EVERSHEDS SUTHERLAND

Navigating digital currency

Central Bank Digital Currencies

Introduction

Once the niche projects of eccentric pioneers who dreamed of a world without fiat currencies or central banks, digital currencies have outgrown their rebellious youth and made their peace with the establishment as central banks in the UK, US, EU, Sweden, Switzerland and China vie to issue their own digital currencies, collectively known as central bank digital currencies ("CBDC").

CBDCs, which are linked at par to the value of the fiat currency of the issuing state, so that one pound in a digital coin format is worth the same as a physical one pound coin in your hand, arguably have more in common with stablecoins than crypto currency as a form of digital currency. The value of crypto currencies are prone to extreme volatility.

The motivations behind the various projects reflect the concerns of the different states.

The EU wants to be able to regulate and tax digital currencies, while China is concerned to maintain absolute control over money transactions conducted by its citizens including the transfer of capital in and out of China using crypto currency. Of the issuers of the major hard currencies, China is by far the most advanced in its CBDC roll out plans. The digital yuan is both programmable and trackable giving the Chinese Government enormous power over its economy.

UK "Britcoin"

What is it?

- a UK CBDC will be an electronic form of central bank money that can be used by households and businesses to make payments at the retail and wholesale level
- depending on how it is structured, it might represent a direct claim on the Bank of England for the current holder of the CBDC, much like a banknote, but would take electronic form, similar to a bank deposit. It might also be a claim against the issuer of the CBDC which may be a commercial bank or other payment provider, which is then guaranteed by the Bank of England. There are various hybrid models which are currently being discussed
- it is intended to complement physical banknotes, rather than to replace them. The Bank of England ("**BoE**") has been at pains to stress that it does not envisage a cashless society. This would be contrary to the Government's current aims of legislating to protect access to cash for certain parts of society who chiefly depend on using physical money rather than electronic payments for their day to day needs
- BoE will consider the use of certain aspects of distributed ledger technology ("**DLT**"), but a UK CBDC will not necessarily utilise DLT to the same extent as cryptocurrencies, or may not be based on DLT at all

When does it arrive?

- BoE has not yet made a decision on whether to introduce a UK CBDC
- in April 2021 HM Treasury and BoE created a joint taskforce to consider the possibility of a UK CBDC

What is expected of it?

The Bank of England expects that a CBDC could offer seven key opportunities:

1. **supporting a resilient payments system**
   Currently, cash provides a contingency to electronic payment methods in the event of a disruption to card payment networks or the UK's payment systems such as Bacs or Faster Payments. However, as the use of cash declines, an alternative contingency which includes some of the benefits of cash, such as being able to conduct transactions off-line or anonymously, could provide greater resilience for the payments system.

2. **avoiding the risks of new forms of private money creation**
   The Bank of England is concerned by the risks posed by stablecoins, which are privately issued digital tokens which seek to maintain a stable of value by backing the coins with some form of stable asset. Despite the intentions of their creators, stablecoins may be unable to provide stability of value and redeemability at par back into commercial or central bank money. Stablecoins may be prone to large fluctuations in value and, if they formed a significant proportion of the money supply, could pose a risk to financial stability, especially if the issuers of such stablecoins were unable to redeem their value in full. They are also not very widely accepted as a form of payment and are therefore not effective as a form of currency or legal tender. The BoE believes a UK CBDC will provide a far more liquid and stable alternative.

3. **supporting competition, efficiency and innovation in payments**
   A CBDC might provide a faster means of payment than traditional card payments, for which merchants can wait up to three days to receive funds. It might also create a market for a range of firms to provide CBDC-related payment services to customers.

4. **meeting future payments needs in a digital economy**
   CBDC will facilitate 'programmable money', allowing transactions to occur according to certain conditions, rules or events. This might include automatic deduction of tax, shares automatically paying dividends or electricity meters paying suppliers based on power usage.

5. **improving the availability and use of central bank money**
   Currently at the retail level, central bank issued money is only available to households and non-financial businesses in the form of banknotes or coins in a tokenised form. The introduction of a CBDC will ensure the availability of central bank money as cash usage declines. By issuing CBDCs both in retail and wholesale markets, the Bank of England believes it will better maintain control over monetary policy and support financial stability.

6. **addressing the consequences of the decline of cash**
   Cash offers certain benefits, such as privacy of transactions and financial inclusion, which could be lost as its use declines. It is possible to design a UK CBDC so as to provide greater privacy than some existing payment systems. This could for example be by providing for CBDC transactions below a certain value to be anonymised. A CBDC may increase financial inclusion by being available to a broader range of people than private sector solutions, although it is difficult to see how a CBDC reaches the digitally excluded who rely upon physical cash.

7. **as an enabler for better cross-border payments**
   A UK CBDC may offer a safer way to provide better cross-border payments. BoE suggests that central banks may be able to work together to link domestic CBDCs to enable fast, efficient cross-border payments. CBDCs could be designed around a set of interoperability standards to support consumers moving funds between systems or providers cheaply and with little friction.

What marks the UK CBDC apart?

- the centre of the UK CBDC system as currently envisaged will be a core ledger – a database to record ownership of CBDC and to process transactions. It might be operated by the Bank of England, or it might be distributed or decentralised using elements of DLT

- payment interface providers (private sector firms) will manage the interaction of users with the core ledger. They will provide a user interface, apply KYC and anti-money laundering checks, register accounts on the core ledger, authenticate users when they initiate payments and provide merchant services to allow businesses to take CBDC payments from consumers

- further features may include the ability to make offline payments, greater economic viability for micropayments (where currently, the cost to process the payment may be greater than the value of the payment itself) and the facilitation of 'programmable money' via the use of 'smart contracts'

Digital Euro

What is it?

- the digital Euro is the European Central Bank's ("**ECB**") proposal for a CBDC in the Eurozone. The intention is for it to be issued by the ECB and the national central banks as an electronic form of money. It is not the same as e-money under the EU Electronic Money Directive ("**EMD**")
- it is intended to be accessible to all citizens and firms and to give them digital access to central bank money, which is the safest form of money. It is not intended to replace cash, but to complement it. It will not be an alternative currency, but will provide another way to make payments and will be convertible at par with Euro banknotes
- the ECB considers the digital Euro, as a CBDC, to be a different class of asset to a privately issued stablecoin or cryptoasset
- the ECB has not yet decided what kind infrastructure architecture will be used to support the digital Euro or what the balance between centralised and decentralised elements will be

When does it arrive?

- the ECB has not yet taken a final decision to issue a digital Euro and accordingly there is no set timeline in place. Fabio Panetta of the ECB Executive Board recently briefed the press that 2026 is the earliest date for a launch of a digital Euro
- the ECB and Eurozone national central banks have already investigated issues relating to a digital Euro ledger, privacy and anti-money laundering, limits on digital Euro in circulation, end-user access while not connected to the internet and facilitating inclusiveness with appropriate devices together with academics and businesses
- in October 2021 the ECB will commence a two year investigation into the issues relating to the design and distribution of a digital Euro which will take into account prospective users' and distributors' views

What is expected of it?

- a digital Euro will combine the efficiency of a digital payment instrument with the safety of central bank money. It will offer a reliable and stable supplement to cash, which is as easy to use as cash is today
- the basic requirements for a digital Euro comprise easy accessibility, robustness, safety, efficiency, privacy and compliance with the law. The protection of privacy will be a key priority; the European Data Protection Body cautioned recently that privacy is not just an application of a compliance regime but a fundamental right for EU citizens
- for merchants and small businesses, a digital Euro will provide an additional means to receive payments from their customers
- the digital Euro might be issued with additional functionality, such as automated payment features or integration with electronic, digital identity ("**eID**")
- the ECB wants to ensure that the digital Euro will help to prevent illicit activities
- the ECB is concerned that those Eurozone citizens who no longer want to use cash might become reliant on a foreign digital currency controlled from outside the Eurozone by private issuers. It believes that a digital Euro will avoid such dependency, which might otherwise undermine financial stability and monetary sovereignty
- the ECB's hopes for the digital Euro range from the mundane: that it will support the digitalisation of the European economy; to the ambitious: that it will support the strategic independence of the European Union and foster the international role of the Euro

What marks the EU CBDC apart?

- **limitations on holdings by consumers**
  In the absence of any limits to or constraints on the digital Euro's use as an instrument to store wealth, it might attract large transfers of retail deposits from banks to the digital Euro. The ECB is already considering the increased risk this may have to financial stability and seeking innovative ideas on ways to discourage consumers holding significant amounts of any digital Euro. Examples already provided include imposing a limit on the maximum personal holding of digital Euros by an individual user (i.e. no more than €3,000) to issuing penalties on large holdings of digital Euro

- **beyond National borders**
  The Euro is a common currency used across a number of national economies and this gives it a unique twist compared to other CBDCs. European Union Member States are also pursuing domestic and collaborative experiments on the CBDC design features proposed by the ECB. Eight Member State central banks recently delivered a joint report exploring issues of digital Euro scalability, privacy and identity. They focussed experiments on integrating the eID system with a CBDC system and exchanging €-CBDC tokens in peer-to-peer transactions both within a single jurisdiction and across two EU countries. The joint initiative also explored whether blockchain or DLT technology could and should be the basis for issuing, redeeming and distributing a digital Euro. Among others, the Spanish payments network Iberpay and the Bank of Italy have separately contributed to the EU-level discussions with reports on their domestic determinations on the feasibility of the digital Euro as founded in practical and technical testing of issues including token-based and account-based models, distributed ledger technology, online and offline digital payments, limits on the possession and use of digital euros, privacy and the programmability of payments by use of smart contracts

- **legal basis as yet uncertain**
  The ECB is about to begin a two year consultation on the design of the digital Euro. At the moment EU primary law does not exclude the possibility of issuing digital Euro as legal tender, which would require payees to accept it for payments. Certain practical arrangements regarding the distribution of and access to a digital Euro could in principle be outsourced, subject to strict supervision by the ECB and national central banks

Features to be finalised Possible features arising from the various discussions in relation to the digital Euro include whether:

- its name will be the "Digital Euro" / "D€" (a name the ECB is considering registering as a trademark)
- digital Euro holdings will be interest bearing and/or attract negative interest
- digital currency will be managed via conventional accounts under the control of the ECB and payment transactions will be based on the existing Eurozone payment systems
- Eurozone citizens will be provided with digital wallets along with their conventional bank account, and whether these will be linked to an eID
- the digital Euro will involve a blockchain with distributed ledger technology or be based on the ECB's own existing payments systems

Digital E-Krona

What is it?

Sweden is one of the countries where digital payments are increasing most quickly. The use of cash is on a steady decline, while technological advances with regard to electronic money and payment methods are proceeding at a rapid pace. The Riksbank sees potential problems with the marginalisation of cash, so it is investigating the need and conditions required for a future e-krona, which would work as a complement to cash.

- as currently envisaged, the e-krona will be an electronic form of central bank money which can be used by households and businesses to make retail and wholesale payments. The general public will have continued access to currency issued by the Riksbank in digital form

- the e-krona platform, which contains the underlying e-krona register, must interact with numerous other systems and agents for it to be practically possible to use e-krona for online purchases or in physical shops. Banks and other companies need to be able to join the e-krona platform in order to develop and offer payment services to households and companies. Systems to enable ML/TF checks are required along with a link to a settlement system so that e-krona can be moved into and out of the platform

- an e-krona will act together with the existing system and an e-krona will be worth as much as a "physical" 1-krona coin or a krona in a private bank account

- depending on how the e-krona is structured, it might represent a direct claim on the Riksbank for the holder of the e-krona, much like a banknote, but in electronic form, similar to a bank deposit. Alternatively it might be a claim against the issuer of the e-krona which may be a commercial bank or other payment provider, which is then guaranteed by the Riksbank. There are various hybrid models which are currently being discussed

- the e-krona will not replace cash. The Riksbank and politicians have stressed that they do not envisage a cashless society, which would be contrary to the Government's aims of legislating to protect access to cash for those parts of society which depend on using physical money for their day to day needs

- the Riksbank will consider and evaluate the use of various available technical solutions for the e-krona in consultation with market participants

When does it arrive?

- there is currently no final decision on the issue of an e-krona, how an e-krona might be designed or what technology might be used

- the Riksbank started the e-krona project in 2017 to analyse the need for an e-krona. The e-krona project has undergone several phases and the Riksbank has produced three reports

- in 2020, the e-krona project entered a more practical phase. The Riksbank initiated a pilot project with Accenture to construct a possible technical platform for the e-krona, in order to develop a technical solution for an e-krona based on DLT. Through the e-krona pilot project the Riksbank expects to learn more about how a technical solution for the e-krona could work

- in 2021, the Riksbank will continue testing the technical solution for the e-krona within the e-krona pilot project and compare different technical solutions and models for an e-krona. The Riksbank will also start the work of preparing for a possible procurement of an issuable e-krona

- the decision whether to introduce an e-krona in Sweden is ultimately a political one. The Government has appointed a special investigator to examine the future role of the national state, including the Riksbank, in the Swedish payment market, and what role an official e-currency could play. The investigator is due to report to the government by 30 November 2022

What is expected of it?

The Riksbank expects that in principle the e-krona could offer the same key opportunities described above in relation to the UK "Britcoin".

The e-krona is expected to ensure that the state has a future role in the payment market. If the state did not have any payment services to offer as an alternative to the strongly concentrated private payment market, it might lead to a decline in competitiveness and a less stable payment system, as well as making it difficult for certain groups to make payments. It may also risk eroding basic trust in the Swedish monetary system. Some of these problems could be alleviated by an e-krona.

What marks the e-krona CBDC apart?

The concept of e-krona has been described as Swedish krona that can either be held in an account at the Riksbank (account-based; also called register-based) or be stored locally, for example on a card or in a mobile phone app (value-based). Both types of e-krona assume that there is an underlying register so that it is possible to record transactions and determine who is the rightful owner of the e-krona. This means that digital transactions with e-krona will be traceable.

There are many conceivable ways of designing an e-krona, and the options are continuously growing as technology evolves. In the Riksbank's Economic Review 2020:2, four different models that can be implemented using existing technology were discussed:

- **centralised e-krona provision without intermediaries**
  In this model the Riksbank takes responsibility for the whole distribution chain for e-krona. The Riksbank would have a direct contractual relationship with end-users of e-krona and provides a technical platform with a register containing information on users of e-krona and their e-krona transactions, as well as e-krona accounts or digital wallets. Further, the Riksbank would provide traditional payment services including cards, apps and payment information to consumers, businesses and authorities, the authorisation of payments, and customer service, in a manner similar to the services commercial banks currently provide for their depositors. The distribution model could also serve as a settlement system operated by the Riksbank. E-krona stored on the platform would constitute central bank money and thus represent a claim on the Riksbank

- **centralised e-krona provision with intermediaries**
  In this model the Riksbank would maintain its prominent role at the wholesale level of the payment market but would not have an operational role in the distribution chain. Between the Riksbank and the public would be a layer of intermediaries offering payment services for the e-krona. However, the e-krona would still represent a direct claim on the Riksbank. Further, the Riksbank would have a direct contractual relationship with the end-user and would provide a core ledger where all holders of e-krona would have accounts or digital wallets in which all transactions were recorded

- **decentralised solution with intermediaries**
  Similar to the model with a centralised ledger of transactions above, the e-krona would represent a direct claim on the Riksbank while intermediaries would handle the provision of e-krona to end users. There would not be a single core ledger of transactions owned by the Riksbank and that there would be no direct contractual relationship between the Riksbank and end-users of e-krona. Instead, each intermediaries have their own ledger and a direct contractual relationship with the end-user. This setup would be simply a decentralised database of all e-krona in circulation at any given moment, in which the Riksbank verifies all transactions before completion. The ongoing e-krona pilot project at the Riksbank falls into this category

- **synthetic e-krona**
  In this model e-krona are issued and provided through intermediaries which hold reserves at the Riksbank to backing 100 percent of the issue value. A synthetic e-krona would represent a claim on the intermediary and not directly on the Riksbank. If payments were to be completely backed by central bank money in real time, this would require all 'backed' accounts and all transactions to and from these accounts to be mirrored in the Riksbank's RIX system so that changes in reserves instantly accommodate these transactions

Digital Swiss Franc

What is it?

- a Swiss CBDC would be an electronic form of central bank money
- in the "Project Helvetia" experiment, the Swiss National Bank ("**SNB**") together with the Bank for International Settlements Innovation Hub Swiss Centre and SIX (the operator of the financial market infrastructure including the Zurich stock exchange), tested integrating a wholesale CBDC in the settlement of tokenised asset transfers and linking a DLT platform to the existing payment system. The wholesale CBDC tested in Project Helvetia was a CBDC used by financial market participants including security traders and banks, but not by retail users
- from 1 February 2021, Swiss law has permitted the issuing of DLT based registered securities, such as tokenised shares in a company. Assuming tokenised shares will soon be listed on the digital asset segment of SIX, it is logical that the SNB is testing the integration of CBDC into this infrastructure
- the SNB has consistently emphasised the importance of coins and banknotes for the Swiss economy and society. Abolishing cash and replacing it entirely with cryptocurrencies would exclude parts of the society, with elderly people not familiar with smart phones, DLT and cryptocurrencies most affected. A Swiss CBDC would complement physical banknotes and coins, not replace them
- SNB's Project Helvetia envisages the potential wide spread adoption of DLT. However, a Swiss CBDC will not necessarily be based on DLT. The SNB will assess the suitability of DLT in the event it decides to issue a Swiss CBDC

When does it arrive?

- despite the successful proofs of concept achieved in Project Helvetia in December 2020, the SNB is cautious not to raise expectations that a Swiss CBDC will be introduced any time soon. The SNB has policy and governance concerns generally and in particular in respect of retail CBDC. It is difficult to predict when a Swiss CBDC will become reality

What is expected of it?

– in December 2019 the Swiss government ("**Federal Council**") outlined the following (global) opportunities of CBDC:

– **financial inclusion**
There are many people in the world (including in Switzerland) who lack access to the financial system and a bank account, but do have a smart phone. The implementation of CBDC is expected to result in the inclusion of these people into the financial system and enable them to make payments

– **need for digital money without default risk**
In current monetary systems, retail customers only have access to central bank money in the form of cash (physical banknotes and coins) or digital money provided by retail banks (credit and debit cards, payment apps, etc). Only banks and other selected financial market participants have direct access to central bank money, for example by way of sight deposits at SNB. If large numbers of retails customers withdrew their deposits from their retail bank accounts (as we saw during and in the aftermath of the 2008 financial crisis, eg in Greece), retail banks might default on their repayment obligation due to a lack of available cash and become insolvent. If CBDC is available, this default risk is expected to be much lower

– **increased financial stability**
By reducing the default risk, CBDC is also expected to have a positive effect on the stability of the financial system and reduce the need for state funded bail-outs

– **increased efficiency of payments**
The Federal Council expects CBDC payments will be executed faster and at lower costs while being more secure than payments based on existing systems

– **increased monetary policy effectiveness**
On the basis of available academic research, the Federal Council assumes CBDC will offer new opportunities for interest rate targeting

– **reduction of tax offences and money laundering**
Depending on how the relevant CBDC and the underlying DLT is structured, transactions can be made traceable and counterparties identified. This could significantly reduce the scope for committing tax offences and money laundering. At the same time, it raises complex data protection concerns

These expected positive effects will only accrue if CBDCs are broadly adopted. Currently, the community which use cryptocurrencies is significant, but not dominant, in the global economic environment. It is questionable whether current users of cryptocurrencies will adopt CBDCs, as their very existence runs counter to the decentralised finance movement's goal of the abolition of central banks and banks as intermediaries. However, there will be other market participants to whom a cryptocurrency issued and backed by a central bank will be appealing.

Several regulators and policy makers have been at pains to stress that cryptocurrencies are a juvenile and niche concept. While any DLT based payment system must comply with applicable anti-money laundering and other regulations (and it would be beneficial for each such system to ensure compatibility with the current monetary system), it is not technically necessary for such compliance to be provided by central or other banks.

What marks the CHF CBDC apart?

Given the stance of the SNB, it is too early to elaborate on the particular features of a Swiss CBDC. If the Swiss CBDC were to be in the form which is currently being tested and which uses the infrastructure of the Swiss stock exchange SIX, financial market participants would be able to directly and immediately use the Swiss CBDC to settle transactions involving crypto assets.

The SNB's focus of concern is the safety and reliability of the Swiss financial infrastructure, including the Swiss Franc as a currency. Any expansion of the Swiss CBDC to transfers to retail users would follow these principles. That being said, a Swiss CBDC would most likely enjoy the same benefits resulting from the general Swiss ecosystem, ie of a politically stable and safe environment with open minded, approachable and predictable authorities.

Digital Yuan

What is it?

- China's digital yuan, also known as the Digital Currency Electronic Payment ("**DCEP**"), is a digital currency issued by the People's Bank of China ("**PBOC**"), backed by yuan deposits it holds
- DCEP will be distributed through a two-tier system: it will firstly be issued by the PBOC to commercial banks and other non-bank payment platforms and intermediaries, who will then be responsible for making DCEP available to businesses and consumers
- while a large portion of China is already using electronic payments (such as Alipay and WeChat Pay), the DCEP is expected to accelerate China's trajectory towards a cashless society
- on 16 July 2021, China published its first white paper on the DCEP, the first comprehensive disclosure of its plans regarding the DCEP
- as of June 30 2021, more than 20 million digital yuan wallets have been created and participants have spent 34.5 billion digital yuan ($5.3 billion) in trials, with uses including payment for transportation, dining, shopping, utility and government services

When does it arrive?

- China first began to explore the DCEP in 2014, and since then pilot programs have been launched in several regions including Shenzhen, Suzhou, Chengdu and Hong Kong. Hong Kong, being the gateway between China and the West, was chosen as the testing site for the cross-border use of DCEP

  Authorities will continue their existing trials across the country as well as launch new ones. Whilst DCEP use trials have been carried out in a number of Chinese cities to date, there has been no official launch date for the DCEP. However, China is reportedly aiming to implement the DCEP on a national level by the 2022 Winter Olympics in Beijing

What is expected of it?

- **increasing competition**
  China's digital payments arena is currently dominated by Alipay and WeChat pay, which are run by Alibaba Group's affiliate Ant Group and internet giant Tencent respectively. The launch of DCEP is expected to challenge the duopoly of Alipay and WeChat Pay by providing the basis and essential infrastructure needed to cultivate innovation in FinTech firms and creating business opportunities for commercial banks

- **promoting the efficiency of the financial system**
  DCEP is intended to reduce time and costs for domestic and international payments, and to avoid the significant costs associated with printing, circulating and replacing damaged physical money for a population of 1.4 billion

- **improving PBOC's grasp of macroeconomic dynamics**
  DCEP transactions will allow the central bank to master the macroeconomic operation in China by enabling it to record every transaction in detail and to monitor all transactions in real time. The big data generated from DCEP transactions will help China to make more efficient and better informed policy decisions

- **combating illegal activities**
  As a centralised digital currency, DCEP will give the PBOC the power to trace the uses of DCEP, including any illegal transactions such as money laundering, tax evasion and terrorist financing

- **non-accrual of interest**
  As the DCEP is a substitute for M0 (i.e. cash in circulation), it is treated the same way as physical RMB and therefore does not carry any interest. Further, by defining the DCEP as M0, it is likely that the PBOC envisages only a limited amount of DCEP to replace cash but not to replace bank deposits

- **enhancing financial inclusion**
  Users will not require a bank account to access funds, which means that DCEP could enhance financial inclusion by bringing digital payments to users in remote or rural regions who may have more limited access to traditional bank accounts and enabling them to participate in the mainstream economy. Furthermore, foreigners temporarily visiting China can easily open a DCEP wallet for their daily payment needs without having to open a domestic bank account

- **internationalising the RMB**
  The PBOC stated in July that it will explore cross-border payments in DCEP in coordination with other central banks. DCEP's eventual use for cross-border payments should support China's efforts to have the yuan used more widely for pricing and settlement of trade transactions, and the financing of projects. DCEP may enable digital money to be transferred across borders without having to go through a dollar-based system like SWIFT

What marks the Digital Yuan apart?

- DCEP utilises "controllable anonymity", which means that although the transaction itself will be kept private to the outside world, the PBOC will still be able to track and trace every movement of the DCEP by monitoring activities of digital wallets. The DCEP system does not provide money to government or third party organisations unless otherwise required by laws and regulations. Internally, the PBOC sets up a firewall for DCEP-related information, and strictly implements privacy protocols

- DCEP transactions will have a "dual offline payments" feature, allowing payments to be made even when both the payor and payee are offline. This feature enables users to make and receive payment even when they are in areas with little or poor internet connectivity. This is made possible through the use of near-field communication technology

- DCEP wallets will be tiered based on the amount of personal information provided, and the different tiers will have varying daily and transaction limits as well as maximum balance. Users will be able to open "least privileged" wallets by default, without providing any personal information, and can subsequently upgrade their wallets if needed

- the PBOC's white paper confirms that the DCEP will come with smart contract programmability, and that during recent pilots, smart contracts were already used to make the DCEP "programmable, more expandable and better integrated into various scenarios". News reports have also mentioned that China has experimented with adding expiration dates to DCEP, which means that the currency can no longer be used after its programmed expiration date. Theoretically speaking, it is possible for the government to use this feature to spur consumer spending (i.e. by compelling consumers to spend the money before it expires) and stimulate the economy when needed

Navigating digital currency
Central Bank Digital Currencies

How Eversheds Sutherland can help

Eversheds Sutherland's Global Crypto Assets practice comprises leading practitioners in the areas of financial regulation, technology and payment services with experience in shaping market standards in the crypto industry (both CeFi and DeFi) and navigating through the still developing legal and regulatory framework around products.

This includes the categorisation/regulatory classification of tokens and the implication this has on the legal framework around the exchange, transfer or custody of those tokens. We have been involved in a number of large scale open banking projects employing DLT systems as well as advising governments, regulators and industry associations on drafting regulation and setting standards for various aspects around DLT use cases and business models, mostly in financial markets and services. These projects often include innovative forms of cooperation between regulated financial services providers and tech providers across several jurisdictions.

Eversheds Sutherland is one of the world's largest law firms with 74 offices in 35 countries. We are ranked by General Counsel in the Acritas Annual Global Elite Law Firm Brand Index as one of the leading global law firms for client service and innovation and are the number 1 ranked law firm brand in the UK. Financial services is our biggest industry sector accounting for approximately one third of our global revenue, and we are trusted adviser to most of the world's largest banks, asset managers and insurance companies. We are also a tier 1 fintech practice.

Navigating digital currency
Central Bank Digital Currencies

Contacts

Tony Anderson
Partner
T: +44 20 7919 4808
tonyanderson@eversheds-sutherland.com

Dr. Carola Rathke
Partner
T: +49 40 808094 200
carolarathke@eversheds-sutherland.com

Jack Cai
Partner
T: +86 21 6137 1007
jackcai@eversheds-sutherland.com

Tord Svensson
Partner
T: +46 8 545 322 83
tordsvensson@eversheds-sutherland.se

Jonathan Master
Partner
T: +44 207 919 0504
jonathanmaster@eversheds-sutherland.com

Thomas Tüllmann
Counsel
T: +49 40 808094 240
thomastuellmann@eversheds-sutherland.com

Frankie Tam
Of Counsel
T: +852 2186 4919
Frankietam@eversheds-sutherland.com

Thomas Pritchard
Principal Associate PSL
T: +44 207 919 4679
thomaspritchard@eversheds-sutherland.com

Rhys McWhirter
Partner
T: +852 2186 4969
RhysMcwhirter@eversheds-sutherland.com

Dr. Michael Mosimann
Partner
T: +41 44 204 90 90
michael.mosimann@eversheds-sutherland.ch

eversheds-sutherland.com