



New Zealand Charitable Trust

Physicians and Scientists for Global Responsibility (PSGRNZ)

On the Brink – How Central Bank Digital Currency threatens civil, constitutional and human rights.

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Physicians and Scientists for Global Responsibility (PSGRNZ) have published a paper raising major questions and encouraging debate regarding the potential risks that arise from the inter-operability of Digital Identity (ID) systems and central bank digital currencies (CBDCs).

Stepping Back from the Brink: The Programmable Ledger. Four democratic risks that arise when Digital IDs are coupled to Central Bank Digital Currencies.

The paper questions what the broader impacts might be, should the RBNZ secure the power to release CBDCs.

New Zealand's Central bank, the Reserve Bank of New Zealand (RBNZ) has [opened a consultation](#) on central bank digital currencies (CBDCs). The consultation, which closes on July 26, 2024, is part of an apparently undisclosed four-stage campaign. It's not clear whether government Ministers have even been briefed. The RBNZ appear to be holding the entire campaign close to their chest.

The RBNZ already have extensive responsibilities, which are already more extensive than most Central banks. Might there be conflicts of interest if they can *also* issue retail CBDCs?

The RBNZ downplay the key risks that make CBDCs dauntingly troublesome for democratic societies. The RBNZ call CBDC 'digital cash' undermining and obfuscating the major difference between digital cash in bank accounts – and CBDCs.

A key issue is the risk of control over people through restricting their access to digital currency.

CBDCs would be programmable, and they would be tied to a person's Digital ID. The programmability is enabled by smart contracts, sets of executable code that can be triggered if a pre-specified condition is met. Smart contracts can be deployed remotely or directly, and they can be bundled together so that many people can be impacted at once.

Parliament may lose control and oversight of publicly-created money movements.

Because of this 'dark infrastructure' that will be hidden by technological complexity and commercial-in-confidence agreements, the technologies have potential to be dialled up or dialled down outside of parliamentary scrutiny. From commencement, there is the capacity for governments to revoke (withdraw) payments and for people's spending to be constrained by political objectives.

Call for a moratorium on Central bank 'digital cash'.

PSGRNZ have identified that the information and risks presented by the RBNZ in their CBDC campaign papers duplicates the language and concerns of large global institutions, which include the finance and technology (Fintech) industry. PSGRNZ are concerned that the RBNZ's one-sided approach has ignored and downplayed risks and concerns that are relevant to both individuals and democratic governments.

Discussions so far behind closed doors must be opened up for wider community input.

CBDCs are the policy darling of the global Central banks and the Fintech industry. Meanwhile, democratic society, non-RBNZ researchers, and in particular, public law experts have been left scrambling.

The paper's lead author and PSGRNZ spokesperson Jodie Bruning stated:

'The unknowns are extraordinary, and the RBNZ seem to be gliding over the surveillance potential when Digital IDs and CBDCs are interlinked. Privacy and human rights concerns have not been addressed. While government communications stress privacy in retail transactions, far too little attention has been paid to the problem of broader government surveillance, including through backdoor access points.'

It's evident that there is a low level of public trust in the countries where CBDCs have been pushed on people, which include [China](#) and [Nigeria](#). It's also evident from an Australian trial that cashless economies can [adversely impact](#) low-income groups, increasing people's compliance burdens, while reducing their autonomy. The adverse effect on targeted groups can then be downplayed by authorities, including during [parliamentary inquiries](#).

While the Australian trial did not involve programmable payments, automated CBDC transactions and operations can certainly be bundled together to target groups. This 'composability' can be deployed via self-executing smart contracts. These functions enable control over CBDCs at scale and pace.

PSGRNZ ask that the public of New Zealand and their representatives make time to ask whether CBDCs open up a Pandora's box that produces real risks for civil, constitutional and human rights. Our concerns include:

1. Knowledge that Digital IDs coupled to CBDCs enhance all-of-government oversight over private activity including through back-door arrangements.
2. That programmable smart contracts can be used at scale to achieve targeted political objectives and limit rights and freedoms, hence carrying real risk for abuse.
3. That due to the complexity of the digital infrastructure, there is little possibility for parliamentary oversight.
4. A risk of an inevitable shift in delegation of responsibilities to the Bank of International Settlements (BIS) and International Monetary Fund (IMF) through guidance, global harmonisation, and best practice arrangements, and away from sovereign governments.

PSGRNZ recommend a minimum six-year moratorium of any CBDC trial.

That the RBNZ is not granted authority to issue CBDCs until after 2030. That any parliamentary vote is taken after a six-year period of observation of the impact on other jurisdictions, including a potential impact on rights and freedoms.

Other PSGRNZ recommendations include a requirement that government does not exclusively favour Digital IDs and instead equally accepts passports or drivers' licenses for access to government services and employment. Finally, a review of the broad powers of the Department of Internal Affairs is required to ascertain the potential for information sharing agreements between government agencies to be employed in connection with Digital IDs and CBDC functionality, and then deployed at scale to fulfil political objectives.

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PDF: [Stepping Back from the Brink.](#)