

‘Working on keeping e₹ transactions anonymous’

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The Reserve Bank of India (RBI) is exploring technological solutions to keep retail transactions using the digital rupee ‘anonymous’. Deputy Governor T Rabi Sankar said the central bank could also explore legal provisions to keep the transactions anonymous. It will weigh its options as things evolve but will ensure the anonymity of transactions up to a certain limit, which is a basic feature of cash transactions.

At a post-monetary policy press conference, Sankar said, “A fundamental feature of cash is anonymity. One of the reasons it is still being used in many developed countries to a large extent is because of the anonymity it provides.”

“How anonymity is to be ensured in the case of a digital currency... because the normal understanding is that anything digital leaves a footprint...can have various solutions. We are



Deputy Governor T Rabi Sankar said ensuring anonymity in the case of a digital currency was important because the normal understanding was that anything digital leaves a footprint

firstly looking at a technological solution. We understand there are technologies possible to do

that,” he said.

The basic distinction between Unified Payments Interface (UPI) transactions and digital rupee transactions is that UPI is a payment mode, which involves the intermediation of banks, and the digital rupee is money. So, all UPI transactions hit banks’ core banking solution (CBS). But in the case of a digital rupee, once the money is withdrawn from the bank and reaches the customer’s wallet, the transaction that takes place following this process is essentially a transfer of money between two wallets.

Experts have suggested that when a bank transfers the digital cash to a central bank digital currency (CBDC) wallet, that transaction is recorded in the core banking solution (CBS) because it is similar to when a person withdraws money from the bank.