

## **Digital Pound Public Consultation Paper and Technology Working Paper**

### **Index:**

#### **Section 1**

- Briefing Notes: Digital Pound Consultation Paper and Technology Working Paper

#### **Section 2**

- Link to, “The digital pound: a new form of money for households and businesses? Consultation Paper”
- Instructions and template replies for completing the Consultation Paper questions.

#### **Section 3**

- Link to, “The digital pound: Technology Working Paper”.
- Instructions and template replies for completing the Working Paper questions.

---

### **Section 1 - Briefing Notes: Digital Pound Consultation Paper and Technology Working Paper**

#### **Introduction**

On 7th February 2023, a joint Taskforce of The Bank of England and the HM Treasury published a Consultation Paper on a potential retail UK Central Bank Digital Currency (CBDC) entitled “**The digital pound: a new form of money for households and businesses?**”

“**The digital pound: Technology Working Paper**” issued by the Bank of England accompanies the Consultation Paper and outlines the Bank of England’s initial thinking on the technological challenges associated with the digital pound. It presents a model for the digital pound, but recognises there are other potential approaches.

The digital pound would be a new form of sterling operating like a digital banknote. The digital pound would be issued by the Bank of England to be used for everyday transactions by both households and businesses.

The Taskforce state, at the outset, that whilst they believe it is likely that the digital pound will be required in the future, it is too early to commit to building the significant infrastructure required. The Taskforce acknowledges the success of the digital pound is dependent upon the support of the people, which will require a deep trust as to the safety, accessibility and privacy of the said digital pound. The Taskforce maintain that this can be achieved through open

national debate combined with technical expertise. The Consultation Paper and Technology Working Paper are intended to be part of that national debate.

## **Considerations**

The eleven questions contained in “The digital pound: a new form of money for households and businesses”, the “Consultation Paper”, are presented in such a way that by answering them it can be implied that you agree that the very idea of the digital pound is a good one. We have tried to address this in the sample responses. There are an additional thirteen questions set out in the Technology Working Paper.

A few points of note which may assist in personalising your responses to both questionnaires.

### **The digital pound does not replace money held in banks**

The digital pound, as currently presented, is the equivalent of cash rather than something to replace money held in banks. Consequently, the proposals around the private providers of the wallets charging fees may be seen as okay, but ask yourself how you would feel if someone told you they intended to take 1p out of every physical £1 you spend?

### **The digital pound is NOT a replacement for cash**

The Consultation Paper states that if the digital pound is introduced, it would exist alongside cash - it is not a replacement for cash. The intent would be for the digital pound to be readily exchangeable with both cash and bank deposits; however, the Consultation Paper does not explain the mechanics of this. In addition, the Consultation Paper does not address how the continued use of cash would be guaranteed.

### **Cash payments have declined in recent years**

The Consultation Paper correctly states that “as spending has become more digital the use of cash for payments has declined, falling from 55% of transactions to 15% over the counter over the past decade”. This is as a consequence of digital innovation facilitating payment via card, apps and digital wallets - it has resulted in the balance between the use of public money (physical cash issued by the Bank of England) and private money (issued by commercial banks) skewing heavily away from cash to private money. The advantage of using private money is always stated as “convenience”, but the flip side of “convenience” being “control” is never mentioned.

If the people understood that “convenience” has the potential to lead to compliance which can, ultimately, lead to control (be that by governments or private companies) would we see a reversion? If there was a move back to cash, the Taskforce would have no justification for even considering the introduction of the digital pound. The beauty of cash is anonymity. No matter what safeguards are put in place around the digital pound, it can never be anonymous in the way that cash is.

### **Claim on the Bank**

The phrase “Claim on The Bank” and “Direct liability of the Bank” is referenced repeatedly to describe the digital pound, but what does this mean? A claim for what? If money was backed by gold, then such phrases would be meaningful because a £20 physical banknote would represent 0.2g of gold - you could go to the bank, hand over the £20 physical banknote, and

claim the physical gold back. The bank has a liability of 0.2g of gold for each £20 physical banknote. This explains why banknotes contain the language “I promise to pay the bearer on demand the sum of five [ten/twenty/fifty] pounds”. But in the current system - fiat cash - the “Claim on the Bank” is for absolutely nothing; the statement is meaningless. The only “claim” is that when you go to spend the physical cash it will be accepted. The digital pound is no different - at best the “claim” is for the Bank to print up and present the physical cash.

### **Is being at the forefront of innovation a good thing?**

The Taskforce states, without any justification, that we should remain at the forefront of innovation in money. Yes, innovation can be positive but, bearing in mind they acknowledge it is “too early to take the decision on whether to introduce the digital pound”, is it prudent to wait and perhaps learn from mistakes made by others? No entity other than the Bank of England can introduce the digital pound so why the rush? Similarly, the Taskforce claims it is likely the digital pound “will be needed”, but provide no justification. What would happen if we didn’t have a digital pound?

### **Cash versus money in the banks**

On page 8 (3rd paragraph) of the Consultation Paper, the Taskforce illustrate, quite effectively, the difference between cash (public money) and money in banks (private money) - cash carries no credit risk. This is a vitally important feature of cash. If you have cash in your pocket and there is a run on the banks, the value of your cash in your pocket will likely increase because the “private money” i.e. the money held in the banks cannot be converted to cash. Consequently, a run on a bank is a risk to your private money in the bank and not public money in the form of cash in your pocket. There are risks to cash which are 1) inflation (hyperinflation would make the cash in your pocket worthless); and 2) the Government restricting or banning its use.

The digital pound has risks too which the Taskforce fails to address. As with cash, the Government could decide to restrict or ban its use. In addition, the digital pound always involves a third party - the private company providing your wallet - and that party could refuse to process the transaction e.g. PayPal and the Canadian truckers. Most people have experienced this third party failure to transact often in the form of “fraud protection” - a payment is denied/declined and you have to call the bank to get the matter sorted. This illustrates that the third party has the ability to prevent a transaction from being processed.

The use of the digital pound is predicated on the private company not suffering an outage or going bankrupt. Yes, your digital pound will remain on the ledger, but your access to it will disappear certainly for a period of time.

### **The value of meta data to the Bank**

The Taskforce reference privacy, repeatedly stating that the digital pound will afford at least the same level of privacy as a bank account does. This is misleading and perhaps even a misdirection. This is an easy give for the Taskforce as, in reality, they are not concerned about your personal data but rather they require access to meta data. The absence of access to personal data does not negate the ability of the Bank of England to restrict access to your account or place limitations around usage. Even in the absence of access to personal data, the Bank of England can still see which account is making which transaction, albeit on an anonymous basis, and, therefore, apply rules instructing the wallet to restrict certain transactions. This is programmability. The Technology Working Paper states that

programmable initiatives will not be permitted by the Bank. Ultimately, it comes down to trust. Do you trust the present government and what about the governments of the future?

### **Net Zero**

Page 13 of the Consultation Paper references Net Zero, illustrating the ever-extending influence of the United Nations Agenda 2030 and its encroachment into domestic policy. Does the Taskforce really believe another piece of infrastructure requiring, amongst other things, servers and electricity will have less impact on emissions than physical cash? There is no question relating to Net Zero included in the questionnaire so you are not afforded the opportunity to challenge the validity of the climate “crisis” claim nor express your concerns about the dangers Net Zero policies combined with the launch of CBDCs pose to the people.

At the heart of Net Zero policies is carbon and, more particularly, carbon credits. Carbon credits can be applied to what we eat, how and where we travel and what we choose to buy on a daily basis (credit cards tracking your carbon footprint already exist

- <https://www.weforum.org/agenda/2019/05/this-credit-card-has-a-carbon-emission-spending-limit/>). CBDC technology would allow a government to block or limit a transaction based on carbon emissions. This illustrates how seemingly disparate policies are in fact linked and how they have the potential to limit the freedoms of the people.

### **The impact of inflation on money**

On page 21 of the Consultation Paper, the Taskforce states that “money must satisfy three criteria” of which one is to “be a store of value”. They fail to acknowledge that inflation means this simply isn’t the case.

### **Loss of price stability through compromised monetary sovereignty**

On page 28 of the Consultation Paper, the Taskforce claims that if monetary sovereignty was compromised, then “the UK authorities’ ability to achieve price stability through monetary policy” could be lost. It is a fallacy to think current monetary policy can achieve price stability. Even with a goal of 2% inflation, the implication of that 2% is that prices are not stable. For price stability to be a reality, there would need to be a radical change in the monetary policy. Periods of price stability have occurred in circumstances where fiat currency is absent and an asset backed currency (e.g. gold) has been the reality.

### **Programmability**

Page 32 of the Consultation Paper mentions “programmability” which should be of the utmost concern to us all. The Technology Working Paper covers programmability more comprehensively and categorically states that it will not be permitted by the Bank; however, the Taskforce fails to explain how this can be guaranteed. Are we simply to trust that this government and all future governments will act in good faith and have our best interests at heart? Are we to trust that the digital pound will not be used as a means of controlling the people? The potential for the digital pound to facilitate state surveillance and/or act as a gateway to other technologies (such as the digital ID) that will result in state surveillance is beyond doubt. The irony is tackling financial exclusion is apparently “an important priority for the Government” (see Box J of the Consultation Paper) - the fact is the digital pound has the potential to financially exclude many from the economy and thus society. The “public-private” partnership, which is referenced throughout the document, only serves to compound this risk (as evidenced by the Canadian Government freezing the accounts of the truckers protesting against vaccine mandates and PayPal cancelling accounts of those supporting counter

narratives both of which are referenced in some of the answers to the Consultation Paper questions).

Whilst the Consultation Paper says the Government will not be seeking to program the digital pound, it also provides that private companies can (and of course we have no idea what future governments will do). As long as private companies are able to program the digital pound there is scope for abuse. Private companies are not immune to government pressure therefore the Government could exert control, indirectly, through private actors. An illustration of this is the Canadian Government freezing the bank accounts of the truckers protesting against the vaccine mandates. PayPal has also cancelled accounts of those supporting counter narratives. The advantages of public-private partnerships are regularly discussed at the expense of highlighting the dangers - it is vital that the latter is given full consideration now. The scope for abuse should be evident as illustrated above; private companies are not immune to government pressure.

Programmability cannot be seen in isolation from the wider societal context - the rule of law has broken down over the last three years (as has trust in the Government and much of the corporate world). The dangers of programmability must be understood in the context of ever-increasing draconian legislation which serves to limit fundamental rights such as freedom of expression, freedom of movement, freedom of assembly and most recently, in Ireland, freedom of thought. Perhaps amendments to the protected characteristics of the Equality Act are required - the addition of 1) political beliefs and 2) medical freedom.

### **Cash limits the scale of financial crime**

Page 72 (4th paragraph) Consultation Paper states that physical cash, by its nature, limits the scale of financial crime which is an interesting position as, historically, one of the arguments against cash has been the claim that it facilitates crime. Now the Taskforce argues that the digital pound “carries higher risk of abetting crime” as a justification for limiting the size of transactions in the digital pound and for insisting that anonymity is not appropriate. There are no Consultation Paper questions regarding limiting the size of transactions. Anonymity is essential if the public are to be reassured about the intentions of the Government.

### **Digital ID and CBDCs**

Digital identity is not really addressed. This is a critical issue and of grave concern. The dangers of combining a CBDC with a digital identity should not be underplayed - the potential for all encompassing surveillance, security breaches, cyber-attacks and state control are very real.

### **Conclusion**

Why contemplate introducing the digital pound now? Could it be the pending collapse of the banking system? Are the Taskforce effectively telling each and every one of us that any money we have “deposited” in a bank is at great risk? Is the goal to introduce the digital pound, get people comfortable with it and then allow the banks to fail? Under such circumstances, all the money would be in the Bank of England central ledger and thus potentially under government control. If you believe that this is a possibility then the issue of programmability is ever more critical. UK Citizen will be contacting both the Bank of England and the HM Treasury to ask the following questions:

- a) Why have you made the decision to progress to “Phase 2: estimated 2023 - 2025/2026 Design” without having concluded the Consultation?
- b) How do you intend to assess the free-form responses to open questions in both the Consultation Paper and Technology Working Paper?
- c) How will the assessment of responses be shared with the public?
- d) How will the responses impact the decision-making process? For example, if no one wants to go in this direction, would you drop the project and protect the use of cash?
- e) Phase 2 Design is critical, will you include a further public consultation at that time?
- f) It is stated in the Forward of the Consultation Paper that the journey towards issuing any digital pound requires “an open, national conversation” and that the Consultation “opens that conversation and seeks to begin to build that foundation of public trust”. Do you believe that issuing two separate documents, “The digital pound: a new form of money for households and businesses?” and the “Technology Working Paper” that combined run to 197 pages is the most effective way of engaging with the public? Does this build trust? Do you believe that you have designed the questions and options for responding in a way that builds trust?
- g) If the Taskforce determined the digital pound to be the way forward, please confirm that their decision would be subject to parliamentary scrutiny.

Whilst UK Citizen has provided sample responses to the questions (please see below), there is no substitute for reading the Consultation Paper and Technology Working Paper and doing your own research. We encourage you to use our suggested responses as a starting point only, personalising them with your particular concerns.

In addition to responding to the surveys, we suggest you also contact your MP to let them know that you have completed the Consultation questionnaire and highlight to them your concerns. You can find your MP here <https://members.parliament.uk/FindYourMP>.

You may wish to email your responses instead of completing the online survey:  
[Digitalpoundconsultation2023@bankofengland.co.uk](mailto:Digitalpoundconsultation2023@bankofengland.co.uk) or,  
[CBDC@HMTreasury.gov.uk](mailto:CBDC@HMTreasury.gov.uk)

Or perhaps write instead to either of the following:

Digital Pound Consultation  
CBDC Unit  
Bank of England  
Threadneedle Street  
London EC2R 8AH

CBDC HM Treasury  
1 Horse Guards Road  
London  
SW1A 2HQ

---



## **Section 2 - Instructions and template replies for completing “The digital pound: a new form of money for households and businesses?” Consultation Paper**

1) Follow this link to “The digital pound: a new form of money for households and businesses?” Consultation Paper -

[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/1134845/CBDC\\_WEB\\_PDF - 7 FEB 2023 1130am.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1134845/CBDC_WEB_PDF_-_7_FEB_2023_1130am.pdf)

2) Read through the Consultation if you can though we realise this is lengthy and tricky to read so you may wish to simply read the briefing note provided in Section 1 and then go to page 95 of the Consultation.

### **Who should respond?**

The Bank and HM Treasury welcome responses to any of the questions, but do not expect respondents to provide an answer to every question. We are keen to hear from a wide range of stakeholders, which includes community or charitable-focused organisations, the payments industry, businesses, and the general public.

You can respond to this survey through our [web form](#).

Alternatively, the Bank and HM Treasury can be contacted in other ways.

By email:

[Digitalpoundconsultation2023@bankofengland.co.uk](mailto:Digitalpoundconsultation2023@bankofengland.co.uk) or [CBDC@HMTreasury.gov.uk](mailto:CBDC@HMTreasury.gov.uk)

By post:

Digital Pound Consultation  
CBDC Unit  
Bank of England  
Threadneedle Street  
London  
EC2R 8AH

Or

CBDC  
HM Treasury  
1 Horse Guards Road  
London  
SW1A 2HQ

By telephone: 020 3461 4878 (Bank of England)

3) Scroll down to the section “Who should respond?”, which is located on page 95, and click on the link entitled “web form”. It will then take you to this page -

<https://app.keysurvey.co.uk/f/41651494/3010/> where you can complete the questionnaire.

Once complete, you can simply click on “Submit”.

## **Template responses to “The digital pound: a new form of money for households and businesses?” Remember to personalise them if you can.**

(Note: the substantive Consultation Paper questions start at number 8).

### **8. Do you have comments on how trends in payments may evolve and the opportunities and risks they may entail?**

#### **Option 1**

The number of methods for making payments is increasing and looks set to increase further. For those who are happy with technology, this is a good thing. For those already feeling excluded, this makes the whole payment landscape just more confusing and less accessible. The proposal benefits neither of the two groups:

1. Those that are happy with technology already have what they need; and

2. Those already feeling excluded will have yet another payment option to contend with making for more confusion and exclusion.

### Option 2

Payment trends seem to be moving toward contactless payments with ever more options emerging. This serves to further exclude those who are not tech savvy and those who have concerns about privacy, tracking, cyber-attacks or networks/servers simply going down. If such tech options continue to grow at the expense of physical cash, then the risk is the entire economic system grinds to a halt in the event of a cyber-attack or a major network outage.

### Option 3

There is no doubt that there is an ever-increasing number of online/automated/contactless payment options. The opportunities are always presented as convenient; however, the risk is that convenience equals compliance, which ultimately leads to control in the hands of the wrong third party. An example would be PayPal suspending accounts where they disagree with the political views of those trying to use the service provided. I acknowledge that programmability is covered in the accompanying Technology Working Paper where it is stated that programmability will not be permitted by the Bank. I don't trust the Government (nor the banking system); what guarantees can you provide that programmability will be prohibited for use by this government and all subsequent governments? The Rule of Law has been set aside on several occasions over the last few years so any reference to statutes will not serve to reassure me. The answer, to me, seems to be physical cash.

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

### Option 1

The Consultation Paper lists both "primary" and "other" motivations. The two primary motivations are 1) safety in the monetary system; and 2) promoting innovation, choice and efficiency.

In terms of 1), it will very much depend on whether you can gain the trust of the people. In terms of 2), there is a danger of too much power being concentrated in too few companies - this must be avoided.

One of the "other" motivations is financial inclusion. Whilst I recognise it is not a "primary" motivation, and hence outside the scope of this question, I think it is an important issue and would therefore like to take this opportunity to comment. The digital pound amounts to another form of money. Anyone choosing to adopt the digital pound will require an app; most likely a smart phone; a bank account; and an ID all of which are known barriers to financial inclusion. The introduction of the digital pound may therefore serve to increase the numbers of people suffering financial exclusion and compound the marginalisation felt by the already financially excluded.

If you really want to reduce financial exclusion, the Consultation Paper would start by addressing the use of cash. It would put in place proposals to enhance cash use and enforce its acceptance for all transactions (i.e. merchants cannot insist on card only rather they must



accept cash). Once the place of cash in the economy is assured and the right to use physical cash is guaranteed, financial inclusion will be achieved. Only then can an optional digital parallel, which is freely and fully convertible to physical cash, be woven into the economic mix to work in tandem with physical cash.

### Option 2

The Consultation Paper states you have the following two primary motivations:

1. Sustain access to UK central bank money ensuring confidence and safety in money thereby underpinning financial stability and sovereignty; and
2. To promote innovation, choice and efficiency in domestic payments as lifestyles and the economy continues to digitise.

In terms of 1), ensuring confidence in the safety of money is going to be difficult to achieve because firstly, inflation does not make people feel safe about money, secondly, trust in the Government is at an all-time low and thirdly, increasingly people are becoming aware of the corrupt nature of the banking system and fear its imminent collapse.

The Phase 2 Design is going to be key as the people do not trust the Government so it is imperative that the design (technical development and architecture) removes any and all control from the Government and gives it to the people. Anonymity and blockchain will be critical and must be assured. I acknowledge that the accompanying Technology Working Paper provides that the “Bank will not implement central bank-initiated programmable functions”; however, this provides me with little to no comfort. I do not trust the Government nor the banking system. Even if I did trust this government, what is to stop a future tyrannical government from using programmability to control the people?

In terms of 2), any innovation will need to ensure the system is resilient to cyber-attacks and internet outages and choice must be assured - the Government must ensure that there is no concentration of power in the hands of a few companies.

### Option 3

It is not possible to answer at this stage. The Phase 2 Design is critical in terms of meeting the objectives. People will only have confidence in the digital pound if they are assured that governments cannot misuse their authority to shut people out of engaging in society financially. The Government should not be able to control how and when people use their digital pounds. If this is not incorporated in the design phase, then I don't see how the primary motivations can be achieved. There should be another public consultation at the Phase 2 Design stage.

**10. 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?**

### Option 1

The private sector should not hold funds on their balance sheets. Switching between wallet providers for access to your digital pounds should be as simple as possible. For the digital pound to act as cash, there should be no costs associated with holding and using the digital

pound. Your proposal indicates that the private sector will make money through fees - this is really like charging a negative interest rate.

### Option 2

Yes, I agree that private sector digital wallet providers should not hold end user funds on their balance sheets. Private sector digital wallets must ensure resilience in the system so access is always available to the digital pound. Your proposal suggests several ways in which a private sector digital wallet provider can monetise the wallet - charging the end user via fees should not be one of them as this amounts to a negative interest rate.

### Option 3

I agree that private sector digital wallet providers should not hold end user funds on their balance sheet. The private sector digital wallet provider will have a responsibility to ensure that the digital pound replicates the use of cash and, therefore, the end user should not be charged any fees for usage. Any such charge would equate to a negative interest rate.

## **11. 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 running of the core ledger?**

This question is a little limiting as it is multiple choice, therefore perhaps tick one of the "agree" options but include the template reply in the box provided at Question 12.

## **12. What views do you have on a privacy-enhancing digital pound?**

### Option 1

I agree the Bank should not have access to personal data. That said, the risks to the user do not require access to personal data as the ledger must have a unique ID for each account which connects it to a user via a wallet. This means that, should this or some future government put rules in place to restrict use, they have no need to access personal data to single out and punish. The wallet providers will merely need to flag that this unique ID (anonymous) has breached the rules. For example, should there be a vaccine mandate, the wallet providers could be told to check if users have proof of vaccination and flag the accounts that don't. To act like cash, no identification should be required to access and use.

I acknowledge that the accompanying Technology Working Paper provides that the "Bank will not implement central bank-initiated programmable functions"; however, this provides me with little to no comfort as I do not trust the Government. Even if I did trust this government, what is to stop a future tyrannical government from using programmability to control the people?

Your own document highlights the increase in financial crime (page 60) in recent years, which is despite the increase in non-cash use. It also highlights how such crime is harder with cash (as large amounts cannot easily be moved). It is also harder for systematic fraud (for example, the various phishing emails people succumb to). Proof of ID is clearly not something that prevents financial crime.

### Option 2

The Bank should not have access to personal data, but “privacy-enhancing” does not afford the protection you seem to be implying. By focusing on the fact that the Bank will not hold personal data, people may be led to believe it would not be able to restrict usage of the digital pound. However, this would be untrue. The Bank does not need to identify an individual to be able to apply restrictions to their usage of the digital pound. I acknowledge that the accompanying Technology Working Paper provides that the “Bank will not implement central bank-initiated programmable functions”; however, this provides me with little to no comfort as I do not trust the Government. Even if I did trust this government, what’s to stop a future tyrannical government from using programmability to control the people? There is no such thing as a “privacy-enhancing digital pound” - physical cash affords the greatest privacy as it represents anonymity.

The Consultation Paper is somewhat contradictory when it comes to privacy and data protection. On page 12, you state that digital payments account for most of today’s transactions and that personal data generated is held by payment providers such as banks to identify users in order to prevent fraud and money laundering. However, on page 60, you state that there were an estimated 5.2 million fraud offences in the UK in 2021, which was a 41% increase on 2019. It should be evident, therefore, that being able to prove ID does not equate to the prevention of fraud.

### Option 3

No, the Bank should not hold or have access to personal information and data. That said, “privacy-enhancing” data doesn't negate control by the Bank. I suggest that you are happy to give up on being able to access personal data because you don't actually need it - what you need is meta data. As long as you have access to the meta data and the user has an ID, the Bank can remove access to the digital pound from anyone they don’t like. I argue that the digital pound is privacy reducing. The fact that you state in the accompanying Technology Working Paper that the Bank will not be able to initiate programmable functions does not reassure me in the slightest. How can you guarantee that to the people? You can’t.

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

### Option 1

Doesn’t this just further contribute to financial exclusion? Those who are willing and able to give up personal information and provide whatever the latest ID requirements are, are getting better, cheaper products. There should be no tiers. There should be a minimal free app to allow users to check balances and perform transactions.

### Option 2

I disagree with tiers linked to how much personal data you are prepared to share.

### Option 3

All users should be able to check balances and carry out transactions without any user identity information being required. Anything else amounts to financial exclusion.

**14. 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?**

Option 1

“Privacy-enhancing” is a very poor phrase. The apps should, by default, not hold or pass on any personal data. Anything other than that is not “privacy-enhancing” but privacy reducing.

Option 2

“Privacy-enhancing” is a misnomer. Privacy should be absolute. Cash offers true privacy.

Option 3

I don’t understand what you mean by “privacy-enhancing”. Privacy should be guaranteed from the providers of the wallet - by default if personal data is held or passed on then there is no privacy.

**15. 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?**

Option 1

My only comment would be that none of the payments should be in scope because the Government cannot guarantee that the digital pound will not be used to control the people’s access to the economy nor can the Government guarantee that cash will be protected. No other payments should be brought into scope.

Option 2

The people need control of the money so until the Government can guarantee anonymity with respect to the digital pound and that cash will be protected the digital pound should not be launched thus making the question moot.

Option 3

Even if I did trust this government who knows what a future government may do therefore the question is moot as I do not believe the digital pound should be launched. The people should revert to using cash.

**16. 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?**

Option 1

From your own document, the main risk here is flight from banks causing them yet more problems. This risk is reduced by lowering the limit. However, the process for restricting will be confusing and just increase financial exclusion.

Having anything automatically happening on the account (your proposed automatic sweeping in to an associated account) makes for confusion and reduces a user's control. It also assumes that the user has a bank account, which goes counter to your inclusion goals.

Thus, if this is going to be done then there should be no practical limit on what can be held after an agreed transition period - the digital pound is a new form of money so we don't know whether it will be embraced by the people or not. There should be a commitment to end the limit post the transition period in the event the people are comfortable with the digital pound.

### Option 2

It is evident from the Consultation Paper that your concern is a run on the banks. Clearly, by lowering the limit on individual holdings of the digital pound the risk to the banks is lowered. Is lowering the limit the best option for the people? At page 41, "Monetary Stability", you state, "commercial banks can create bank deposits through lending. When a bank makes a loan, it simultaneously creates a matching deposit in the borrowers account thereby creating new money." It appears the banks aren't borrowing money that someone else deposits but, instead, are creating money out of thin air. On that basis, I don't understand why people should have any interest in saving the banks - effectively the entire country is renting a significant proportion of its money from the banks (the rent being the interest the people pay on their loans).

If the digital pound can be delivered anonymously with a distributed ledger (e.g. blockchain) thereby ensuring the Government cannot control the use and/or access to the digital pound, then the people would be in a better position than they are now. Under such conditions, I would argue for a limit during a transition period (reflecting the fact that the digital pound is a new form of money and it is not yet known how people would respond to it) with a commitment to end the limit on the amount that can be held in digital pounds in the event the people embrace it.

### Option 3

It seems to me that the banks are at the centre of the monetary problem - fractional reserve banking, creating money out of thin air and creating debt - so provided that, at the design stage, the ledger protects the end user by not facilitating government control over end user accounts and that the digital pound can be delivered on an anonymous basis, I would argue against any limits beyond a transition period.

As the digital pound represents a new form of money, it would be sensible to include a limit to individual holdings in a transition period so that people's engagement with the digital pound, and ultimately uptake, can be assessed. There should be a commitment to end the limitation after the transition period in the event that people embrace this new form of money.

Clearly, if the sole concern is to protect the banks (which would not be for the benefit of the people) then a lower limit reduces the risk to them. I do question your motivation with respect to the potential introduction of the digital pound. Both the HM Treasury and the Bank of England must be aware of the futile position of the banks. If the people understood how banks truly operate and that they are on the precipice of failure, they would only hold money in a bank where they were guaranteed interest on their money. This knowledge of the banking system would result in a significant percentage of the banks' funds being moved to the digital pound. Is it possible that your underlying goal is to introduce the digital pound, get

it established and accepted by the people and then allow the banks to fail? Upon such failure, you would have at your disposal a combination of the digital pound and bail ins (i.e. the people would become a shareholder of a worthless bank). Under such circumstances, we would be in a position where all the pounds are in the central government ledger and thus potentially under their control (which is most certainly bad for the people). Anonymity, therefore, becomes critical and must be guaranteed via a distributed ledger (e.g. blockchain).

**17. Considering our proposals 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?**

Option 1

The Consultation Paper discusses, at length, salary being paid in digital pounds. It does not address how this would be possible without corporates being able to hold digital pounds. Also, what practical limit could there be on a corporate? A company with 100 employees with average pay of £5k per month would need a £500k digital pound balance every month to meet those payments.

Similarly, if corporates are not able to hold balances, how does any transaction other than person to person ever occur? What would happen to the digital pounds that corporates receive if they can't hold them?

Option 2

The Consultation Paper discusses salary being paid in digital pounds so how would this be facilitated if corporates are not able to hold digital pounds? If one of the concerns is further destabilisation of the banking system, then corporates have greater potential than the individual to do this.

Option 3

The fact that you reference "transition" suggests that the ultimate intent is to allow corporates to hold digital pounds. If the goal of the digital pound is for the same to be used for everyday payments, then I would suggest that corporates within the financial space should be prevented from holding digital pounds or at least have restrictions placed around their use of the digital pound.

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

Option 1

The following should be features of any new pound in no particular order:

- Usable without the need for ID;
- Usable without the need to have an address;
- Ability to transact without the involvement of a third party;
- Ability to use without the need for technology (e.g. smart phone);
- Completely convertible to cash - i.e. you can convert the whole amount to cash easily, without restriction and without question;
- Ability to check the balance easily without the need for internet access;



- Works in a power cut or when in places without power or internet access;
- Easy to understand - no need for passwords, two factor authentication, changing passwords, accessing internet safely;
- No fees when transacting;
- No fees for holding;
- Able to store wealth without it being eroded due to inflation; strict rules/restrictions on the Government's ability to inflate the supply of digital pounds should be in place and adhered to in a fair manner.

### Option 2 and Option 3

Any combination of the above points.

**19. 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.**

### Option 1

Of the nine protected characteristics in the Equality Act 2010, the proposals in the Consultation Paper are likely to impact "age" and "disability". The elderly and some members of the disabled community are likely to find the digital pound confusing and many may not have a smart phone.

The impact can be mitigated by the following:

1. guaranteeing the use of cash,
2. ensuring that cash must be accepted as a form of payment in all instances,
3. ensuring the digital pound can be used without the need of a smart phone,
4. ensure the design of the digital pound is simply and intuitive.

### Option 2

The two obvious groups that could be excluded from, and therefore impacted by, the digital pound are some sections of the disabled community and the elderly - the protected characteristics of "age" and "disability". Anyone who doesn't have access to a smart phone and/or the internet will be excluded. This can be mitigated by ensuring access to the digital pound in the absence of the internet and/or a phone, ensuring that cash continues to be accepted everywhere and designing a simple and intuitive digital pound architecture.

### Option 3

The protected characteristics of "age" and "disability" immediately jump to mind. The elderly and some members of the disabled community may find the concept of the digital pound confusing and stressful:

- they may be fearful of technology and digitisation,
- they may not have a smart phone,
- they may not have access to the internet,
- they may not want to rely on others to help them with another task.

Mitigation would be achieved through the following:

1. the guarantee that cash can be used everywhere as a means for payment;
2. the digital pound not requiring access to the internet or a smart phone;
3. the design of the digital pound being straight forward and intuitive.

It is also possible that some younger members of society, whilst very comfortable with technology and digitisation, may find another method of payment overwhelming and confusing and, consequently, difficult to manage.

Mitigation would come through guaranteeing the use of cash, making the design of the digital pound simple and intuitive and ensuring the digital pound can be accessed without the need of a smart phone or the internet.

---

### **Section 3 - Instructions and template replies for completing “The digital pound: Technology Working Paper”**

1) Follow this link to “The digital pound: Technology Working Paper” -

<https://www.bankofengland.co.uk/paper/2023/the-digital-pound-technology-working-paper>

2) Read the Consultation Paper if you can (or re-read the briefing notes again provided in Section 1).

3) Go to page 7 of the document (see below).

Bank of England

Page 7

#### **How to respond**

Written responses to any of the questions outlined in Section 5, or any other relevant observations, are requested by 7 June 2023.

Please respond via this [survey](#).

If you have any comments or enquiries, please address them to:

**CBDC Unit**  
Bank of England  
Threadneedle Street  
London  
EC2R 8AH

[CBDC@bankofengland.co.uk](mailto:CBDC@bankofengland.co.uk)

3) Click on “survey”. It will take you to this page

<https://app.keysurvey.co.uk/f/41652411/5d1a/>

where you can complete the questionnaire. Or you may prefer to write directly to the CBDC Unit at the Bank of England at the address shown.

### **Template responses to “The digital pound: Technology Working Paper”** **Remember to personalise them if you can.**

**1. Do you agree that these six considerations are foundational technology considerations for CBDC? Are there additional or alternative technology considerations that the Bank should be focused on? (Section 3)**

### Option 1

This seems to be a fairly standard and vague set of considerations. Anonymity should be included within the “privacy” consideration. As regards “energy usage” - it should be the same or less than the energy required to produce and use physical cash.

### Option 2

The digital pound only works if anonymous therefore an additional foundational technology consideration needs to be anonymity. Assuming that you buy into the scarcity model of energy rather than the abundance model, then the "energy usage" required to produce the digital pound must be equal to or less than the energy required to produce physical cash.

## **2. Which privacy-enhancing technologies, or other privacy mechanisms, might support the proposed policy objectives, and how might they be used? (Section 3.1)**

### Option 1

You say that privacy-enhancing technologies are a requirement in the Technology Working Paper, but are still open for comment in the Consultation Paper? Of course, privacy is important. Privacy “enhancing” is trickery. What do you mean by “enhancing”? If anonymity is not guaranteed in the provision of the digital pound, then no level of “privacy-enhancing” or otherwise will protect the people from control by the Government. The Government and/or the Bank do not require personal details in order to be able to halt or restrict an individual’s use of the digital pound. You claim that you cannot provide anonymity because you need to be able to verify a user “to prevent financial crime”; perhaps you can explain how proof of ID prevents financial crime. It seems reasonable to assume that anyone who is willing to commit financial crime will also be willing to get and use a false ID. Once again, this is using the illegal activity of the few as an excuse to control the many - another “it’s for our safety” policy.

### Option 2

"Privacy enhancing" is a misnomer. When compared to physical cash the digital pound is privacy reducing. Anonymity is key. I do not trust the Government or the Bank - you don't need to know my name to be able to deny me access to the economy.

I believe the Government and the banks are the ones committing financial crime - I need protection from them! The control of both money and data should be in the hands of the people. The Government should be focusing on protecting cash by encouraging people to use it and by insisting all businesses accept cash.

Different features based on a user’s willingness to sacrifice privacy by agreeing to disclose personal data is a reference to the "tiered wallets" in the Consultation Paper. Having tiered levels of access to money is discriminatory and counter to your claimed goal of financial inclusion. Everyone should be able to access the economy without a digital pound and a digital ID. Cash, not the digital pound, is the answer to financial inclusion.

## **3. Are the provisional requirements and metrics discussed in the paper, particularly for uptime, transaction throughput and transaction speed, realistic and appropriate? (Sections 3.3 and 3.4)**

Option 1

I agree that the suggested 99.999% uptime is “appropriate”; however, it is questionable as to whether it is “realistic”. 99.999% uptime is the equivalent to being unavailable one hour in every 10 years. My experience of technology outages suggests that this is highly unlikely to be achieved. Provided you have cash in your pocket, the uptime is 100%. Clearly, less so if you need to get the cash from the bank.

Option 2

I don't have much faith in technology. Any outage (unintentional or intentional) would be catastrophic if cash is not protected. Throughput must be at least as quick as cash if people are to use it.

In section 3.6 you talk about energy usage “designed in a way which minimises any impact on the environment” - what does that even mean and how do you intend to prove that it has a minimising impact? Simply vague statements that people are expected to believe as fact.

**4. Are there other significant components or activities that the Bank should consider in designing a CBDC? (Section 4)**

Option 1

A component that allows person to person anonymous transactions i.e. can transfer between two smart phones without a record being kept of any details.

Option 2

Anonymity throughout the system.

**5. Are there alternative models that might better address the technology considerations and technical requirements outlined in this paper? (Section 4)**

Cash!

**6. Other than those described in this paper, are there additional important factors to consider related to ledger design? (Section 4.1)**

Option 1

The ledger should be designed 1) to be distributed rather than central; and 2) to ensure that no third party (be that the current or future governments, the Bank or the private providers) can prevent or restrict an individual's access to their digital cash. In addition, direct user access should be built in so that an individual can log into their digital wallet to check balances without the need for a third-party wallet provider.

Option 2

In the current climate, I do not trust the Government, the banks or private corporations so I am sceptical as to whether even a distributed ledger can work. Does the ledger not have to run on the internet? Who owns the internet? The answer is cash - no ledger required!

**7. What are the most appropriate approaches or technologies for collecting and analysing aggregate transaction data? (Section 4.2)**

Option 1

Any aggregation must maintain anonymity of users - the approach or technologies used must not allow observation of the aggregation of a single or small set of user IDs.

Option 2

Any and all collection and analysing of aggregate transaction data must be on an anonymous basis.

**8. Do you agree with the need for aliases (both well-known and disposable)? If so, should the alias service be hosted as part of the Bank-managed infrastructure, or should it be distributed across the CBDC ecosystem? (Section 4.3)**

Option 1

Aliases represent other ways to identify users e.g. via telephone number, email address, bank account, debit card etc. This is currently used extensively when transacting using various payment types. It makes sense BUT, if the Bank holds this, then you are effectively giving the Bank very useful data about yourself. This runs counter to the stated privacy goals. On that basis, if the digital pound is launched, the aliases must be distributed. As regards disposable alias - the user should always have the unfettered option to use a disposable alias (i.e. not be forced to use a well-known one).

Option 2

Whilst aliases are currently used extensively when making transactions, the data provided is not held centrally at the Bank. Holding aliases centrally poses a privacy risk and runs counter to the privacy goals stated in the Consultation Paper. The alias service should therefore be distributed across the CBDC ecosystem and guarantees must be provided around usage of that data such that it cannot be used to restrict access to the use of the digital pound.

**9. What features would a CBDC API require to enable innovative use cases? (Section 4.4)**

Option 1

An extensible architecture is always part of software design - designed to allow for the addition of new capabilities and functionality. However, due to the inherent nature of innovation (not yet known), it is difficult to comment on features required to ensure future proofing.

Option 2

This is essentially a question about future proofing, thus is inherently challenging because no-one knows the future.

**10. Do you agree with the suggested list of devices for making payments with CBDC? (Section 4.5)**

Option 1

The list looks okay. To meet stated inclusion goals, smart cards are key. These cards should allow the user to extract cash directly. To act like cash, the owner should be able to choose whether to password protect the card or not (similar to cash in that you choose to stick it in a safe or not). Consideration should be given as to whether card to card transactions can be achieved.

Option 2

The list looks ok, but there needs to be the promotion and protection of cash alongside the digital pound.

**11. How viable is it to enable interoperability between CBDC and other forms of money using existing payments infrastructure? (Section 4.6)**

Option 1

This question seems to be aimed at those working with the existing infrastructure and therefore not possible for me to answer.

**12. Is programmability and smart contract functionality an important feature of a CBDC system? If so, what is the best approach to enabling such functionality? (Section 4.7)**

Option 1

Programmability is a threat to freedom and privacy. Neither the Government, the Bank nor third party providers should have any control over how I spend my money. Financial programmability, whether by the Government or third party providers, threatens fundamental human rights such as freedom of expression, freedom of assembly and could lead to discrimination. Programmability runs counter to the stated inclusion goals.

If the decision is to proceed with digital pound, then not only should it always be optional (i.e. cash must be promoted and preserved), but the approach should be that of “Minimal Viable Product”. That is, implement the minimum required for the digital pound to function like cash.

Is this just another Government project that becomes very expensive and never really works? (Just like the track and trace app).

Option 2

Programmability and smart contract functionality should not be part of the CBDC system because the associated dangers, to the people, are just too great. Neither the Government nor the Bank nor private third parties can provide the assurance required that programmability will not be abused and used to control the people.

Option 3

In spite of the reassurances contained within the Consultation Paper, programmability remains a huge concern as trust in the Government is extremely low. People have witnessed a



supposedly liberal democratic government, the Canadian Government, restrict access to the personal bank accounts of the truckers because they stood against the Government narrative on vaccine mandates. If it can happen in Canada then it can happen in the UK. So again, what reassurances can you give with regard to programmability? This question does not relate solely to the current government, but to all future governments.

**13. How important is offline functionality in a CBDC system? What are the most effective ways to implement offline capability? (Section 4.8)**

Option 1

Functionality is pretty critical but I am unsure what scale to use when assessing "How Important". This leads me to ask the question, "how will the responses be analysed?"

When considering electricity and internet outages, it should become apparent that the promotion and protection of cash is essential. (If Net Zero is allowed to continue unabated, then the stress on the electric grid will intensify and the grid resilience will lessen leading to an increase in rolling blackouts and power cuts.) The digital pound must only ever be optional. The advantages of cash should be promoted by the Government and laws passed to ensure cash can be used and accepted everywhere, without exception. These laws need to be beyond repeal.

Option 2

The risks associated with a CBDC system are too great and thus should not be pursued. Cash meets the stated goals.

---