Bank of England

HM Treasury

The digital pound: a CBDC for the UK

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We are consulting on the design of a UK Central Bank Digital Currency

We are calling our proposal for a UK CBDC **'the digital pound'**

- 'The digital pound' Consultation Paper (CP): a joint publication from Bank of England and HM Treasury
- Headline: A digital pound is likely to be needed in the future
  - CP analyses the public policy case for a CBDC in the UK
  - CP sets out a proposed design
- No commitment to implement, but clear step up in work into a design phase
- The Bank also published an accompanying CBDC Technology Working Paper

Next steps after consultation

We will accelerate our work to develop the digital pound by entering a 'design phase'

The second half of the decade is the earliest point we could launch a digital pound, were we to decide to build one.

Why is the digital pound likely to be needed?

We've heard: CBDC a solution looking for a problem

- Long term = developments in payments habits and the digital economy. We cannot only look at how we pay today.
- Transactional use of cash is declining and the usefulness of cash is limited in the digital world.
- We are looking at the role of new tech entrants and functionalities of money.
- The digital pound will be secure, resilient and open public infrastructure to allow a wide range of business to innovate.
- International developments in CBDCs have the potential to affect the UK

We judge a digital pound is likely to be needed in the future

To ensure the role of central bank money as an anchor for confidence in our monetary system

Promoting innovation, choice, and efficiency

Payments resilience, improving cross-border payments, and maximising financial inclusion

Our model for the digital pound in detail

We propose to deliver the digital pound through the 'platform model'

The platform model: role of the Bank of England

Public sector infrastructure to support private sector innovation

- Users' digital pounds would be held on the 'core ledger',
- Private sector would be responsible for interacting directly with end users.
- Operationally resilient
- Extensible and flexible
- Interoperable

The platform model: role of intermediaries

Private sector innovation would play a key role in the digital pound system

- The private sector would provide pass-through wallets
- Wallets would not hold digital pounds on their balance sheet
- There would be opportunities for businesses who do not wish to process payments
- Non-financial firms could be involved
- There would be a robust legal and regulatory framework

A digital pound would have low barriers to entry, and support innovation, choice, and efficiency

Innovation

Choice

Efficiency

The CP sets out a high-level design for a digital pound

Our model for the digital pound

- Public-private partnership
- Used by households and businesses
- Public digital money issued by a central platform operated by the Bank of England
- Seamlessly exchangeable with other forms of money, including cash and bank deposits
- Wallets to hold digital pounds offered by the private sector
- Accessed by users through smartphones or cards
- Privacy protected like for cards and bank accounts, but not anonymous
- No interest paid
- Neither the Bank nor the Government would have access to users' personal data
- Limited amount per user, at least initially
- Accessible to UK and non-UK residents
- For everyday payments online and in-store

Digital Pound Features: User interaction

Using smartphones or cards

In-store, online and person-to-person

Easy to move between digital pounds and other types of money

Digital pound features : Interest and limits

The digital pound would not pay interest

- Intended to be a means of payment, not intended as a savings product

There would be a limit on how much you could hold

- A limit of £10,000 to £20,000 is proposed

Non-UK residents could use digital pounds too

- When visiting the UK (e.g., as tourists), and when outside the UK for payments with either a UK or non-UK resident

Digital pound features : Privacy

A digital pound would be private but not anonymous

Neither the Bank nor the Government would have access to digital pound users' personal data

Users would be able to make choices about the way their data is used

Neither the Bank nor the Government would program a digital pound or restrict how it was spent

Digital pound features : Financial inclusion

It is not a main motivation for introducing the digital pound…

…but it could be an additional payment option for some financially excluded groups

Some relevant factors include:

The extent to which familiar devices can be used and whether there is a role for in-person services (e.g. Post Office)

Cost and simplicity to use

Ease of understanding and trust

Annex