



US CBDC Proof of Concept Sees Big Banks Team Up With Federal Reserve

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Several prominent investment banks and credit companies have teamed up with the U.S. Federal Reserve to work on the digital dollar.

The proof-of-concept (PoC) will run for 12 weeks to test a version of the central bank digital currency (CBDC). Partners include MasterCard, Wells Fargo, HSBC, and Citigroup, according to an official [statement](#) on Nov. 15.

The move comes in the wake of the collapse of the second-largest cryptocurrency exchange last week.

CBDC: Speeding up Payments

Uncle Sam has been reluctant to move forward on a CBDC so far. Nevertheless, other countries like China and [Nigeria](#) have steamed ahead with their digital currencies.

The project will test a version of the “regulated liability network design” that operates exclusively in U.S. dollars, the report noted. This operates with commercial banks issuing tokenized simulated money representing customer deposits. They are settled through simulated central bank reserves on a shared blockchain.

According to Reuters, the pilot will test how banks using digital dollar tokens in a common distributed ledger can help speed up payments.

The CBDC PoC could also extend to multi-currency operations and regulated stablecoins. The digital tokens will be fully fungible and redeemable with other forms of money in the pilot.

Director of the Fed’s New York Innovation Center, Per von Zelowitz, commented that the center looks forward to:

“Collaborating with members of the banking community to advance research on asset [tokenization](#) and the future of financial market infrastructures in the U.S. as money and banking evolve.”

Earlier this month, the head of the New York Fed’s market group Michelle Neal said that a CBDC could “promote financial inclusion and equity by enabling access for a broad set of consumers.”

Erosion of Financial Freedom

However, not all are convinced that a CBDC, or digital dollar, is the way forward for Americans. A programmable currency gives the central bank unprecedented control over what specific groups can spend, on what, and how much.

Earlier this year, policy analyst Nick Anthony at the Cato Institute's Center for Monetary and Financial Alternatives warned against CBDCs. "A CBDC would erase what little financial privacy still exists in the United States," he cautioned at the time.

Last month, BeInCrypto reported on the potential perils of a CBDC linked to a digital identity.