



Consultation Response

Bank of England/ HM Treasury
*The digital pound: A new form of money for
households and businesses?*



Summary

A Central Bank Digital Currency (CBDC) should be technically possible and could deliver additional security, speed, and accuracy. But there is some way to go to make the case that existing digital alternatives cannot achieve the same objectives and that safety, trust and digital inclusion will be at the heart of the project. We would expect the CBDC to be created, delivered and maintained by trusted, ethical professionals who meet shared standards of practice.

Bank of England and BCS Webinar on CBCD – 19 May 2023

BCS, The Chartered Institute for IT, held a joint webinar with the Bank of England as part of the Bank's and HM Treasury's consultation process concerning the potential case for a UK central bank digital currency and the key features of a potential model.

Questions raised by the BCS/Bank of England webinar attendees included:

1. A clear case should be made for a digital pound when there are already options like wallets on phones that can digitally pay for goods.
2. The group welcomed the fact that BoE was considering how those already digitally marginalised could use and benefit from a CBDC; BCS members would expect more detail and consultation on this critical issue as the project develops.
3. There were discussions around understanding the logistics of the digital pound – is a bank account still needed – would it be linked to a new separate bank account – how can it work just like cash? Or 'would it be like an Oyster card only on a grand scale'?
4. Concerns were raised about how secure such technology would be regarding fraudulent use or hacking, and further detail is expected here.
5. The BCS group and BoE recognised that significant public engagement work was needed to reassure citizens about privacy and data storage and to assuage fears that the Bank would track payments.

6. Members thought it was vital to encourage third parties to innovate safely and responsibly as part of the delivery of any CBDC.

7. Important to monitor and learn from what other countries and political systems are planning with CBDCs.

8. While it was likely possible for the UK to roll out a CBDC, a persuasive case remains to be made that we should do so.

The webinar was restricted to selected BCS members, and just over 200 people attended the event on May 19, 2023, from these specialist BCS groups:

- Information Security (ISSG)
- Financial Services SG
- Information Risk Management and Assurance (IRMA)
- Service Management and IT Asset Management (SM-ITAM)
- Payroll
- Law
- BCS Fellows Technical Advisory Group (FTAG)
- Project Management
- ICT Ethics
- Software Testing (SIGIST)
- Software Practice Advancement (SPA)
- Cybercrime Forensics
- Communications Management Association (CMA)
- Digital Divide
- Green IT

Additional responses post-webinar

BCS Fellows Technical Advisory Group (F-TAG)

We asked the BCS Fellows Technical Advisory Group to review the digital pound proposals. F-TAG comprises over 20 senior BCS Fellows selected from diverse demographic and professional backgrounds.

The Chair of F-TAG, Adam Leon Smith, summarised his view on the technical points:

1. Peer-to-peer payments would be innovative; however, if user balances are stored on the central ledger, this would not be peer-to-peer.

2. Allowing merchants to directly access the payment infrastructure and bypassing Payment Interface Providers (PIPs) would be innovative, but this isn't planned. Industry would also likely challenge this.

3. More clarity is needed on how access to the ledger via Application Programming Interfaces (APIs) differs from the existing Open Banking initiative, which is already open to a much wider ecosystem.

4. Privacy Enhancing Technologies (PETs) could be useful, but a clearer case for their inclusion is needed.

Other points from BCS members

There was some confidence that on the technical side, CBCD is achievable, albeit with significant security challenges, even if the case for its creation still needs to be made in full. Consultant Dave Levy, IT Risk and Security, Data Protection and Privacy, IT and data centre economics, solution design and IT architecture, data analysis, said: "It's a ledger system, and it will take significant engineering skill to build to meet the 5 nines availability requirement and 30,000 TPS; the security risk will be, as we have learnt from the cryptocurrencies, in the intermediaries who perform the role of private/public exchanges. They should be made to classify these systems as GDPR "High Risk" and thus need to ask permission. The ICO (& the Bank) would need to gear up to perform this work."

There remains a need to make the case clear for a digital pound to the 'ordinary citizen' as well as UK retail consumer and business.

Dr Stephen Castell CITP CPhys FIMA MEWI MloD, Chairman, CASTELL Consulting, explained: "The ordinary citizen may, therefore, legitimately asks: isn't the Visa Debit Card therefore, a ready-made, existing tried and (mostly) trusted 'Digital Pound' system? So, the citizen may ask why doesn't the BoE create/integrate a version of the already available and working Visa system, with the BoE acting as central ledger/accounts keeper, reducing interconnection/completion network latencies and forcing lower transaction costs?"

Next steps

BCS and the Bank agreed to hold round tables with specific BCS membership groups to understand the technical and ethical concerns better and discuss solutions in the context of professional standards and building public trust.