Addressing security issues in e-money

What is the issue?

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- Reserve bank of India is planning to issue digital rupee.
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- In this context, RBI needs to address privacy and transparency concerns involved in digital currency.
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What is Digital India rupee?

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- Digital Indian rupee is a sovereign digital fiat currency with a government determined value, which is about to be issued by RBI.
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- It is a bearer instrument just like paper notes and coins.
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- It is protected with layered hardware, software, protocol security and currency laws.
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- Digital payments conducted with the digital India rupee are settled and finalised by cash at the point of exchange.
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- This will address the issues of monetary supply, digital counterfeit, convertibility and acceptability.
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- A digital legal tender gives the authority the visibility of the pattern and behaviour of the digital currency in circulation.
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- The persons transacting or the contents of the transaction are not disclosed unless there is adequate suspicion in the transaction.
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What are the challenges with e-money?

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- The present forms of e-money are liabilities issued by the service providers.
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- With private e-money service providers fielding methods, the questions of regulation, accountability and a universal approach become a large issue.
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- Convertibility of these private e-monies to legal tender rupee is subject to the financial management and operational soundness of the service providers.
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- Acceptability of e-money between different schemes is not a given, and is subject to the mutual agreements between the service providers.
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- Disruptions, such as fraud and errors, can lead to the loss of funds that either the consumers or providers have to compensate.
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- There is a lot of talk around personal information and privacy protection in our digital lives these days.
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- Governments are extremely concerned with digital means being exploited for illicit activities like money laundering and terrorists' funding.
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What are the advantages of digital India rupee?

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- With the use of digital India rupee through existing e-money services, it will not require any expensive infrastructure or transformative technologies to enable its use.
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- There is no need for subsequent settlements between the ledgers of the e-money service providers, and other intermediaries.
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- The value of the currency is backed by the credit worthiness, assets and productivity of the nation.
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- It will accelerate the shift from an informal to formal economy, eliminating 'negative elements' from the financial system.
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- This will also remove the labour intensive factors and financial risk costs associated with reconciliations and settlements.
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Source: BusinessLine

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