

Testwale Current Affairs PDF

Current Affairs search results for: "RBI to launch a pilot project on Digital Rupee in the Wholesale segment on 1 November 2022"

1. RBI to launch a pilot project on retail digital Rupee (₹-R) on 1 December 2022 (Nov. 29, 2022)

RBI to launch a pilot project

The Reserve Bank of India has announced on 29 November 2022 that it will launch a pilot project on retail digital rupee (**₹-R**) on 1 December 2022. The RBI had earlier launched the first pilot project of the Digital Rupee for the [Wholesale segment](#) (₹-W) on November 1, 2022.

Banks participating in the pilot project

According to the RBI **8 banks** have been identified for phase-wise participation in this pilot project.

In the **first phase** four banks, **State Bank of India, ICICI Bank, Yes Bank and IDFC** will participate.

In the **second phase** four more banks **Bank of Baroda, Union Bank of India, HDFC Bank and Kotak Mahindra Bank** will join this pilot project.

Place where the pilot project will be launched

According to the RBI initially the pilot project will be launched in Mumbai, **New Delhi, Bengaluru and Bhubaneswar**.

In the second phase it will be extended to **Ahmedabad, Gangtok, Guwahati, Hyderabad, Indore, Kochi, Lucknow, Patna and Shimla**.

Feature of the Pilot project

The pilot project would cover select locations in a closed user group - CUG comprising participating customers and merchants. The digital Rupee would be in the form of a digital token that represents legal tender.

Users will be able to transact with digital Rupee through a digital wallet offered by the participating banks and stored on mobile phones. Transactions can be both Person to Person and Person to Merchant.

Payments to merchants can be made using QR codes displayed at merchant locations.

The pilot will test the robustness of the entire process of digital rupee creation, distribution and retail usage in real-time.

Digital Currency

It is a legal tender issued by a central bank in a digital form. It is similar to sovereign paper currency (Indian Rupee) but takes a different form. It will not be in paper form but in digital format.

2. RBI to launch a pilot project on Digital Rupee in the Wholesale segment on 1 November 2022 (Oct. 31, 2022)

RBI launch Digital Rupee

The Reserve Bank of India (RBI) has on 31 October 2022 announced that it will begin a pilot launch of the Digital Rupee (₹) for specific use cases. The first pilot project of the Digital Rupee will be launched in the **Wholesale segment (₹-W)** on November 1, 2022.

Where it will be used?

The digital rupee will be used for settlement of secondary market transactions in government securities. According to the RBI, nine banks including **State Bank of India, Bank of Baroda, Union Bank of India, HDFC Bank, ICICI Bank, Kotak Mahindra Bank, Yes Bank, IDFC First Bank, and HSBC** will participate in the pilot project.

Digital Currency in India

Union Finance Minister Nirmala Sitharaman had earlier announced that the RBI will launch a **Central Bank Digital Currency (CBDC)** in 2022-23. According to the FM, the introduction of CBDC will boost the digital economy and will be based on Blockchain technology.

What is Central Bank Digital Currency (CBDC)?

According to the Reserve Bank of India the CBDC has the following features:

- It is a legal tender issued by a central bank in a digital form,
- It is similar to sovereign paper currency (Indian Rupee) but takes a different form. It will not be in paper form but in digital format,
- It shall be exchangeable at par with the existing currency and shall be accepted as a medium of payment, legal tender and a safe store of value,
- CBDCs would appear as liability on a central bank's balance sheet.

Advantage of a CBDC

- Unlike the paper currency, a digital currency can never be torn, burned, or physically damaged. In comparison to currency notes, the lifeline of a digital form of currency will be indefinite.
- It will promote cashless financial transactions which will reduce the cost of financial transactions.
- Central bank digital currencies would also reduce the risks of using other digital currencies like Bitcoins. Cryptocurrencies are highly volatile, with their value constantly fluctuating which could cause severe financial stress in many households and affect the overall stability of an economy.
- CBDCs, backed by a government and controlled by a central bank, would provide households, consumers, and businesses with a stable means of exchanging digital currency.