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Digital Pound Consultation
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The digital pound: A new form of money for households and businesses? Consultation Paper

Dear Sir or Madam,

CryptoUK (“**CUK**”, “**we**”) and its members welcome the opportunity to comment on the Consultation Paper regarding the proposals set out for the digital pound. CUK is the UK’s self-regulatory trade association representing the cryptoasset sector. Our members comprise leading companies from across the sector.

In responding to the Consultation Paper, we set out the views of our members and others in the community. We seek to offer pragmatic and relevant suggestions as to how we believe His Majesty’s Treasury and The Bank of England could approach the areas arising in the consultation paper.

Consultation Questions:

8. Do you have comments on how trends in payments may evolve and the opportunities and risks that they may entail?

We expect that consumer demand for digital forms of money will continue to grow, as evidenced by the rapid adoption of faster payments and contactless cards in the UK.

We recognise that launching a digital pound is an important public policy decision. We believe that a digital pound should only be launched if it provides benefits to individuals and businesses that exceed any costs and risks; yield such benefits more effectively than alternative methods and complement rather than replace current forms of money and methods for providing financial services.

We also believe it is important to recognise that a digital pound can coexist with and complement privately issued stablecoins. This is particularly true given that a digital pound by definition will be developed primarily for domestic use, with certain cross-border interoperability capabilities, while stablecoins are not limited by geographic boundaries and can be purchased or used all around the world. Moreover, stablecoins can leverage the unique functionality inherent to public blockchains and be used in a greater range of smart contracts and applications than a digital pound that may choose to use a private blockchain.

9. Given our primary motivations, does our proposed design for the digital pound meet its objectives?

We believe it is key that the proposed platform model would allow for private sector intermediation of a digital pound and potential new financial products and services more broadly.

Intermediaries should be subject to rigorous standards regarding their operational resilience, financial services, technical expertise, risk management and compliance programmes. We welcome the accessible and open nature of the proposed infrastructure as it would mean that any company that meets these standards, including both banks and non-banks, should be eligible to provide digital pound services. Crypto UK members could integrate a digital pound in their wallet or card offerings, leveraging their existing anti-money laundering programs.

While we appreciate that the primary motivation is the creation of a digital equivalent of cash for individuals to use for day-to-day spending, we would also support consideration for the creation of a wholesale CBDC that could for example be used by stablecoin issuers for reserve assets.

10. Do you have comments on our proposition for the roles and responsibilities of private sector digital wallets as set out in the platform model? Do you agree that private sector digital wallet providers should not hold end users' funds directly on their balance sheets?

We believe that it is key to set minimum standards in terms of functionality, user experience and consumer protection. We think it is particularly important to have policies and procedures addressing any digital pound specific consumer protections and a thorough understanding of what those protections mean from a user's perspective. For example, intermediaries should be responsible for clearly informing users of their rights and any limitations on their ability to halt, reverse or dispute transactions that may arise from a digital pound's ability to achieve settlement finality more quickly than traditional payment rails.

There will also be a need for a liability and compensation framework for instances of fraud in a digital pound ecosystem, and a reflection on lessons learnt from Automated Push Payment (APP) scams in a faster payment context.

11. Do you agree that the Bank should not have access to users' personal data, but instead see anonymised transaction data and aggregated system-wide data for the running of the core ledger?

Strongly agree - We support the proposal for intermediaries to only share anonymised personal data with the Bank of England and believe that the use of anonymised transaction data and aggregated system-wide data is sufficient for the running and improving of the operational resilience of the core ledger.

12. What views do you have on a privacy-enhancing digital pound?

We believe that it is important to balance the law enforcement benefits of greater visibility of payments against individual privacy risks. We support the proposal to have a small number of small value transactions benefiting from higher levels of privacy in particular if the primary objective is to create a digital equivalent of cash. We think it is key to have a uniform set of rules across digital payment methods so as to not discriminate between them.

13. What are your views on the provision and utility of tiered access to the digital pound that is linked to user identity information?

No comment

14. What views do you have on the embedding of privacy-enhancing techniques to give users more control of the level of privacy that they can ascribe to their personal transactions data?

No comment

15. Do you have comments on our proposal that in-store, online and person-to-person payments should be the highest priority payments in scope? Are any other payments in scope which need further work?

We believe that the consideration of offline payment should also be of the highest priority. It is key to consider design options that would allow a digital pound to operate in the absence of a reliable internet connection, so that users are consistently able to access their funds. For example, digital pound accounts could be linked to a plastic card or similar physical device, which would make a digital pound usable at least as broadly as debit and credit cards today. A more complete offline solution may also involve providing the functionality for a device such as a smartphone to store offline information about pending transactions and execute these transactions once returned to connectivity.

16. What do you consider to be the appropriate level of limits on an individual's holdings in transition? Do you agree with our proposed limits within the £10,000-£20,000 range? Do you have views on the benefits and risks of a lower limit, such as £5,000?

While we recognise this topic serves to address financial stability risks that may extend beyond the scope of Crypto UK members' focus as a business, we urge the Bank of England to recognise user acceptance and practicality as important goals, and to impose limits on individuals' digital pound holdings and transaction volumes only to the extent they are necessary.

17. Considering our proposal for limits on individual holdings, what views do you have on how corporates' use of digital pounds should be managed in transition? Should all corporates be able to hold digital pounds, or should some corporates be restricted?

We support the view that limits on holdings for corporates should be significantly higher than for individuals.



18. Which design choices should we consider in order to support financial inclusion?

No comment.

19. The Bank and HM Treasury will have due regard to the Public Sector Equality Duty, including considering the impact of proposals for the design of the digital pound on those who share protected characteristics, as provided by the Equality Act 2010. Please indicate if you believe any of the proposals in this Consultation Paper are likely to impact persons who share such protected characteristics and, if so, please explain which groups of persons, what the impact on such groups might be and if you have any views on how impact could be mitigated.

No comment