

# Upgraded currency Frequently asked questions and answers

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SOUTH AFRICAN RESERVE BANK



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## Upgraded currency: frequently asked questions

### General

#### 1. Why is the SARB launching upgraded banknotes and coin?

- In line with international best practice, the SARB is upgrading its banknotes and coin to remain abreast of the latest trends in currency technology, enhance the security features and maintain public confidence.
- The current banknote series (R10, R20, R50, R100 and R200) is 10 years old and globally banknotes are upgraded every six to eight years.
- The current coin series (10c, 20c, 50c, R1, R2 and R5) is 34 years old. Globally, coin is upgraded every 20 to 30 years.

#### 2. Which coin will be issued?

- A full series of coin (fourth decimal coin series) will be issued: 10c, 20c, 50c, R1, R2 and R5.

#### 3. Will the old and upgraded banknotes and coin be legal tender?

- Yes.
- Both the old and upgraded banknotes and coin will remain legal tender and can be used together for the payment of good and services.

#### 4. What is a legal tender?

- A legal tender (banknote, coin or bullion) means that the coin or banknote is issued under the authority of a sovereign nation and is officially part of a country's currency. Such banknotes or coin carry a monetary value in the country in which they are manufactured.
- Legal tender coin is approved by government. The design and specifications of the coin are published in the *Government Gazette*.
- Circulation banknotes and coin are used to transact with.
- The coin specifications are contained in Schedule 2 of the SARB Act 90 of 1989.
- The SARB has not demonetised any South African currency. The old banknotes and coin that the SARB has stopped printing and minting can be exchanged for banknotes and coin of the same face value at the SARB and all commercial bank branches where an individual holds an account.

- Bullion coin can be sold back to the SARB and the price linked to the prevailing market gold price and dollar exchange rate. The two are used to calculate the price of the coin on the day of selling.
- Collectable coin can be sold back to the SARB at face value of the coin.

**5. How will members of the public be informed about the upgraded banknotes and coin?**

- The SARB Currency App is available on the Google Play Store and Apple App Store and is free to download.
- Information on the upgraded banknotes and coin can also be accessed via the SARB website at [www.resbank.co.za](http://www.resbank.co.za). Alternatively, queries may be directed to the SARB Head Office at 012 313 3911/086 112 7272 or via email at [currency@resbank.co.za](mailto:currency@resbank.co.za).

**6. When will the upgraded banknotes and coin be available to members of the public?**

- From May 2023 onwards.

**7. Will the upgraded banknotes and coin be worth more than the current banknotes and coin? Will the old banknotes and coin increase in value over time?**

- No.
- The value of banknotes and coin issued by the SARB remains the same.

**8. Will all parking/vending machines accept the upgraded banknotes and coin as well as the current banknotes and coin?**

- The SARB worked with the cash industry to ensure that all equipment has been updated to recognise the upgraded banknotes and coin.

**9. Will there be a need for the public to exchange their current banknotes and coin for the upgraded ones?**

- No.
- The current and upgraded currency will co-circulate and all banknotes and coin issued by the SARB will remain legal tender.

**10. Have arrangements been made for special interest groups such as the blind and partially sighted communities to transact with the upgraded banknotes and coin?**

- Yes.
- The blind and partially sighted communities formed part of an extensive consultation process during the development of the upgraded banknotes and coin.
- Our banknotes and coin have features to support the blind and partially sighted communities to differentiate between the various banknote denominations as well as the various coin denominations.

**11. How long does it take to upgrade banknotes and coin?**

- Depending on the changes that are being made, the period could be long (i.e. four to five years) or relatively short (i.e. within one year).

**12. Will the public be able to transact with their upgraded banknotes and coin in the Common Monetary Area and Southern African Development Community countries?**

- Yes.
- The rand is legal tender in the Common Monetary Area (CMA) countries, namely Lesotho, Eswatini and Namibia (South African is the fourth CMA country).
- The rand also circulates in some Southern African Development Community (SADC) countries; however, the use is discretionary.

**13. How many upgraded banknotes and coin will be issued/made available?**

- These upgraded banknotes and fourth decimal coin series are not limited editions and volumes will be issued to meet the public demand.

**14. Where can the public acquire the upgraded banknotes and coin?**

- Banknotes and coin are circulated through commercial banks which, in turn, distribute the banknotes and coin to retailers and the public.

**15. Are the upgraded banknotes and coin collectors' items?**

- No.

- These banknotes and coin are issued for circulation and transaction purposes, and not as collectors' items. Members of the public are encouraged to use the upgraded banknotes and coin on a day-to-day basis.

**16. Who manufactures the banknotes and coin? Is it a company outside of South Africa?**

- Banknotes and coin are produced locally.

**17. Do the old banknotes and coin increase in value with time?**

- No.
- The value of issued banknotes and coin by the SARB remains the same.

**18. What is the future of cash in an increasingly digital economy?**

- The demand for cash remains strong despite an emergence of various other payment instruments.

**19. What are the contact details for queries on the upgraded currency?**

- Queries may be directed via the SARB website at [www.resbank.co.za](http://www.resbank.co.za). Alternatively, contact the SARB Head Office at 012 313 3911/086 112 7272 or via email at [currency@resbank.co.za](mailto:currency@resbank.co.za).

**Banknotes**

**20. Which upgraded banknotes will be issued?**

- A full series of banknotes (upgraded Mandela series) will be issued: R10, R20, R50, R100 and R200.

**21. What has changed on the upgraded banknotes and how can members of the public verify authenticity of the upgraded banknotes (i.e. that they are not counterfeit banknotes) and what security features should they be aware of?**

Enhancements were made to future-proof the banknotes, allowing verification using the look, feel and tilt authentication method.

Some of the changes on the upgraded banknotes:

## Look features

- The SARB's ZAR typeface has been applied to the typography featured on the banknotes.
- The **colours** have been subtly enhanced to improve differentiation between the denominations to cater for the partially sighted community and to address the previously similar tones of the R20 and R200, as per the table below:

Denomination	Mandela banknotes	Upgraded Mandela banknotes
R10	Green	Green
R20	Brown	Brown
R50	Red	Purple
R100	Blue	Blue
R200	Yellow-Orange	Orange

- The **watermark** depicts the shadow image of the Big 5 animal unique to each denomination, together with its denomination numeral. This has been changed from the image of the former president Nelson Mandela. The watermarks have been enhanced to give a greater level of tonality.
- The **preamble to South Africa's Constitution** has been added on both sides of the main portrait on the front of all the banknotes, in micro-lettering, to celebrate our constitutional democracy. The micro-lettering previously depicted the Big 5 animal unique per the denomination in tiny numbers matching the value of the banknote.
- **Large denomination numerals** have been incorporated on the front and back of the denominations, printed in **positive and negative text** to assist the partially sighted community.

- The back of the banknotes depict the respective Big 5 animals with their young in a family theme.
- **See-through perfect print registration:** The introduction of **new shapes** that encapsulate the see-through perfect print registration is unique for each denomination to assist the partially sighted communities. When holding the banknote up to the light, a **complete image of the Big 5 animal** featured per denomination will be visible. The see-through perfect print registration is now incorporated within different elementary shapes as follows:

Denomination	Elementary Shape
R10	Diamond
R20	Rectangle
R50	Circle
R100	Hexagon
R200	Oval

#### Feel features

- The **tactile marks** have been enhanced to support the visually impaired communities to differentiate between the banknote denominations. The gaps between the sets of tactile marks can be used to determine the denomination of the banknote. The tactile marks are repeated along the short edge of the R10 and R20 denominations and on the long edge of the R50, R100 and R200 denominations in different patterns. The gaps between the sets of tactile marks are counted to determine the denomination of the banknote.

Denomination	Tactile marks' position	Gaps between the tactile marks
R10	Short edge	One



<b>R20</b>	Short edge	Two
<b>R50</b>	Long edge	One
<b>R100</b>	Long edge	Two
<b>R200</b>	Long edge	Three

- The **Coat of Arms**, the words **South African Reserve Bank**, the **Governor's name and signature**, the **main portrait** and the **denomination numeral** are in raised print on the front of all the denominations.
- The words **South African Reserve Bank** in two of the 11 official languages, the **denomination numeral** and the **Big 5 animals** are in raised print on the back of all the banknotes.
- The banknotes have a distinctive feel and produce a **cracking sound** when snapped between the fingers.

#### **Tilt features**

- SPARK®Live Truspin is a colour-changing ink with a spin circle feature incorporated within the Big 5 animal on the bottom right of the banknote. The circle spins and changes colour as the banknote is tilted.
- The **security thread** has a dynamic movement and **matches the colour change on the SPARK®Live Truspin** when tilted. The abbreviation **SARB**, **denomination numeral** and the **Big 5 animal** unique to each denomination are visible on the security thread. This previously used to reflect the Coat Arms, SARB and denomination numeral. When the banknote is held up to the light, the security thread appears as a **continuous solid dark line**.
- The denomination numeral appears as a **latent image or hidden image** on each banknote. This latent image can be seen by tilting the banknote

almost horizontally to your eye. The latent image appears as a **shadow image of the denomination numeral** to the right of the main portrait.

**22. Will I be able to get a crisp banknote set from the SARB?**

- The SARB maintains a standard for the quality of banknotes that are in circulation.
- Upgraded banknotes and circulation coin cannot be bought; however, you can approach your commercial bank with regard to exchanging banknotes for a crisp set.

**23. Are the dimensions of the upgraded banknotes the same as the previous version?**

- Yes.
- The upgraded banknotes are the same size as the Mandela banknote series issued by the SARB in 2012.

**24. Why only show Nelson Mandela and not other political leaders (e.g. Albertina Sisulu) on our banknotes?**

- Former president Mandela is the first democratically elected president of South Africa. The banknotes pay tribute to his legacy of building a just, equal and unified South Africa. He is also an international icon.

**25. Will there be a new R500 note?**

- No need has been identified to design or create a R500 banknote.

**26. Do banknotes carry germs?**

- The risk posed by handling a banknote is no greater than touching any other common surface such as handrails, doorknobs or credit cards.

**27. Where can I exchange my 'old' series banknotes?**

'Old' series banknotes can be exchanged at all commercial bank branches where a member of the public's account is held or by contacting the SARB Head Office at 012 313 3911/086 112 7272 or via email at [currency@resbank.co.za](mailto:currency@resbank.co.za).

## Coin

### 28. Are the dimensions of the upgraded coin the same as the previous version?

- The diameters of the coins remain the same; however, the edge thickness has changed on some of the coins.
- For detailed specifications, refer to Schedule 2 of the South African Reserve Bank Act 90 of 1989.

### 29. Is there a chance that the two parts of the upgraded R5 circulation coin might separate?

- It is highly unlikely that the coin will separate on its own and it is an offence to willfully deface or mutilate a coin.

### 30. Will there be a new R10 coin?

- No need has been identified to design or create a R10 coin.

### 31. When last did the SARB issue a new/upgraded coin series?

- The previous third decimal coin series was issued in 1989.

### 32. What kinds of coin are manufactured by the South African Mint?

- Bullion coin (also referred to as investment coin).
- Collectors' or collectable coin.
- Circulation coin.

### 33. What has changed on the upgraded coin and how can the public verify the authenticity of the upgraded coin (i.e. that it is not counterfeit coin)?

The overarching theme of the fourth decimal coin series is 'deep ecology', an ecological philosophy that considers humankind as an integral part of its environment.

Changes on the coin series:

Overt and covert security features included in the fourth decimal coin series include **serrations** on the lower denominations and edge **lettering** on the higher denominations.

The R5 incorporates additional security features as follows:

- **Serrations** on the edge and an inscribed groove.
- The inscription '**SARB R5**' is featured within the groove, which is also a security feature.
- Two different metals are used to produce the coin:
  - the outer rim is a nickel alloy; and
  - the inner alloy is bronze.
- A **latent image** changes from 'RAND' to 'FIVE' when the coin is tilted.

The SARB's ZAR typeface has also been applied to the typography featured on the obverse and reverse sides of the coin.

In addition, some of the technical features are as follows:

Coin	Design on the obverse (front)	Design on the reverse (back)	Diameter	Mass	Material	Landing	Coin edge
10c	Coat of Arms, minting year, the words South Africa written in two official languages	Cape honey bee	16mm	2.0g	Copper-plated steel	Eight-sided	Fully serrated
20c	Coat of Arms, minting year, the words South Africa written in two official languages	Bitter aloe	19mm	3.0g	Bronze-plated steel	Seven-sided	Fully serrated
50c	Coat of Arms, minting year, the words South Africa written in two official languages	Knysna turaco	22mm	4.5g	Bronze-plated steel	Six-sided	Fully serrated

Coin	Design on the obverse (front)	Design on the reverse (back)	Diameter	Mass	Material	Landing	Coin edge
R1	National flag, minting year, the words South Africa written in one official language	King protea	20mm	5.0g	Nickel-plated steel	Five-sided	Partially serrated (the design allows for the visually impaired community to differentiate between the various denominations by feel).
R2	Coat of Arms, minting year, the words South Africa written in two official languages	Springbok	23mm	6.5g	Nickel-plated steel	Four-sided	Partially serrated (the design allows for the visually impaired community to differentiate between the various denominations by feel).
R5	Coat of Arms, minting year, the words South Africa written in three	Southern right whale	26mm	9.5g	Bi-metallic (copper-nickel outer ring with aluminium-bronze core)	Circular	Reeded with an inscribed groove

Coin	Design on the obverse (front)	Design on the reverse (back)	Diameter	Mass	Material	Landing	Coin edge
	official languages						

**34. What are coin made from and what materials were previously used?**

- Coins are made from various metals (i.e. copper, bronze, nickel and steel).

**35. What is a collectable coin?**

- A collectable coin is a precious metal or base metal coin that is produced in limited quantities and with higher production standards than bullion coin.

**36. What is a Kruger coin?**

- This coin, commonly referred to as a Krugerrand, is a coin with an image of former president Paul Kruger on the one side and an image of a springbok on the other side.
- The Krugerrand is available as bullion and as proof (collectable) coin.

**37. What is a circulation coin?**

- This is coin produced specifically to be used for everyday use (i.e. making and receiving payments) with a trade value equal to their face value.
- These coin are manufactured in large volumes and are produced in base metals.
- Their value is the value of the denomination featured on each coin within the series.
- South African coin are issued as rands (R) and cents (c) and the series consist of 10c, 20c, 50c, R1, R2 and R5.

**38. What criteria does the SARB use when deciding to withdraw a coin from circulation (e.g. withdrawal of the 5c coin)?**

- Coin may be withdrawn when their production costs far exceed their face value.

***Counterfeit banknotes, mutilated banknotes, dye-stained banknotes and currency image reproduction***

**39. What is a counterfeit note?**

- An imitation of a banknote produced without the legal sanction of the SARB.
- Producing or using counterfeit notes is a criminal offence.
- Counterfeit notes cannot be exchanged for value.



- Any information about counterfeit operations should be reported to the nearest police station.
- Members of the public are advised to check the security features on the banknotes before accepting them.

**40. Are the banknotes and coin being upgraded due to a counterfeit problem in South Africa?**

- No.
- The upgraded currency is not a response to a counterfeiting problem. It is international best practice to change or upgrade banknotes and coin from time to time.

**41. What is the SARB doing to combat counterfeiting?**

- This is done through continuous information-sharing, training and education of members of the public on how to authenticate the currency using security features.
- The SARB also works closely with the South African Police Service (SAPS) and other key law enforcement stakeholders to combat counterfeiting. This allows for a multi-agency approach to address critical issues which enables the SARB to stay ahead of international standards in combating counterfeiting.
- The SARB continually assesses its currency to ensure that it remains secure.

**42. How does South Africa compare to the rest of the world in terms of counterfeiting?**

- The SARB continually measures the occurrence of counterfeit banknotes and declares these figures on an annual basis and compares them to other countries. Our instances of counterfeiting remain below 12 parts per million (ppm).

**43. How do I ensure that the money I get from a shop or bank is genuine?**

- Be familiar with the security features of the upgraded banknotes and coin to know how to authenticate your banknotes and coin. *Refer to the answers to questions 21 and 33.*

**44. What must I do if I think I am being given suspicious banknotes and coin?**

- Do not accept the banknotes or coin if they look suspicious.

- Validate the suspicious banknote and coin using the look, feel and tilt method (*refer to the answers to questions 21 and 33*).
- Do not pass on counterfeit currency or dye-stained banknotes to someone else as this is a criminal offence.
- No value will be given for counterfeit currency or dye-stained banknotes.
- Report all counterfeit instances to the nearest police station (SAPS).

**45. What is a dye-stained banknote?**

- Banknotes that are stained by security dye used in currency protection devices (CPDs) in automated teller machines (ATMs), safes and during the transportation of cash.
- These banknotes are deemed to be proceeds of crime, not fit for circulation, and they will not be replaced for value.
- You should always refuse to accept dye-stained banknotes or banknotes that are discoloured or bleached.

**46. What should I do if I have withdrawn a dye-stained or counterfeit banknote from an ATM?**

- If a dye-stained banknote or counterfeit note is withdrawn from an ATM, then you must immediately report it to the bank from which the note was withdrawn.

**47. What can I do with a mutilated (damaged) banknote?**

- It can be exchanged at a commercial bank where the member of the public is an account holder.
- Alternatively, contact the SARB Head Office at 012 313 3911/086 112 7272 or via email at [currency@resbank.co.za](mailto:currency@resbank.co.za).

**48. Do I require permission from the SARB to reproduce or use images of the South African Currency?**

- Yes.
- All reproduction images of the South African currency should be approved by the SARB before use.
- Approval of reproduction is granted for a limited period only.
- All approved reproductions should reflect the word 'IMAGE NOT A LEGAL TENDER' on them.

## Central bank digital currencies: frequently asked questions

### 1. What is a central bank digital currency (CBDC)?

- A CBDC is a form of money that is denominated in fiat currency<sup>1</sup> (central bank money), in an electronic form, and which is a liability on the central bank's balance sheet similar to cash and central bank deposits.
- In the context of the SARB's current CBDC feasibility study, it could be considered as 'smart cash' with unique attributes enabled by its digital form.
- The Bank for International Settlements<sup>2</sup> (BIS) defines a CBDC as a purely digital banknote that could be used by individuals to pay businesses, shops or each other (called a 'retail CBDC'), or between financial institutions to settle trades in financial markets (called a 'wholesale CBDC').

### 2. The SARB is undertaking a CBDC feasibility study. What is the objective of this study?

- The objective of the study is to investigate if it would be feasible, appropriate and desirable for the SARB to issue a CBDC to be used for retail purposes, complementary to cash in South Africa.

### 3. Does the fact that the SARB has embarked on a feasibility study imply that the SARB will issue a CBDC?

- No.
- The outcome of the feasibility study will reveal the desirability and appropriateness of issuing a CBDC in South Africa.
- It will highlight the different CBDC design options and the potential policy and/ or regulatory implications associated with these options.
- The insights gained will inform the decision around whether to pursue the issuance of a South African CBDC.
- Even if the outcome of the feasibility study suggests that the issuance of a CBDC in South Africa may be feasible and/ or desirable, it does not necessarily imply that it will be pursued.

### 4. What is the difference between a CBDC and cash?

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<sup>1</sup> *Fiat* currency is a government-issued *currency*.

<sup>2</sup> <https://www.bis.org/about/bisih/topics/cbdc.htm>

- Cash has a physical presence, whereas a CBDC is available exclusively in digital format.
- The digital nature of a CBDC unlocks potential benefits related to usability for consumers and merchants, safety and security, and traceability of transactions without infringing on privacy rights.
- CBDC payments and remittances can be made remotely, which is difficult to do with cash.

**5. What is the difference between a CBDC and crypto-assets such as Bitcoin?**

- Crypto-assets are privately issued (i.e. by a non-central bank) and have a decentralised and disintermediated value proposition (i.e. crypto-assets offer a direct, peer-to-peer transactional capability that does not require a financial intermediary, such as a bank).
- Crypto-assets are not a liability on any institution's balance sheet and unlike a CBDC, they are not backed by any government or centralised authority.
- Because they are not on anyone's balance sheet as an obligation to the holder (i.e. the holder has no claim on the issuer as there is no central issuer), the user is potentially exposed to risk. Crypto-assets such as Bitcoin are susceptible to large price fluctuations, generally making them less predictable and therefore less suitable as a stable medium of exchange.
- The introduction of a more stable type of crypto-asset, known as 'stable coin', addresses the inherent volatility of crypto-assets by linking the value of the crypto-asset to a fiat currency (such as the US dollar), a basket of fiat currencies (such as the US dollar, euro and others), or a traditional asset or commodity (such as gold or oil).
- In short, if a CBDC is guaranteed by the issuing central bank, it would be as safe as cash and would have minimal or no counterparty risk.

**6. If most money exists in digital form, what is the difference between CBDC and money in your bank account?**

- When money is held in a commercial bank account in a digital form, it represents an amount owed to you by that bank (i.e. it is a claim that you have against the bank).
- It can typically be withdrawn in its physical form, but only if the bank is solvent.
- A CBDC, on the other hand, is backed by the central bank and is a liability on the central bank balance sheet, similar to cash.
- A CBDC with legal tender status would not be a commercial bank's liability, so you would not have to rely on a particular bank's solvency to be able to maintain your

balance.

**7. What is the difference between wholesale and retail CBDC, and what is the focus of the SARB's CBDC feasibility study?**

- The focus of the SARB's CBDC feasibility study is on a retail CBDC, that is, a CBDC that is accessible to the public for everyday consumer and merchant commercial activities.
- By contrast, a wholesale CBDC is typically available only to financial institutions for high-value transactions.

**8. What are the key design principles of a CBDC?**

- It must be a generally accepted medium of exchange/means of transacting, accepted and trusted by consumers and businesses as legal tender, and complementary to cash.
- It must be available to and usable by everyone in the South African economy and the financial system.
- Its value must be pegged at a one-to-one parity with the South African rand.
- It will be a liability on the SARB's balance sheet and will remain so throughout the distribution chain (similar to cash).
- It should have the attributes of a generally accepted medium of exchange, that is, it must be divisible, durable, fungible (exchangeable) and portable, and the supply should be limited.
- Its value must be transferable immediately and irrevocably.
- In addition to these core principles, the following attributes of a CBDC should be addressed in its design:
  - Ability to be exchanged for cash from a commercial bank.
  - Use alongside other means of payment in the financial ecosystem (e.g. debit cards or electronic fund transfers).
  - Strong safety and security measures to protect against counterfeiting and fraud.
  - Ability to allow for improved regulatory reporting and anti-money laundering/combating the financing of terrorism measures, while still protecting the privacy of the user.
  - Usability in the absence of connectivity to a network as a contingency measure, albeit with some limits on the value and/or number of transactions.

**9. What are the types of CBDC deployment models?**

- The CBDC feasibility study will examine two types of deployment models, typically considered globally. These can be summarised as:
  - The account-based model: A third party is involved in holding an account on behalf of an entity (business or consumer) and maintaining debits and credits against the account. The entity has a claim on the third party to the net value in the account. This is similar to a commercial bank account.
  - The token- or value-based model: The value is inherent in the object that an entity possesses. No third party is needed, as transferring the object of value from one entity to another is sufficient to transfer the value. This is similar to physical cash.
- The CBDC feasibility study is expected to examine the advantages and disadvantages of both models.

#### **10. What is distributed ledger technology (DLT)?**

- A ledger is basically a record system.
- DLT is a secure digital system for recording the transacting of assets (such as CBDC) in which the transactions and their details are recorded in multiple places simultaneously.
- This approach offers benefits in terms of resilience (less exposure to a central database failure), as well as safety and integrity through the validation of transactions by multiple stakeholders.

#### **11. What is blockchain technology?**

- Blockchain technology is used to facilitate a shared, distributed and immutable ledger.
- The term 'immutable' refers to the attribute of a blockchain that ensures that the integrity of the history of every transaction that has ever occurred can be guaranteed.
- The name comes from the way transactions are grouped into blocks, verified, processed and stored in a sequence (chain) that is electronically verifiable, which makes it indisputable.
- Bitcoin is an example of a crypto-asset developed using blockchain technology.

#### **12. What is the difference between blockchain and DLT?**

- DLT can be seen as a family of technologies, ranging from distributed databases to tokenisation, while blockchain is one type of this technology.

**13. Will a CBDC have to be implemented using a DLT such as blockchain?**

- There is no fixed rule regarding the technology used to implement a CBDC.
- It is more important that the requirements and design attributes are understood before selecting a technology that solves these needs.
- However, most existing CBDC projects are based on a form of DLT, or a 'blockchain-like' technology.

#### **14. Can cash and a CBDC co-exist?**

- Yes.
- Should a CBDC be issued, the most likely scenario is that it would exist alongside cash, so that people can decide whether they want to use cash, the CBDC, commercial bank money, or some combination of these.
- Therefore, much the same as physical cash co-exists with money in your bank account and can be transferred from one form of money to another, a CBDC would provide another option with its own unique qualities.

#### **15. What is a digital wallet?**

- A digital wallet can be described as a container (i.e. an electronic device) in which the holder may securely store digital value.
- Potential consumer devices include chip-embedded cards, smartphones and several emerging dedicated devices incorporating additional security features such as biometric readers or PIN codes.
- Digital wallets typically include technologies to interface with point-of-sale devices (i.e. QR code scanners, near-field communications and other wireless communication technologies) thereby providing a secure means of transacting and transferring value between consumers and businesses.

#### **16. Is South Africa the only country exploring a CBDC?**

- No.
- According to a recently published BIS survey,<sup>3</sup> the year 2020 saw an official launch of a retail CBDC in the Bahamas.
- It is likely that more retail CBDCs will be rolled out soon.
- Most central banks are exploring the case for CBDCs.
- Overall, the survey indicates a continuous move from purely conceptual research to experimentation and pilot projects.
- Yet, despite these developments, a widespread roll-out of CBDCs still seems some way off.

#### **17. What are the possible advantages of issuing a CBDC?**

- The CBDC feasibility study will examine the extent to which a CBDC would support

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<sup>3</sup> C Boar and A Wehrli, 'Ready, steady, go? Results of the third BIS survey on central bank digital currency.' BIS Papers No 114. BIS Monetary and Economic Department, January 2021.

<https://www.bis.org/publ/bppdf/bispap114.htm>



several outcomes potentially affecting the SARB, the national payment system, as well as consumers and businesses. The study topics include:

- improving the ability of the unbanked and underbanked to participate in the financial system and thereby also the economy;
- modernising and optimising the issuance of legal tender;
- maintaining and enhancing the SARB's ability to ensure price and financial stability;
- stimulating innovation and competition towards cost-effective and appropriate payment services and products to consumers and businesses; and
- improving transparency and visibility from a regulatory and crime prevention perspective, while ensuring the privacy of consumers and businesses.

**18. What are the possible risks of issuing a CBDC?**

- The CBDC feasibility study will consider potential risks and unintended consequences, and how these would need to be mitigated. Some of these are:
  - lack of adoption, buy-in and trust from consumers and businesses;
  - operational risks associated with the creation, issuance, distribution, transactional usage and management of a CBDC;
  - reputational risk of an unsuccessful CBDC implementation for the SARB, the payment system and South Africa;
  - potential unintended displacement of financial system stakeholders from their roles as intermediaries in the ecosystem, which could impact financial system stability (e.g. moving commercial bank money from deposit accounts to a retail CBDC could affect the ability of commercial banks to extend credit to consumers and businesses); and
  - the risk of attacks from hackers and criminals.

**19. Will a CBDC compete with existing methods of payment such as credit cards?**

- A retail CBDC is not intended to displace or compete with other payment instruments.
- It is a potential additional payment instrument with specific attributes and characteristics that make it attractive for certain uses.

Members of the public can contact the SARB at 012 313 3911/086 112 7272 or [currency@resbank.co.za](mailto:currency@resbank.co.za) should they have any queries related to the currency issued by the SARB.