCs.

This is of the essence as this already is a public controversy, which can be observed in the large quantity of people objecting to the implementation of CBDCs. Yet just 18 months later, it is evident that the first tranche, or stage of work is about to be undertaken, which is aimed to secure political legitimacy for CBDCs in New Zealand. However this appears to be happening by stealth, as the discussions around risk have not been undertaken.

It is apparent that CBDC policy initiatives may have been following International Monetary Fund leadership, and I am personally concerned that this policy direction does not resemble actions that may lawfully come under the mantle of representative democracy, and that the public have not been informed.

What is apparent, I speculate, is that high interest rates put in place by the RBNZ, that also reflect IMF advice; presents a long-term a conflict of interest in relation to the CBDC as a political/governance instrument. High interest rates promote indebtedness and vulnerability in society.

A situation where people are unable to fund basic needs, may amplify, or produce an Overton window-like scenario that would advantage such a 'frame shift' – accelerating the transference of large swathes of population into a dependency-led digital infrastructure, or framework that is largely controlled by the central banks such as the RBNZ, which are, to all appearances, overseen by the IMF.

With these concerns in mind please, in the public interest provide me with the following:

A. Information/staffing/advice provided by the International Monetary Fund prior to September 2021 as assistance to the RBNZ to explore CBDCs and lay the foundation for a feasibility study that would become the Future of Money consultation.

B. Re: Future of Money consultation. All emails/advice/reports sent/produced by RBNZ board and staff that discuss or summarise public concerns about the potential for CBDCs to be *programmable* and/or have *smart contracts* functionality.

C. Advice/policy information on the role of Parliamentary decisions and the appropriations process in controlling what/which CBDCs are able to be released/distributed by the Reserve Bank of New Zealand to either the public or financial sector.

D. All briefings, memos and emails sent between Cabinet ministers and Treasury officials discussing central bank digital currencies (CBDCs) from January 1 2022 to December 15, 2024.

E. All reports and advice provided to RBNZ from the International Monetary Fund that discuss central bank digital currencies/CBDCs/programmable currencies/smart contracts from January 1 2022 to December 15, 2024.

F. All reports and advice provided to RBNZ from the International Monetary Fund that makes recommendations relating to monetary policy and/or inflation from January 2022 to December 15, 2024.

G. All interviews and discussions with New Zealand journalists discussing what CBDCs entail and the potential for CBDCs to be programmable and utilise smart contract functionality.

H. Re: the 'Central Bank Digital Currency (CBDC) and Cash Trials Projects'

   i. Where does the appropriation come from for the cash trials projects.
   ii. What are the terms of reference and budget for the CBDC project.