



HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ

Rt. Hon The Lord Forsyth of Drumlean
House of Lords
London
SW1A 0AA

9th November 2021

Dear Lord Forsyth,

I hope this letter finds you well.

Ahead of my appearance before the Lords Economic Affairs Committee on 16 November, I wanted to write to draw your attention to a written statement I have published today.

In the statement, which I have annexed to this letter, I set out the next steps in our work exploring the potential for a central bank digital currency (CBDC) in the UK.

I am sure that the forward plan for this work will be of interest to you and to the committee, and I was therefore eager to ensure this reached you in good time.

I look forward to discussing this work further with you next week.

Yours sincerely,

with very best regards

A handwritten signature in dark ink, appearing to read 'John' with a stylized underline.

JOHN GLEN

Annex A: Written Ministerial Statement text

--

Central Bank Digital Currency

The UK, like many countries, is actively exploring the potential role of a retail central bank digital currency (CBDC) as a complement to cash and bank deposits. A retail CBDC would be a new form of digital money, denominated in Sterling and issued by the Bank of England, for use by people and businesses for their everyday payments needs. Exploring the opportunities that a CBDC could offer is aligned with the government's wider agenda to remain at the forefront of innovation and technology in financial services.

Earlier this year, the Chancellor of the Exchequer announced a Taskforce jointly chaired by HM Treasury and the Bank of England to lead the UK's exploration of a UK CBDC, along with forums to engage a broad range of stakeholders from across our economy and society, including consumer groups, think tanks, businesses, academics, financial institutions and technology experts. The Taskforce will ensure the UK authorities adopt a strategic and coordinated approach as they explore a CBDC, in line with their statutory objectives.

No decision has been taken by the government and Bank of England as to whether to issue a UK CBDC, which would be a major national infrastructure project. A decision will be based on a rigorous assessment of the overall case for a UK CBDC and will be informed by extensive stakeholder engagement and consultation.

Exploring and delivering a UK CBDC, if there were a decision to proceed, would require carefully sequenced phases of work, which will span several years. I am today setting out the next steps for the exploration of a UK CBDC.

The UK authorities are currently engaged in a process of research and exploration to examine the opportunities and implications of CBDC. As part of those explorations, HM Treasury and the Bank of England will publish a consultation in 2022 setting out their assessment of the case for a UK CBDC, including the merits of further work to develop an operational and technology model for a UK CBDC.

If there is a decision to proceed following the consultation, a development phase would include the publication, by the Bank of England, of a technical specification to explain the proposed conceptual architecture for a UK CBDC. This development phase could involve in-depth testing of the optimal design for, and feasibility of, a UK CBDC.

Following this, a decision would be taken on whether to move into a subsequent build and testing phase. Given the scale and national importance of such a project, this phase would likely take several years and could involve the development of large-scale prototypes and live pilots.

Were the results of each of these phases to conclude that the case for CBDC were made, and that it were operationally and technologically robust, then the earliest date for launch of a UK CBDC would be in the second half of the decade.

The government is also committed to continuing to work closely with international partners on the cross-border implications of a potential CBDC. The UK, through its G7 Presidency, has been leading the global conversation on the opportunities and implications of CBDC. G7 central banks and finance ministries have developed a set of public policy principles for CBDC, and a full report capturing these principles was published in October. These international principles for CBDC represent a step change in the global conversation and are intended to support and inform exploration of CBDCs in the G7 and beyond.

The UK's Taskforce will continue to work at pace to explore the potential role for, and opportunities and implications of, a CBDC ahead of a consultation next year.

