

Central Bank Digital Currencies

May 2023

In 2021 The Bank of England and the Treasury announced plans to launch a formal consultation on a UK central bank digital currency.

This evaluation of the design and possible benefits of a new kind of digital money is a further step towards its possible creation.

The currency, for use by households and businesses, would sit alongside cash and bank deposits, rather than replacing them.

No decision had been taken on whether to have such a currency in the UK.

But the consultation in 2022 would form part of a "research and exploration" phase and would help the Bank and government develop the plans over the following few years.

- The European Central Bank in July took a first step towards launching a digital version of the euro, kicking off a 24-month investigation phase to be followed by three years of implementation.
- Work on a digital euro accelerated after Facebook unveiled plans to create its own currency in 2019, although Facebook later thought again about its Libra currency after strong opposition from regulators, and renamed it "Diem" .
- While China has been at the forefront of CBDC moves, the US Federal Reserve has been more sceptical.
- Some central banks have warned that widespread use of CBDCs could deprive banks of a cheap and stable source of funding from consumer deposits.
- In October 2021 Nigeria became the first African country to launch a CBDC pilot and in September, El Salvador became the first country to use the virtual Bitcoin currency as a legal tender, alongside the US dollar.
- It led to widespread protests as demonstrators feared it would bring instability and inflation to the country.

- 2nd February 2023 debate in House of Lords
- Lord Bridges response on “A solution in search of a problem”
- <https://www.bbc.co.uk/programmes/m001jb5s>

- 114 countries now investigating
- China running successfully but only internally
- Ease of international transfers, cutting out large banking costs/fees
- Nigeria taking 5% fee
- Would not replace cash.
- No interest on digital pound
- Privacy rules/ public trust