



The Association of Corporate Treasurers

Comments in response to

The digital pound: A new form of money for households and businesses?

Issued by the

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The Association of Corporate Treasurers (ACT)

The ACT is a professional body for those working in corporate treasury, risk and corporate finance. It is established by Royal Charter in the public interest. Further information is provided at the back of these comments and on our website www.treasurers.org.

Contact details and a link to our approach regarding policy submissions can also be found at the back of these comments.

We canvas the opinion of our members via seminars and conferences, our monthly e-newsletter to members and others, *The Treasurer magazine*, topic-specific working groups and our Policy and Technical Advisory Panel.

General

The ACT welcomes the opportunity to comment on this matter.

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1. Do you have comments on how trends in payments may evolve and the opportunities and risks that they may entail?

The decline in the use of cash is expected to continue but will not disappear for a range of reasons including:

- Familiarity with the use of cash for certain activities



- Preference for anonymity for certain activities including surprise events, etc.
- Transparency and trust of delivery vs. payment
- Risks of being offline or a merchant that cannot / will not accept electronic payments
- Retail usage by consumers who do not have a bank account or access to card payments
- Fees charged by the oligopoly of merchants may be expensive for smaller businesses

In addition, the following are expected:

- Rise in the use of embedded payments whereby the payments are fully and seamlessly integrated into the delivery of goods and services
- Increase in the use of real time payments for salary and supplier related payments
- Reduced costs and time involved in cross border payments
- Greater use of straight-through-processing of incoming payments directly onto customer accounts

2. Do you have comments on our proposition for the roles and responsibilities of private sector digital wallets as set out in the platform model? Do you agree that private sector digital wallet providers should not hold end users' funds directly on their balance sheets?

The treasury community value the role played by the banks and the stability that the regulatory environment creates. Anything that could potentially disrupt this ecosystem would cause uncertainty and result in corporates having to manage this new risk. As a result, we feel that proposed roles and responsibilities set out in the platform model work best for businesses operating in the UK and that the private sector should not hold end users' funds directly on their balance sheets. The proposed model seems to have the effect of treating digital currency as akin to "yet another bank account" to manage, and the new wave of private wallet providers would need careful regulation to prevent dishonest players from misrepresenting their status. End users may be likely to prefer trusted/familiar names to provide wallets.

3. Do you agree that the Bank should not have access to users' personal data, but instead see anonymised transaction data and aggregated system-wide data for the running of the core ledger? What views do you have on a privacy-enhancing digital pound?

Yes. At a retail and wholesale level, we do not believe the benefits of access to individual data outweigh the associated risks to privacy. Anonymised and aggregated data would provide the Bank with the information needed to monitor the performance and operational resilience of the core ledger but more granular information would not be necessary. Anything that extended the scope of this information should be subject to more wide-ranging consultation and legislation. It is important that the design of any digital currency safeguards against the potential risk of political interference at a much later date.

We support the approach of the Bank to employ PETs to support data protection principles.

4. What are your views on the provision and utility of tiered access to the digital pound that is linked to user identity information?

Whilst generally supportive of the wish to provide a choice to those using a digital pound, it is important that this is accompanied by a comprehensive educational programme that ensures users make informed decisions. It would be important for users to be able to open different wallets with different levels of trust and user identify such that sites considered trustworthy could have higher access to functionality and perhaps transaction values that were potentially assigned by the wallet user.

In addition there needs to be safeguards that prevent users opening too many wallets in order to launder small value payments that in aggregate are significant.

Where an authorised user dies (or simply leaves a business role), consideration needs to be given as to how digital assets could be identified and transferred to an alternative authorised user(s).

A similar situation may arise where the wallet provider goes into administration and the administrator needs to identify owners of digital assets to transfer assets to a legitimate alternative provider.

5. What views do you have on the embedding of privacy-enhancing techniques to give users more control of the level of privacy that they can ascribe to their personal transactions data?

This is critical for a user but it does require a comprehensive educational programme to support it. Maximum privacy should be embedded by default, with users having to opt-out rather than opt-in.

6. Do you have comments on our proposal that in-store, online and person-to-person payments should be highest priority payments in scope? Are any other payments in scope which need further work?

Small business would be disproportionately affected by any changes to payment systems and we would encourage the Bank to look how these businesses would be supported – especially if there were direct and indirect cost implications.

The Bank would also need to consider business-to-person payments in the case of refunds.

Where would consumers obtain their digital currency if not from their employer's payroll?

In general, it seems that the consumer usage case will be weak if the business usage case is unclear.

7. What do you consider to be the appropriate level of limits on individual's holdings in transition? Do you agree with our proposed limits within the £10,000–£20,000 range? Do you have views on the benefits and risks of a lower limit, such as £5,000?

Similarly to the approach adopted for contactless, we would propose the lower initial starting limit of £5,000, with a view to increase it as individuals and businesses became more confident using it and any negative or positive impact on businesses and the financial sector became clearer.

The level of a long term, higher limit would depend on the innovations that a CBDC would enable.

8. Considering our proposal for limits on individual holdings, what views do you have on how corporates' use of digital pounds should be managed in transition? Should all corporates be able to hold digital pounds, or should some corporates be restricted?

Given the complexity and dynamic nature of the ecosystem it is important that all businesses have access to the digital pound. If it is restricted to only those businesses that currently have retail channels, it will be an impediment to businesses that currently do not but may wish to create a direct to consumer channel. We are aware of a number of businesses that have expanded into this area recently. The functionality for all corporates should be available – even if some choose not to adopt it.

Multiple consumers making small payments at, say, a supermarket would in aggregate be of a high daily value that would need treasury management by the business.

9. Do you have comments on our proposal that non-UK residents should have access to the digital pound, on the same basis as UK residents?

We have no objections. But clarity would need to be given on whether, for example, US FATCA rules would then apply to the digital pound.

10. Given our primary motivations, does our proposed design for the digital pound meet its objectives?

We are unable to comment. However, feedback from some corporate treasurers has indicated confusion as to what is the real benefit of the proposed design compared with existing payment options.

11. Which design choices should we consider in order to support financial inclusion?

Improving financial inclusion will most likely require innovation from the private sector and it is important that the design choice enables this. The proposed design choice with a platform layer seems the most likely to support financial inclusion. It may be that payments of state benefits to individuals may be helpful where the digital currency can be used (for example only) to transfer energy subsidies to individuals who have to use pre-pay energy meters.

12. The Bank and HM Treasury will have due regard to the public sector equality duty, including considering the impact of proposals for the design of the digital pound on those who share protected characteristics, as provided by the Equality Act 2010. Please indicate if you believe any of the proposals in this Consultation Paper are likely to impact persons who share such protected characteristics and, if so, please explain which groups of persons, what the impact on such groups might be and if you have any views on how impact could be mitigated.

We are unable to comment on this.



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The Association of Corporate Treasurers

The Association of Corporate Treasurers (ACT) is the leading professional body for international treasury, operating in the public interest under Royal Charter. We provide the widest scope of benchmark qualifications for those working in treasury, risk and corporate finance. Membership is by examination. We define standards, promote best practice and support continuing professional development. We are the professional voice of corporate treasury, representing our members.

Our 6,000 members and students work widely in companies of all sizes through industry, commerce and professional service firms.

For further information visit www.treasurers.org

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