

Bank of Israel Remains Uncertain About Potential CBDC

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By Karen Webster

BOSTON, Massachusetts—The Bank of Israel reportedly plans to wait until another advanced economy launches a central bank digital currency (CBDC) before introducing one of its own.

The European Central Bank (ECB) is likely to be the first to do so, “and then you may see a rush of countries going forward with it,” Bank of Israel Deputy Governor Andrew Abir told Reuters in an interview posted Thursday (July 11).

The Bank of Israel first began considering a CBDC in 2017, stepped up its research and preparation in November 2020, and has been experimenting with a digital shekel with its counterparts in Hong Kong, Sweden and Norway (as well as the Bank for International Settlements), according to the report.

It has also organized a “Digital Shekel Challenge” and invited both FinTechs and traditional financial companies to participate in it and demonstrate possible use cases, the report said.

At the same time, the Bank of Israel might not launch a digital shekel – these projects are aimed at making sure it’s ready should it choose to do so, per the report.

Similarly, the ECB has said that a digital euro is not inevitable, according to the report.

As of March, 134 countries were exploring CBDCs, with China and some others advancing far into their pilot programs, the report said.

Abir said in the report that the Bank of Israel’s “main incentive” for looking at a CBDC is to enable payment providers to compete with banks. Because a payment provider doesn’t hold the money when a CBDC is used, it could have a lower level of supervision and capital requirement than a traditional payment provider.

The Bank of Israel, the central banks of Sweden and Norway, and the Bank for International Settlements said in September 2022 that they would explore how CBDCs could be used for international retail and remittance payments.

In September 2023, Bank of Israel Governor Amir Yaron said the organization saw a need to improve the country’s payment systems and was considering a CBDC but was not sure if it would create one.

“Whether or not we will issue a digital shekel is still an open question, as it is in most (if not all) other advanced economies,” Yaron said at the time.