Digital Currency

Why in news?

European Central Bank (ECB) expressed its intention to evaluate Central Bank issued Digital Currency (CBDC) for the Euro Zone.

What is the status of adopting Crypto currency around globe?

- ECB said that Bank is ready to launch a digital currency in 2-4 years in consultation with public.
- In China, Digital Currency Electronic Payment is being piloted in many cities.
- In India 3 years back, RBI reported that it is exploring the feasibility of adopting crypto currency.

What are the benefits of using official digital currency?

- It helps in curbing tax evasion as digital currency facilitates cashless transactions.
- It will not witness the volatility as CBDCs will be pegged to fiat currency.
- Official digital currencies will be of legal tender with sovereign backing it protects the consumers using it.
- It will help in distracting investors from the current bunch of crypto assets which are highly risky.
- Moreover neglecting the use of crypto currency will lead to use of it for criminal purpose by anonymous non-State actors.

Why is RBI apprehensive about the use of crypto currency?

- Since digital currencies are not backed by any asset, RBI is against the use of privately issued digital currency.
- The basic design of crypto currencies — creation & maintenance by public, with no government supervision and ease of cross-border payments — makes them vulnerable to malpractice.
- In past, crypto currencies led by Bitcoin involved in numerous scams like money laundering, terror financing and drug trafficking.
- This has lead to many crypto trading platforms shutting down.
- It would be wise to set up a committee to look into its impact on macro economy and liquidity, banking systems and money markets.

Source: Business Line

