New Finance Initiative

The Need for Blockchain with CBDC Infrastructure

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This letter is written to emphasize the need for the development and manufacturing of Central Bank Digital Currency (CBDC) infrastructure to be created with blockchain technology. As the UK central bank continues its preliminary phases with CBDC or a UK digital pound, there is need to open up about the effects that CBDC technology can have on the UK economy and society and how using a different technology infrastructure systems approach compared to blockchain technology can damage the innovation that can potentially be produced.

CBDC is a once in a multi-century occasion and the development of new currency has always had profound effects once being implemented. The UK central bank has to look at the benefits that blockchain technology can provide to the infrastructure of CBDC and how if the technology unpinned the UK financial system, can it be used in other areas of the economy to help innovation and provide more ways to implement financial stability and inclusion plus economic growth.

Blockchain technology has the properties at the core of its functionality to provide robust infrastructure to the UK financial system. The settlement processes that happen with blockchain are far more secure than any other techniques to execute transactions. The transparency that a blockchain can provide the UK central bank with is also a property that helps innovate with producing more authentic data aggregation for economic analysis. The blockchain provides the foundational infrastructure for CBDC to function with smart payments, micro payments, programmable functionality and can even be interoperable with other technology systems.

The UK central bank needs to look at blockchain technology from a fundamental perspective on the debate around the creation and manufacturing of Central Bank Digital Currency or CBDC because the initial innovation that sparked the conversation around CBDC was actually blockchain technology itself.