



Treasury Committee

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Sir Jon Cunliffe
Deputy Governor for Financial Stability
Bank of England
Threadneedle Street
London
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By email

20 March 2023

Dear Sir Jon,

Follow-up questions to the 28 February 2023 evidence session on the digital pound

Thank you for giving evidence to the Treasury Committee with your colleagues on 28 February 2023. I would be grateful if you could respond in writing to the following questions that follow up on some of the topics discussed during the session.

1. Could you please set out the Bank of England's thinking on options for compensation protection for holders of regulated stablecoins? (Q352)
2. You clarified in the session that neither the Bank of England or Government would have the ability to programme a digital pound or access individuals' data. But there are also privacy concerns around the ability of the private sector wallet providers to programme money and potentially abuse their access to consumers' data. How can the Bank be confident that these risks can be managed effectively?
 - Can you summarise how you envisage private sector wallet providers being regulated? Wouldn't the extent of regulation required make it commercially unviable for companies other than tech giants or large banks to be able to provide these services, thereby hindering innovation and competition?
3. During the session you stated that a Central Bank Digital Currency (CBDC) has financial stability benefits, in terms of resilience, because it provides another payment system (Q303). But how much additional resilience does a CBDC provide if it relies on internet access and power? What might happen if, for example, a particular region of the UK lost power and/or internet access for 48 hours and cash wasn't available as the backup?
4. Could you provide an estimate of the financial cost of implementing and running a digital pound? I recognise that the costs would depend on the final design and will be uncertain at this point in time, but I would be grateful if you could provide at least an order of magnitude estimate (or range) of the potential costs.

I would be grateful for a response by Thursday 13 April 2023.

In line with the Committee's usual practice, I will be placing this letter and your responses in the public domain in due course.

With best wishes,

A handwritten signature in black ink that reads "Harriett Baldwin". The signature is written in a cursive style with a long horizontal stroke at the end.

Harriett Baldwin MP
Chair of the Treasury Committee