

# CHINA VOWS PRIVACY, INFORMATION PROTECTION IN USING DIGITAL YUAN

Relevant for: Indian Economy | Topic: Issues relating to Growth & Development - Banking, NPAs and RBI

China vows privacy, information protection in using digital yuan | Photo Credit: REUTERS

China will fully respect privacy and protect personal information in using the [digital yuan](#), state media quoted a senior central bank official as saying on Sunday, as Beijing [encourages greater adoption](#) of e-CNY.

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Limited anonymity is a key feature of the digital yuan, Mu Changchun, director-general of the central bank's Digital Currency Research Institute said, noting it ensures reasonable anonymous transactions.

"On the other hand, it also prevents and combats illegal activities including money laundering, terrorist financing and tax evasion, maintaining the need for financial security," the Securities Times quoted Mu as saying at a forum.

The People's Bank of China is a front-runner in developing and issuing a central bank digital currency (CBDC), which in the case of the e-CNY will be a traceable replacement for notes and coins.

Other central banks are looking at developing CBDCs to modernise their financial systems, ward off competition from cryptocurrencies such as Bitcoin and speed up domestic and international payments.

China's efforts are among the [most advanced globally](#), and the country has been running various trials and pilot schemes of different payment scenarios in recent years.

Mu also said the e-CNY, which is the digital version of fiat currency issued by the PBOC, can be used to purchase anything that can be bought with banknotes and coins.

"Banknotes and coins can buy gold and convert foreign currency, so does the e-CNY," he said.

In May, some cities distributed free digital cash to revive consumption and help businesses hit by pandemic curbs, with more e-CNY applications expected in future to boost transparency and effectiveness of government policies.

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