

Transactions in RBI's digital currency pilots gather pace

Wholesale segment averages ₹325 crore per day in November

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Transactions gained momentum in the pilots for the central bank digital currency (CBDC), with the wholesale segment (CBDC-W) averaging ₹325 crore worth of deals per day in November, while in the retail segment (CBDC-R), the Reserve Bank of India (RBI) created ₹3-crore digital currencies in the first two days of the pilot.

The wholesale pilot for the CBDC was started on October 1 with eight banks, and the retail pilot on November 1 with four banks, along with merchants and customers in four cities in a closed-user group.

"In terms of bilateral security transactions, the CBDC-W-based settlement has shown impressive performance," said a person aware of the developments.

"The average value of trades through bilateral security transactions using CBDC-W as the funding asset amounted to around ₹325 crores per day during the one month of the pilot," said the person.

Sources said throughout the pilot, the system did not face major issues and all minor glitches were resolved immediately.

The initial response to the retail pilot has been enthusiastic,

GAINING CURRENCY

■ **₹3-crore digital currencies issued to banks by RBI** in the first two days of the retail pilot

■ **Systems did not face any significant issues** and all minor glitches were resolved immediately

■ **CBDC-W-based settlement** has shown impressive performance

■ **Retail CBDC (CBDC-R)** to test offline functionality

■ **CBDC may be extended to cross-border transaction** at the institutional and individual levels

with a total of around ₹3 crore digital currencies across denominations issued to the four participating banks in the first two days.

Currently, specific use cases of person-to-person and person-to-merchant transactions are being tested in the retail pilot. The digital rupee is facilitating individuals to hold and transact risk-free central bank money in digital form. Akin to cash, it is not carrying any interest but provides the option of recoverability

in the case of loss of the digital rupee.

In terms of technological architecture, the digital rupee is leveraging the strengths of both the decentralised ledger technology (tech) and the centralised systems.

The retail CBDC is expected to test the offline functionality for enhanced financial inclusion and to provide cash-like experience in areas where internet connectivity is fuzzy.

Sources said the programma-

bility feature will also be tested for directed benefits.

The subsequent pilots of the retail segment will also test various design choices and tech architecture. After gaining experience from the retail pilot, the RBI may launch the digital rupee for the entire country.

"Based on experiences gleaned from multiple pilots, a robust and efficient tech architecture will be designed, and appropriate design choices crystallised to enable launching the digital rupee for the entire country in due course," informed sources.

On the wholesale side, the use cases will extend to such market segments where central counterparties do not exist. Corporate bonds, commercial papers, and certificates of deposit are some instruments which are bilaterally settled.

The central bank is also thinking of extending the use case of CBDC to cross-border transactions, both at the institutional and individual levels. This will allow reaping the most potential benefits of dealing in central bank money by bringing time/cost efficiencies.

