

## **RBI wants digital currency included under definition of 'bank note'- FinMin**

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The Ministry of Finance informed the Lok Sabha on Monday that it has received a proposal from Reserve Bank of India in October for an amendment to the RBI Act, 1934 to enhance the scope of the definition of 'bank note' to include currency in digital form.

RBI is working out a phased implementation strategy for introduction of Central Bank Digital Currency with little or no disruption, said Pankaj Chaudhary, Minister of State in the Ministry of Finance, in a written reply.

"Central Bank Digital Currency (CBDC) is introduced by a Central Bank. Government has received a proposal from Reserve Bank of India (RBI) in October, 2021 for amendment to the Reserve Bank of India Act, 1934 to enhance the scope of the definition of 'bank note' to include currency in digital has been examining use cases and working out a phased implementation strategy for introduction of CBDC with little or no disruption.

"Introduction of CBDC has the potential to provide significant benefits, such as reduced dependency on cash, higher seigniorage due to lower transaction costs, reduced settlement risk. Introduction of CBDC would also possibly lead to a more robust, efficient, trusted, regulated and legal tender-based payments option. There are also associated risks which need to be carefully evaluated against the potential benefits," said Chaudhary in a written reply.

The Reserve Bank of India has repeatedly reiterated its strong views against cryptocurrencies, saying they pose serious threats to the macroeconomic and financial stability of the country and also doubted the number of investors trading on them and their claimed market value.

Meanwhile, Finance Minister Nirmala Sitharaman said in a reply to the Lok Sabha on Monday that the government has no proposal to recognise Bitcoin as a currency in the country.

She also informed the House that the government does not collect data on Bitcoin transactions. Whether the government has any proposal to recognise Bitcoin as a currency in the country, the Finance Minister said "No, sir".

The government plans to introduce the Cryptocurrency and Regulation of Official Digital Currency Bill 2021 in the ongoing Winter Session of Parliament. The Bill seeks to ban all but a few private cryptocurrencies to promote underlying technologies while allowing an official digital currency by RBI.

RBI Governor Shaktikanta Das too had earlier this month had reiterated his views against allowing cryptocurrencies, saying they are a serious threat to any financial system since they are unregulated by central banks.

The RBI had announced its intent to come out with an official digital currency in the face of the proliferation of cryptocurrencies like Bitcoin, about which the central bank has had many concerns.

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Private digital currencies/virtual currencies/ cryptocurrencies have gained popularity in the past decade or so. Here, regulators and governments have been sceptical about these currencies and are apprehensive about the associated risks.