

DIGITAL CURRENCIES LIKELY TO BE LEGAL TENDER, SAY CENTRAL BANKS

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Ensuring central bank digital currencies (CBDCs) are legally recognized as a form of payment alongside banknotes and coins could give the new form of money an edge over other types of electronic payments

Digital currencies planned by major central banks will probably become legal tender in their jurisdictions, according to officials studying such initiatives.

That outcome is "likely" in the euro area, European Central Bank Executive Board member Fabio Panetta told a panel Tuesday in Helsinki on central bank digital currencies, or CBDCs.

Addressing the same event, Russian central bank Governor Elvira Nabiullina concurred. She stressed the importance of "seamless conversion between forms of money," calling it "crucial for the trust of society in this money."

Ensuring CBDCs are legally recognized as a form of payment alongside banknotes and coins could give the new form of money an edge over other types of electronic payments.

It could also help allay fears of CBDCs being shunned if consumers stick with existing payment methods like credit cards and apps, or embrace newer options like stablecoins.

"It would be quite awkward not to have legal-tender status for an additional instrument issued by a central bank," Panetta said. The ECB will examine the matter over the next two years, he said, though cautioned that achieving the status "should not be taken for granted."

In China, which will probably be the first major economy to launch a CBDC, plans for the digital yuan foresaw it being designed as legal tender from the outset.

Also speaking in Helsinki, Governor Yi Gang said that as long as there's a need for cash, the People's Bank of China won't stop supplying it or use administrative orders to replace it.

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