



Ministry of Finance



## Central Bank Digital Currency (CBDC) pilot launched by RBI in retail segment has components based on blockchain technology

Posted On: 12 DEC 2022 6:49PM by PIB Delhi

The Reserve Bank of India (RBI) has issued a concept note on Central Bank Digital Currency (CBDC) on October 7, 2022. The Note is accessible at RBI's website (<https://www.rbi.org.in/Scripts/PublicationReportDetails.aspx?UrlPage=&ID=1218>). This was stated by Union Minister of State for Finance Shri Pankaj Chaudhary in a written reply to a question in Lok Sabha today.

The Minister state that the CBDC pilot launched by the RBI in retail segment has components based on blockchain technology.

Giving more information on the CBDC, the Minister stated that the RBI has launched pilots of CBDC in both Wholesale and Retail segments. The pilot in wholesale segment, known as the Digital Rupee -Wholesale (₹-W), was launched on November 1, 2022, with use case being limited to the settlement of secondary market transactions in government securities. Use of (₹-W), is expected to make the inter-bank market more efficient. Settlement in central bank money would reduce transaction costs by pre-empting the need for settlement guarantee infrastructure or for collateral to mitigate settlement risk. The pilot in retail segment, known as digital Rupee-Retail (₹-R), was launched on December 01, 2022, within a closed user group (CUG) comprising participating customers and merchants.

The Minister further stated that the RBI has identified eight banks for phase-wise participation in the retail pilot project. The first phase includes four banks, namely the State Bank of India, the ICICI Bank, the Yes Bank and the IDFC First Bank. Subsequently, another four banks, viz., the Bank of Baroda, the Union Bank of India, the HDFC Bank and the Kotak Mahindra Bank will participate in the retail pilot.

The Minister stated in response to another question that RBI has already rolled out a pilot in the retail version of the CBDC (₹-R), on December 01, 2022. The ₹-R is in the form of a digital token that represents legal tender. It is being issued in the same denominations as the paper currency and coins. It is being distributed through financial intermediaries, i.e., the banks. Users will be able to transact with ₹- R through a digital wallet offered by the participating banks. Transactions can be both Person to Person (P2P) and Person to Merchant (P2M). The ₹-R offers features of physical cash like trust, safety and settlement finality. Like cash, the CBDC will not earn any interest and can be converted to other forms of money, like deposit in banks.



On the other steps being taken by RBI for full operationalisation of CBDC include expanding the scope of the pilots gradually to include more banks, users and locations based on feedback received during the pilots, the Minister stated



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(Release ID: 1882883) Visitor Counter : 849



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