

# India's CBDC to begin this fiscal with wholesale

No scope for anonymity by its users to start with

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**T**he Reserve Bank of India (RBI) is planning to introduce its Central Bank Digital Currency (CBDC) this fiscal year in a phased manner, initially for use only by wholesale businesses, and is designing it in a way that leaves no room for anonymity by its users, sources said.

The CBDC will be introduced for retail segments only after the RBI examines its usage among wholesale businesses, and a call on whether to allow anonymous transactions for general usage will be taken then.

"We are working on rolling out the CBDC for the wholesale segment this year. To begin with, there will be no scope for anonymity," a top official said.

India's own sovereign-backed CBDC was first announced by Union Finance Minister Nirmala Sitharaman in the 2022 Union Budget.

"Introduction of CBDC will give a big boost to digital economy. Digital currency will also lead to a more efficient and cheaper currency management system. It is, therefore, proposed to introduce Digital Rupee, using blockchain and other technologies, to be issued by the RBI starting 2022-23," she had said.

Amendments to the RBI Act were made to enable the introduction of the digital rupee. The RBI has conducted a pilot of the CBDC and is preparing its roll-out.

The CBDC is a digital or virtual currency but differs from private cryptocurrencies in that it fulfils a key condition of what defines a currency: Being backed and issued by a sovereign. Private virtual currencies do not represent any person's debt or liabilities because there is no issuer.

Canada, China, South Korea, and Japan are some of the other major economies that are considering introducing their CBDC.

While private digital-currency transactions are taxed, there is yet no regulation or law on this. The Cryptocurrency and

## GAINING CURRENCY

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▶ **Basel-based FSB coming up with global cryptocurrency regulations;** India is a member of FSB



Regulation of Official Digital Currency Bill has not yet been tabled in Parliament.

Sitharaman recently told Parliament the RBI had expressed concern over private digital currencies and sought a complete ban on them. The government, on its part, says any regulation of cryptocurrencies will have to be a global effort.

It is learnt that the Financial Stability Board, whose members include some of the world's biggest economies, including India, is coming up with draft global cryptocurrency regulation, and this could be adopted by all members.

# CBDC...

Sitharaman has urged the start-up community and public to deal in cryptocurrencies with caution because everything floating around was not a currency. In the first week of August, the country's top nine crypto exchange platforms were summoned by the Enforcement Directorate (ED) in Hyderabad. The exchanges were questioned on money laundering, especially over a number of Indian NBFCs and their fintech partners allegedly indulging in predatory lending in violation of RBI guidelines. The ED found large amounts of funds were diverted by fintech firms to buy crypto assets and then launder them abroad. These and the virtual assets are untraceable at the moment. Hence the summoning.