

## **Digital Pound - Oral statement – Economic Secretary**

### **6 February 2023 – Check against delivery**

Mr Speaker, with permission, I will now make a statement about the steps we are taking to consider the future role of a potential digital pound.

HM Treasury is today publishing and laying in Parliament a consultation paper jointly with the Bank of England.

Entitled “*The digital pound: a new form of money for households and businesses?*”, this paper aims to open a national conversation about the future of money in the UK.

The way we use money in the United Kingdom – as it is across the world - is changing. Cash will remain important but banknotes, issued by the Bank of England, are being used less frequently by households and businesses. New technologies are allowing for the emergence of new forms of digital money, and new ways and devices to pay for goods and services with it. International developments have the potential to affect the UK domestically and as a global leader in finance.

Ensuring that public trust in money remains high, and that forms of money and payments meet the evolving needs of individuals and businesses, are fundamental responsibilities of the Government on which Parliament must have its say.

We are determined that the UK should remain at the forefront of innovation in money, payments and financial services. This is part of the Government’s vision for a technologically advanced, sustainable, and open financial services sector. A sector that is globally competitive, and acts in the interests of communities and citizens, creating jobs, supporting businesses, and powering growth across all four nations of the UK.

A UK “digital pound” – would be a new form of digital money for use by households and businesses, for their everyday payments needs. The digital pound would be a new form of sterling, similar to a digital banknote, issued by the Bank of England. For people and businesses, the experience of using a digital pound would be very similar to using other forms of digital money. For example, it would be accessible online via smartphones and computers, as well as through cards that can be used at point-of-sale terminals. It would be fully

interchangeable with cash or money in your bank – £10 of a digital pound would always be worth the same as £10 of cash.

I would like to be clear that the Government is legislating to protect access to cash, and ensuring that the UK's cash infrastructure remains sustainable long term. So, as part of the wider landscape of money and payments it would sit alongside, and not replace, cash – a digital counterpart to familiar, trusted banknotes and coins, and subject to rigorous standards of privacy and data protection. It would be denominated in sterling, and digital pounds would always have the same value as, and be interchangeable with, the equivalent physical banknote. Unlike crypto assets and stable coins, the digital pound would be a central bank digital currency or CBDC - sterling currency issued by the Bank of England, and not the private sector.

A digital pound would help to ensure that money issued by the central bank – currently available only as cash – remains available and useful in an ever-more digital economy. Knowing that there is an ultimate backstop to convert your money – money in your bank, in your e-money account – into cash or CBDC at any time is the foundation of confidence in all forms of money, both day-to-day and in crisis. As cash is less-and-less used, the importance of a CBDC to provide that constant access to Bank of England-issued money could rise. It will safeguard the UK's monetary sovereignty in a changing global financial system. It could provide a platform for private sector innovation, promoting further choice, competition, efficiency and innovation in payments.

On the basis of our work to date, the Bank of England and HM Treasury judge that it is likely a digital pound will be needed in the future. It is too early to commit to build the infrastructure for one, but we are convinced that further preparatory work is justified.

Any future digital pound would be a major piece of national infrastructure which would likely take several years to complete. It would need to be safe, secure, and the legal basis for the digital pound would be determined alongside consideration of its design. Its launch would require deep public trust in this new form of money – trust that their money would remain safe, accessible, and private. The journey towards issuing any digital pound therefore necessarily involves an open, national conversation about the future of our money, in parallel with the very important detailed technical consideration by experts across the UK public authorities, and informed by evolving market trends.

The consultation we have published today and which will be open for four months – issued jointly by HM Treasury and the Bank of England – opens that conversation and seeks to begin to build that foundation of public trust.

The paper sets out our vision of why we consider a digital pound might be needed, alongside our vision of how a digital pound could work, should we decide in future to issue one. The digital pound would be designed for everyday payments both in-person and online. Like a physical banknote no interest would be paid on a digital pound.

Privacy, user control and use of data in line with UK data protection laws is of paramount importance. And so I want to reassure the House that our vision for a digital pound would have the same privacy protections as bank accounts, debit cards or cheques. Neither the Government nor the Bank would have access to digital pound users' personal data except for law enforcement agencies under limited circumstances, prescribed by Parliament in law, and on the same basis as applies to other digital payments. The digital pound would not be anonymous because the ability to identify and verify users is needed to prevent financial crime.

The consultation seeks feedback on the policy and technical work undertaken so far to develop this proposed model. Today's paper is published alongside a Technology Working Paper being issued by the Bank of England, exploring the many technology challenges involved in a digital pound.

Drawing on the feedback we receive, we are committing to move to the next phase of work. This will inform a future decision on whether or not to progress to building, and launching, a digital pound, and let me assure the honourable and Right Honourable members that a further update to Parliament would be made prior to that. It will also inform our current proposal for its form and functions, decisions on which will be taken forward in the next stage. We will now move into a 'design' phase to develop further, in both technology and policy terms, the model for the digital pound upon which we are consulting.

At this exciting time of change in money and payments, this consultation is a vital step in positioning the UK to act decisively, should be choose to introduce a digital pound.