

## 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 led 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**

