

DIGITAL POUND FOUNDATION

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DIGITAL
POUND
FOUNDATION





Harnessing creativity, ingenuity and uniquely British values to bring about a well-conceived digital Pound

The new technologies of the digital revolution have triggered the development a new form of money. It is now technologically possible to deploy what is now known as a digital currency for universal use across the globe. It is also possible to do that in parallel with conventional fiat currency, ultimately replacing less efficient or secure current forms of money. Bitcoin and Libra have paved the way, and many private and publicly owned enterprises are looking to implement their own versions. It appears that it is here to stay.

However, the risks to political and economic sovereignty, not least the loss of control over money supply, are so great that there has been a geopolitical reaction to its implementation. It is conceivable, at one extreme, that large scale adoption will accelerate trends in the balance of economic power and in the status of reserve currencies or, at the other extreme, that the savings of citizens will be put at risk through promulgation by unsound sponsors.

It has therefore fallen to the regulators to handle those risks. Considerable work by central banks across the globe has gone into some early form of sovereign-backed digital currency which optimises it in the interests of the citizen whilst inhibiting its threats to sovereign and global financial stability. In the UK, the Bank of England is now actively considering the future of both private and public forms of digital money and their joint role in a digital currency ecosystem.

There is a need in the United Kingdom for the private and public sectors to support that work in its practical application. This paper, authored by members of the Whitechapel Think Tank, suggests how that support might be brought about. It focuses on the development and implementation of a digital pound ecosystem that will ultimately encompass both public and private forms of digital money (in the form of both central bank digital currency and private regulated stablecoins).

The paper refers to the transformation which the introduction of a digital currency will bring to conventional payments methodologies and their infrastructures. A separate paper, also under the auspices of the Whitechapel Think Tank, addresses the future of payments in the context of a UK central bank digital currency. This paper is due for publication shortly. Both developments – a digital currency and its accompanying payments paradigm – will continue to draw on the enterprise and innovation of the world's financial technological community, in which the UK plays a leading role. The opportunity for the UK in deploying that community in the development of a digital currency therefore warrants the close attention and support of both the public and private sectors from now on.

In summary, the introduction of a new, technologically advanced form of money is gathering momentum and appears unstoppable. It will take time and it is in the interests of society and its citizens and in support of social and financial stability, nationally and globally, that it proceeds with appropriate, collaborative guidance, oversight and direction. The purpose of this paper is to instigate the establishment of a community able to support the custodians of society in the introduction of this new form of money for public good in UK and around the world.

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A

INTRODUCTION

An opportunity which, if seized, will provide enormous benefits, and whose repercussions will be felt for generations to come.

The time has arrived for the UK to develop a truly digital Pound, enabling and underpinning its transition through the Fourth Industrial Revolution. In this context, the Digital Pound Foundation's constituting team believe digital currency to be a foundational component of the digital infrastructure that will underpin the next generation of the UK's economy and society, and support a pivotal moment in history: an opportunity which, if seized, will provide enormous benefits, and whose repercussions will be felt for generations to come. As a global leader in financial services, the UK must embrace this moment fully and strategically, in order to realise the full promise and potential of the new day dawning.

The Digital Pound Foundation will constitute as a non-profit entity, created for the express purposes of research, advocacy and multi-stakeholder collaboration with respect to the design, development, implementation and roll-out of the UK's digital currency ecosystem, including both central bank digital currency (CBDC) and private forms of digital money, as the means of securing the UK's place in the emerging global digital landscape. Founding Members may come from any sector – including but not limited to industry, service providers, academia, non-governmental organisations, think tanks and industry associations - but generally are expected to be legal entities willing to commit to a substantial contribution of resources, in terms of both time and funding, towards realizing the Foundation's vision.

OUR VISION

The time is right for a Foundation of this nature. Our constituting team believes that digital currency - whether CBDC or privately issued - is an inevitability, not a choice, as the digital world develops at a rapid and often unpredictable pace. It is inevitable that the UK's payments and settlements infrastructure must transition to support the innovative possibilities opened up by technological advances and the approach of the Fourth Industrial Revolution. From an international perspective, we believe that CBDC is a necessity for any nation state wishing to preserve its sovereignty in determining fiscal and monetary policy in a world that will be increasingly fuelled by both privately operated and decentralised digital currencies and other types of digital assets.

A nation's currency, and the means by which it facilitates a relationship between the state, businesses and individual citizens, is a matter not only for governments and regulators but also for wider society. CBDC may give rise to many new and beneficial opportunities and use-cases around data collection and crime prevention. We must ensure that these do not exceed the powers of the UK Government's democratic mandate, are aligned with our constitutional principles, and do not infringe the rights of individual citizens. The members of the Digital Pound Foundation believe that a digital Pound must reflect the fundamental British values of democracy, rule of law, individual liberty, mutual respect and tolerance. We will work with our stakeholders to further detail the principles based around these British values, and to ensure that these are embedded in the design of a digital Pound. The benefits of a digital Pound that embodies British values will accrue not only to the UK's citizens, but also to everyone who uses the digital Pound.

The UK faces a period of great change and new challenges in light of the impact of both Brexit and the global Covid-19 pandemic. A nation's currency is not only its store of value, unit of account and medium of exchange; when deployed strategically, it creates new economic opportunities. We believe that a well-designed digital Pound – one which encompasses British values, as well as such vital core principles as interoperability with existing and emerging global payments infrastructure, traditional means of payment (including cash and electronic money), and digital currencies – has the potential to breathe new life into the UK's currency on the global stage. Without a sovereign currency that is able to participate fully and actively in digital ecosystems, the UK will likely be unable to achieve the same standard of economic, social and political growth as other nation states in the future.

ACHIEVING OUR VISION

The Digital Pound Foundation will be the catalyst among stakeholders across the public and private sectors, including academia, in the UK and beyond, to explore and articulate the case for a well-conceived digital Pound. Beginning with a programme of research, advocacy and multi-stakeholder engagement, this will progress through to regulatory engagement and industry testing, via practical sandbox experiments, proofs-of-concept, and pilot work, as applicable. The Foundation will support and complement other projects and associations having similar objectives, including the Bank of England's consultation framework, the work of existing industry associations, and any private sector initiatives.

The Foundation's intention is to create an inclusive, well-functioning forum for collaboration that looks at the implementation of a digital Pound and digital currency infrastructure from a holistic perspective, addressing both the narrow questions, such as the design, implementation and successful adoption of CBDC, as well as considering the wider impact of a digital Pound on the UK's economy and society. The Foundation will address, advocate for and provide constructive input to other vital considerations such as privacy, financial inclusion and technology inclusion, and it will consider the role to be played by a digital Pound in both enabling the UK's transition to a digital economy and underpinning more efficient, sustainable payments and financial markets infrastructure.

The following groups are identified as vital stakeholders, and the Digital Pound Foundation intends to attract representatives of each to its membership and otherwise involve them in the work

of the Foundation: consumers; retail businesses, both physical and online; the manufacturing, technology, tourism and financial services sectors; other service industry participants; government and regulatory agencies, including those that deliver services to the UK's citizens; the Bank of England; digital infrastructure providers, including payments, communications internet service providers, FinTech and online gaming companies; charities and social enterprises; citizens' rights and financial inclusion advocates; and others.

Importantly, the Digital Pound Foundation will work with a variety of stakeholders and participants across the full timeline for implementation of a digital Pound and development of a digital currency ecosystem in the UK, adopting a multi-phase approach:

- **Phase 0 – Formation of the Digital Pound Foundation**

- Establishing the structure, governance and initial membership of the Digital Pound Foundation, and engaging with key stakeholders across government, regulators, academia and the private sector.

- **Phase 1 – Advocacy for a Digital Pound and Alignment with British Values**

- Working with members and stakeholders to build out the Key Principles (see Section D – Key Principles for a Well-Designed Digital Pound) and developing and executing the advocacy plan with respect to promoting these in the design of a digital Pound.

- **Phase 2 – Supporting Benefits Realisation by Design**

- Collaborating with the Bank of England and its implementation partners to ensure that the benefits identified, and principles established by the Digital Pound Foundation are embedded into the design and architecture of the digital Pound.

- **Phase 3 – Ensuring Successful Implementation**

- Engaging with a wide range of stakeholders to identify the changes, challenges and risks associated with implementation of the digital Pound in business models and operational processes and working together to identify pathways for successful change and adoption, and risk mitigations.

- **Phase 4 – Journey to Adoption**

- Supporting the roadmap for phased rollout and implementation of the digital Pound, across all sectors of British business and society.

**These phases are further detailed in Section F
– Delivering the Digital Pound Foundation.**



WHY JOIN THE DIGITAL POUND FOUNDATION?

The Digital Pound Foundation welcomes to its membership a diverse array of interested parties. Founding Members are expected to be legal entities willing to make a substantial commitment of resources (time and funding) to the set-up and operation of the Foundation, and might include, but are not limited to, financial institutions, businesses, law firms, consultancies, advocacy and industry associations, and academic institutions. The Founding Members will establish criteria for expanding the membership's ranks.

The Digital Pound Foundation seeks to build a bridge between its members, policymakers and government, regulators and the public. It aims to encompass a broad range of ideas and perspectives in the context of shared values and in pursuit of a common shared goal – the successful implementation of a well-designed digital Pound and digital currency ecosystem that will contribute to the UK's global standing and underpin the development of the digital economy.

Membership of the Foundation enables active participation in the development of both policy and industry solutions related to the design and implementation of a digital Pound. The Foundation focusses on understanding and supporting realisation of the benefits of a digital Pound, as well as on identifying the associated challenges and risks, and developing realistic, achievable mitigation plans. Support for these activities, and management of working groups, is provided by a highly qualified, industry-recognised team. The Foundation also produces member-led, evidence-based thought leadership and content in the form of policy, research papers and other publications.

Founders and members are able to identify and shape policy formation and solution design, through their participation in specialised working groups. They will have access to the leading thinkers at the forefront of developing the digital Pound and digital currency ecosystem. The Foundation will also host knowledge-sharing events and showcase the activities undertaken by and outputs of the various working groups.

The Digital Pound Foundation seeks to encompass a broad range of ideas and perspectives in the context of shared values and in pursuit of a common shared goal - a well designed digital pound.





B

BENEFITS OF A DIGITAL POUND

Currency and payments infrastructure are foundational elements of any economy, and provide the vital interface between the various economies and ecosystems that are part of commerce, recreation, communications and other human activities on a global basis.

The global economy, including cross-border trade, is moving increasingly to the digital realm, an effect heightened by the recent Covid-19 pandemic and associated “social distancing” and “work from home” requirements. The successful implementation and adoption of a digital Pound would recognise these trends and would deliver many potential benefits to the UK economy, its businesses and citizens as they cope with such changes. A well-crafted digital Pound and its associated technologies can create the next generation digital infrastructure for all sectors of UK society, and will be integral to realising the following success criteria (the Key Success Criteria):

- Promoting better, more certain and efficient value transfer and payments from source to destination – be it payments from governments to individuals, or vice versa, or payments between two parties.
- Underpinning a payments and market infrastructure that can support greater financial inclusion and access to capital, for both individual citizens and small-to-medium enterprises.
- Laying the foundation for the UK to become a world leader in the digital economy and the Fourth Industrial Revolution.
- Supporting the development of digital markets and digital assets.
- Enhancing the status of the UK’s currency as a desirable means of exchange, store of value and unit of account in global marketplaces.
- Stimulating innovation and new technologies across all sectors of the economy and extending the UK economy’s reach well beyond its physical borders.
- Encouraging private sector investment in digital infrastructure, job creation, and expansion of service offerings in all sectors of the economy.
- Providing new ways for government to interact with citizens and businesses, including, post-Covid, via inventive new economic stimulus and recovery programmes.
- Imbuing the digital realm with British values.

The beauty and utility of a well-designed digital Pound ecosystem would lie in its flexibility and programmability to address a range of use-cases in different ways and across different systems, according to the nature of the participants in these systems and their requirements. This is reflective of the current split between wholesale and retail payments use-cases and infrastructure. Wholesale payments infrastructure is accessible only by financial institutions that are able to demonstrate compliance with certain regulatory and prudential requirements. The primary purpose of wholesale infrastructure is to effect the settlement of transactions, be these payment vs. payment (PvP) or delivery vs. payment in securities settlements (DvP). Retail payments infrastructure, on the other hand, primarily supports the needs of non-financial businesses and individual citizens.

The benefits delivered by a digital Pound vary depending on the nature of its usage. For example, addressing wholesale use-cases will support greater settlement efficiencies in the wholesale markets as well as underpinning the development of both UK and global digital asset markets. Retail payments use-cases, on the other hand, have greater potential for transforming the relationship between government, businesses and individual citizens, providing a foundation for building a more digital economy, propelling the UK forward in the Fourth Industrial Revolution, and to be leveraged as drivers of greater financial inclusion.

These phases are further detailed in Section F – Delivering the Digital Pound Foundation. The Foundation envisages that the UK will likely adopt a phased approach to the implementation of the digital Pound, in recognition of the wide variety of use-cases and the need to adopt such a significant change in a manner best suited to maximising chances for its success and ability to leverage existing platforms.

...addressing
wholesale use-
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the wholesale
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development of both
UK and global digital
asset markets.



C

BACKGROUND AND CONTEXT

Central bank digital currencies have, of late, been at the forefront of the minds of many central banks. The numerous reports from central banks, governmental agencies and inter-governmental organisations attest to the level of interest and thought that the topic has attracted.

Over the past two years, since Facebook's announcement of its Libra project, momentum around the adoption of CBDCs has been building in most major jurisdictions globally.¹ There has been much said and done on the CBDC front in the past few years, as evidenced by the selected resources at the end of this outline.

The Bank of England has published discussion and consultation papers on the subjects of both Retail and Wholesale CBDC during this period. The Bank for International Settlements (BIS) has recently announced the creation of a new group, consisting of the Bank of Canada, Bank of England, Bank of Japan, European Central Bank, Sveriges Riksbank and the Swiss National Bank. The group will share experiences in assessing the potential cases for CBDC in their home jurisdictions, considering economic, functional and technical design choices, including cross-border interoperability.

Many other central banks are exploring the idea, and the People's Bank of China has announced that their digital Yuan (also known as the Digital Currency / Electronic Payment, or "DCEP") will roll out in the coming months.

The Sveriges Riksbank has run a proof-of-concept for its e-Krona Project. The Bank of Canada has undertaken fairly advanced research and design for a Retail CBDC via Project Jasper, enabling it to draw up contingency plans for execution in the event that a cryptocurrency or other private stablecoin achieves greater traction as a payment instrument. It has also undertaken some testing

of cross-border interoperability with the Monetary Authority of Singapore (MAS) and its Project Ubin – a series of CBDC experiments. The Dutch, French and German central banks have all issued papers on the topic and the European Central Bank is studying various ideas for the implementation of a digital Euro.

Whilst most CBDC experiments have involved private sector technology providers, the overwhelming majority of these experiments, to date, have not involved participation from other private sector actors. In the United States, a small team formed the Digital Dollar Project earlier in 2020. Its original core team has been supplemented by a well-rounded advisory group, having much the same vision as the Digital Pound Foundation, but with more emphasis on advocacy and less on longer term implementation support.

The Digital Pound Foundation is unique in proposing a model whereby the public and private sectors can fully engage in the design, development and adoption of a digital Pound ecosystem, supporting both CBDC and private digital currency issuers and solutions, thus contributing to its successful roll-out and helping drive forward the UK's transition to a digital economy.

¹Refer to selected resources in Appendix A.

Below is an abbreviated list of the key questions and challenges facing central banks when considering the introduction of a CBDC:

1. Will the CBDC represent a direct or an indirect claim on the central bank? To what extent will it leverage private sector intermediaries to facilitate consumer access to the CBDC?
2. Will the CBDC be account-based or token-based, or utilise a hybrid or combination of the two? The choice of approach significantly impacts utility of the CBDC in certain use cases, for example, for anonymous peer-to-peer payments.
3. Will the underlying infrastructure be DLT-based, or will it comprise a conventional centralised database and architecture? If DLT-based, who will the node operators be, and what will incentivise them to operate nodes?
4. What interoperability will be afforded between the CBDC and both existing forms of fiat currency as well as new forms of digital currency? How will retail and wholesale CBDCs be interoperable, if at all? And will the CBDC and its infrastructure be designed for interoperability with those of other jurisdictions, for facilitation of cross-border payments?

These are amongst the questions that the Digital Pound Foundation will address in its policy and advocacy activities.





D

KEY PRINCIPLES FOR A WELL- DESIGNED DIGITAL POUND

Based on the potential benefits of a digital Pound, and the key issues identified for CBDCs more generally, the Digital Pound Foundation has developed the concept of a “well-designed” digital Pound.

At its core, the Digital Pound Foundation believes that a digital Pound must reflect the fundamental British values of democracy, rule of law, individual liberty and mutual respect, in keeping with the integral role played by sovereign currency in the relationship between the state, businesses and individual citizens. Building on this notion and translating it to the context of a digital currency, and in combination with the Key Success Criteria described in Section B, we have identified a set of principles to be defined and addressed by the members of the Digital Pound Foundation, that will be fundamental to a well-designed digital Pound. These principles, whilst yet to be defined, should not only align with British values, but also aim to promote good behaviours in all actors, and ensure the success of a digital Pound for the UK economy and wider society.

1. Fiat Currency: It is envisaged that the digital Pound will be a new form of the UK’s fiat currency, equivalent in all respects to existing forms of money including physical cash and electronic money. How will it sit alongside these existing forms of money? How will it sit alongside other new forms of digital money? What respective roles will each form of money play in the payments and financial ecosystem? How will / should this landscape evolve?

2. Legal Certainty and Trustworthiness: In a democratic society governed by the rule of law, it is vital that a digital Pound is designed with legal certainty and trust built into its very design and architecture. In particular, the Digital Pound Foundation will need to address fundamental questions around the capabilities afforded to the Bank of England and other state actors in terms of direct application of monetary or other government policy, and their potential impact on the constitutional and legal rights of

individual citizens.

3. Privacy: The Digital Pound Foundation will need to consider the impact of a digital Pound on the legal rights to privacy of individual citizens, and the various considerations around designs that might infringe upon these rights in the course of user activity and transactions.

4. Transparency: There are many open questions around the architecture of the digital Pound and its supporting infrastructure, namely the extent to which these are expected to achieve certain trust characteristics (specifically including transparency and accountability of infrastructure operators and institutional stakeholders), as well as public disclosure and review of the design and architecture, the implementation of the digital currency as it is deployed, and the powers and capabilities afforded to other actors and stakeholders.

5. Interoperability: In order to realise its full potential as a globally important digital currency, the digital Pound would need to be designed for interoperability with existing forms of domestic fiat currency (including cash and electronic money), existing and emerging global payments infrastructures, as well as other CBDCs and digital currencies. The Digital Pound Foundation will address the requirements of interoperability, and the areas in which additional advocacy and policy support is needed.

6. Programmability: Interoperability across multiple platforms has the potential to spur innovation and to maximise the functionality, availability and usage of a digital Pound for all sectors of society. To what extent is this kind of interoperability and programmability a core requirement of a digital Pound? Should the architecture of the digital Pound be consistent with programmable money?

7. Inclusivity: Whilst it is clearly not realistic to expect that the digital Pound will exactly replicate the accessibility and usability of cash, it should nevertheless be designed with financial and technological inclusivity in mind. In particular, this could be borne out by the interfaces and interoperability that the architecture and programming support in order to promote a diverse set of providers that are able to ensure wider reach and inclusivity of the digital Pound throughout society. The Digital Pound Foundation will work with government and other stakeholders to articulate more detailed principles and plans for delivering an inclusive and accessible digital Pound.

These principles, whilst yet to be defined, should not only align with British values, but also aim to promote good behaviours in all actors, and ensure the success of a digital Pound for the UK economy and wider society.



60'-0"

VERIFY

BATHROOM

BEDROOM

KITCHEN

WINDOW BOX -
SEE DETAIL

WINDOWS ABOVE
SEE DETAIL

Fireplace

WH

18'-6"

12'-6"

10'-0"

45'-0"

3'-0"

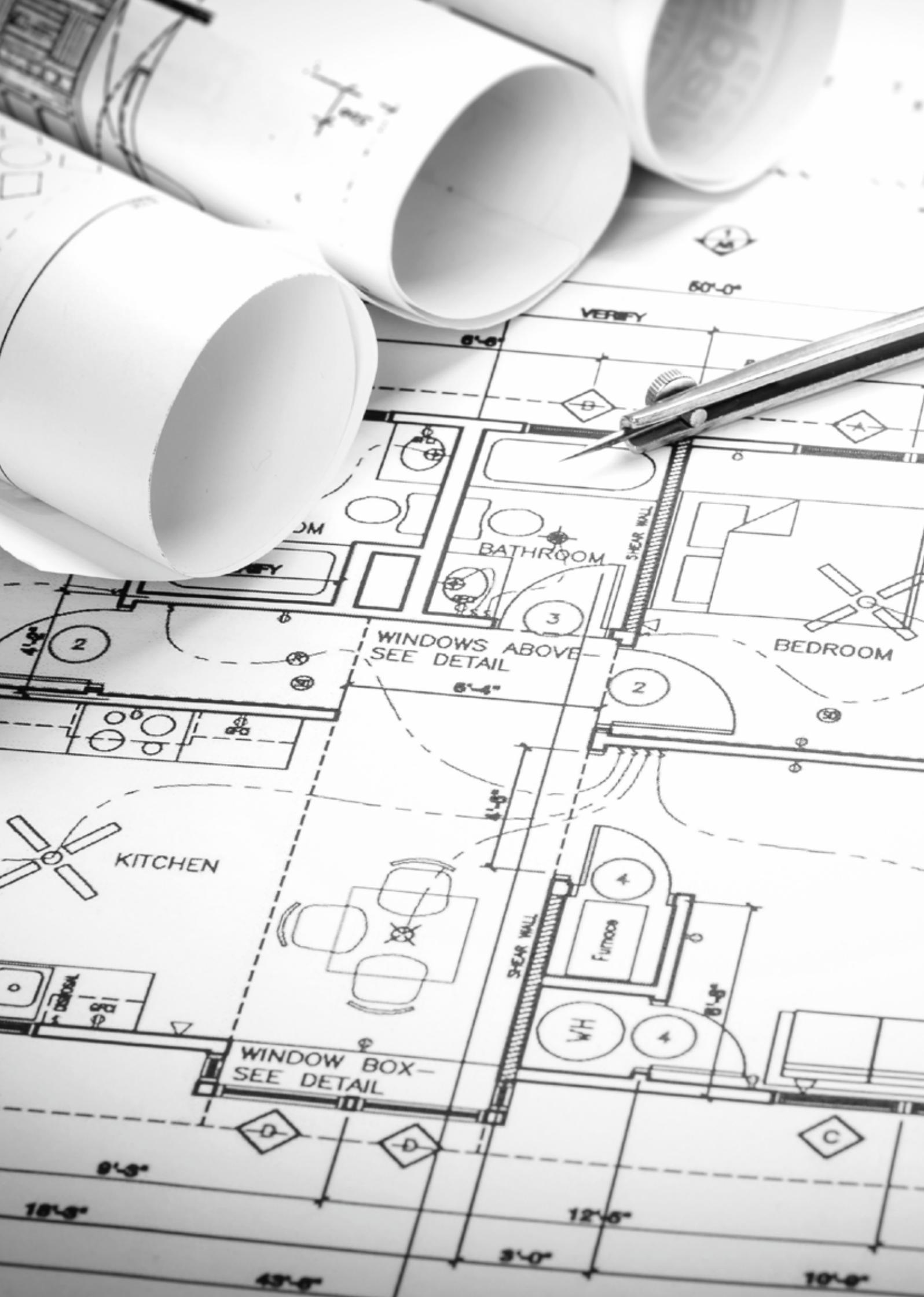
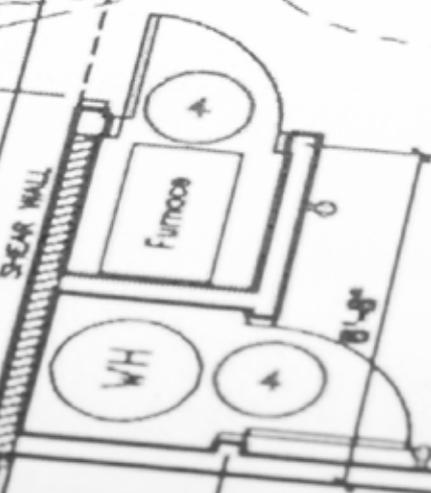
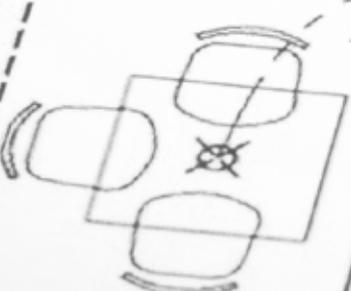
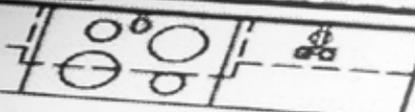
9'-6"

4'-6"

6'-4"

11'-6"

8'-6"



E

SUPPORTING SUCCESSFUL DESIGN AND IMPLEMENTATION OF A DIGITAL POUND

1. OBJECTIVES OF THE DIGITAL POUND FOUNDATION

The Digital Pound Foundation aims to create significant momentum and participation, in the UK, towards the implementation of a well-conceived digital Pound, by the end of 2024.

It will achieve this through its advocacy across a range of forums and via the creation of new resources and coordination of existing resources, including the production of white papers, research papers and guidelines, in support of this advocacy that respects the privacy of its users, establishes trust through transparency and interoperability, and facilitates an orderly transition by existing alongside current platforms. The Digital Pound Foundation will support the Bank of England in its prudential and fiduciary role by examining whether and how best to implement a CBDC and accompanying digital currency ecosystem for the UK, and in considering some of the broader policy and practical implementation risks and issues that arise, bringing in a broad coalition of academic and industry expertise to support in working through these.

The Foundation will leverage creativity and ingenuity in driving stakeholder engagement and collaboration in the conceptualisation, design, implementation, adoption and ongoing refinement of the digital Pound both as part of the UK's fiat currency ecosystem, and in the context of the wider digital world stage. As a UK-based organisation, the Foundation will be primarily focussed on the issues and matters associated with a CBDC as they relate to the UK, but will also recognise the opportunity that the UK has to build on its economic strengths globally in the development of a digital Pound. In recognition of the global opportunities presented by a digital Pound, the Foundation intends to collaborate and coordinate with other projects globally that are also working on central bank digital currency implementations. The Foundation will provide support, input and resources to relevant governmental, inter-governmental and private projects, and more importantly, will seek to bring valuable experience and learning from these projects to bear in the successful implementation and adoption of a digital Pound in the UK.



2. ACHIEVING OUR OBJECTIVES

In order to achieve these objectives, the Digital Pound Foundation will act as a UK-based centre of excellence with respect to central bank digital currencies and matters relating to a digital Pound. It will:

- a. Act as a neutral platform and coordination point for the representation of the Foundation's members, providing resources and input to the UK Government, Parliament, Bank of England and other regulatory bodies, on various topics within the expertise of the membership.
- b. Consider and comment on key policy and design issues related to the creation, implementation, adoption and refinement of a well-conceived digital Pound, producing research, reports, papers and data to steer and support these stages of development.
- c. Ensure the inclusion of inputs and contributions from stakeholders across many different disciplines and backgrounds, including but not limited to technologists, programmers and blockchain specialists; banking institutions and payments specialists; consultants and systems architects; exchanges and other trading venues and platforms; academic institutions and economists; retail merchants and manufacturers; law firms, accounting firms and tax specialists; public policy makers and advocates for financial and technological inclusion.
- d. Educate stakeholders nationwide on the uses, benefits, costs and risks associated with a digital Pound, its impacts on daily life through commerce, communications and recreation, its potential for powering the UK's transition through the Fourth Industrial Revolution and acceleration towards a digital economy, and the place of a digital Pound on the world stage, particularly in a post-Brexit environment.
- e. Utilise all of these means to press for the digital Pound as one form of legal tender for the UK and its broader digital world, subject to certain principles intended to ensure that it serves the public interest and promotes the objectives of greater financial inclusion and participation in the emerging digital economy.



F

DELIVERING THE DIGITAL POUND FOUNDATION

A five-phased approach to delivery of the Digital Pound Foundation's strategic vision and goals is envisaged.

1. PHASE 0 – FORMATION OF THE DIGITAL POUND FOUNDATION

The establishment of a clear structure and governance around the Digital Pound Foundation will set the foundation for its success. In this phase, we will work with our Founding Members to ensure that a solid foundation is laid, including but not limited to:

- Incorporation of the Digital Pound Foundation as a not-for-profit entity (incorporated as a company limited by guarantee), alongside the development of its Articles of Association, Founders' Agreement, Member Terms and Conditions, and Terms of Reference for the Board of Directors and Advisory Board (refer to Appendix A for further detail on the proposed structure and governance model).
 - Definition of membership types and tiers, and the roles, responsibilities, contributions and commitments attached to each.
 - Recruitment of the Board of Directors, who will ultimately be responsible for the operation of the Foundation: setting the Foundation's strategic direction and business plan, controlling its budget, as well as hiring and managing the Executive Team.
 - Recruitment of potential members of an Advisory Council to be constituted by the Board of Directors – a panel of industry experts who will provide advice and consultancy on the strategy, direction and operations of the Foundation. Members of the Advisory Council may also provide specific input, based on their areas of expertise, to the Foundation and its Working Groups, on relevant matters of substance pertaining to the design and development of a digital Pound.
 - Definition of roles and responsibilities, and recruitment of the Executive Team, to whom the Board of Directors will delegate day-to-day management of and delivery oversight for the Foundation, including the hiring and management of employees and consultants.
 - Financial projections, budgeting and creation of a fundraising programme which will facilitate the delivery of Phase 1 (and potentially beyond). These activities will subsequently move into the BAU responsibilities of the Foundation's Executive Team.
- This phase will be initiated upon identification of the Founding Members and receipt of the initial funding required in order to kick off the programme, currently anticipated to be Q4 2021.

2. PHASE 1 – ADVOCACY FOR A DIGITAL POUND AND ALIGNMENT WITH BRITISH VALUES

Phase 1 encompasses the policy strategy and creation of supporting resources, in connection with advocacy for and development of a well-conceived digital Pound, as described in Section E.

The Foundation will work with its members and other stakeholders to build out the Key Principles (see Section D – Key Principles for a Well-Designed Digital Pound), and to develop and execute the advocacy plan with respect to promoting these in the design of a digital Pound.

This will include:

• Development of policy strategy and resources to advocate for a digital Pound:

- Cataloguing the potential benefits associated with implementing a digital Pound.
- Articulation and development of the Key Principles for a Well-Designed Digital Pound.

• Development of risk-management framework and resources:

- Identification of potential challenges, risks and issues, across design, implementation and adoption phases of the digital Pound.
- Development of on-going mitigation plans to address the above.

• Production of research materials, white papers and other resources educating on the above, for consumption across a range of audiences. It is anticipated that these will include (but are not limited to) the following topics and considerations:

- The rationale for a digital Pound.
- Issues related to inclusion to ensure widespread availability to all sectors of society, including those without easy access to the internet and technology.
- How a digital Pound could assist public bodies in the delivery of policy, especially in the areas of:
 - monetary policy, and
 - government's essential re-distributive role in the UK polity, with a focus on tax collection and welfare provision.
 - government contracts with the private sector.
 - regulatory uses.

- Explaining the different considerations for the retail and wholesale uses of a digital Pound.

- Basic design considerations, including:

- How a digital Pound can be implemented with trustable privacy while addressing concerns around data protection, digital identity, and regulatory compliance (including, without limitation, AML/CTF requirements).
- Will the CBDC represent a direct or an indirect claim on the central bank? To what extent will it leverage private sector intermediaries to facilitate consumer access to the CBDC?
- Whether the digital Pound should be structured as token-based, account-based, or a combination of the two, and other design elements that would allow retail users to hold it outside of a formal account structure.
- Whether the digital Pound implementation should occur through a centralised or decentralised approach and, if decentralised, who the operator of the nodes would be, and how access permissions would work, as well as how changes and upgrades to the schema and programming could be implemented.
- Considerations related to interoperability with different platforms, both domestically and globally, and the potential requirements associated with operating alongside existing platforms, including reconciliation issues.

This phase will run alongside the Bank of England and UK Government's own deliberations and planning as to the high-level design, implementation, phasing and launch of a digital Pound.



3. PHASE 2 – SUPPORTING BENEFITS REALISATION BY DESIGN

During Phase 2, the Foundation will collaborate with the Bank of England and its implementation partners to advocate for and ensure that the benefits identified, and principles established by the Digital Pound Foundation, are embedded into the design and architecture of the digital Pound and the digital currency ecosystem. This phase will leverage the strong relationships developed in earlier phases, and will involve the facilitation of working groups that include both Foundation members and a broader group of stakeholders.

We expect to further develop this phase over the course of time and in response to the way in which key stakeholders, particularly the Bank of England, proceed. Flexibility will be key, but always in the context of the touchstone of design elements agreed upon during Phase 1.

The Foundation will work with members and other stakeholders to ensure that:

- The user requirements – of industry participants, individuals and government – are articulated and documented, and that any proposed design is able to meet these user requirements.
- Design considerations take into account the Key Principles for a Well-Designed Digital Pound, as developed during Phase 1.
- The design impacts of the digital Pound are well-understood by both industry participants as well as the BoE and its implementation partners.
- Challenges, constraints and opportunities arising from various design considerations are duly thought through and communicated to the BoE and its implementation partners.

This phase is expected to run alongside the Bank of England’s own design phase.

4. PHASE 3 – ENSURING SUCCESSFUL IMPLEMENTATION

During Phase 3, the Foundation will work with the Bank of England, industry stakeholders, businesses and other associations in supporting successful implementation of the digital Pound. The Foundation will:

- Engage with a wide range of stakeholders to identify the changes, challenges and risks associated with implementation of the digital Pound in business models and operational processes.
 - Collaborate with stakeholders to identify pathways for successful change and adoption in light of the required changes and associated challenges.
 - Support the Bank of England and its implementation partners in ensuring that the digital Pound and its underlying technology infrastructure are aligned with the key principles and features identified for its ultimate success.
 - Work with the Bank of England and other stakeholders in developing an adoption roadmap.
 - Act as a clearinghouse and solutions advocate with respect to any challenges that arise during this process.
 - Maintain a register of risks associated with implementation and adoption, as well as proposing mitigation plans for these risks and tracking them on an on-going basis.
- This phase will continue throughout the build and testing of the digital Pound's infrastructure.



5. PHASE 4 – JOURNEY TO ADOPTION

In Phase 4, the Digital Pound Foundation will support the roadmap for phased rollout and implementation of the digital Pound, across all sectors of British business and society.

It is anticipated that the roll-out and adoption strategy will involve various phases in order to minimise disruption and to maximise successful take-up by all user groups, as well as ensuring that the full benefits associated with the digital Pound can be realised. As with all large-scale roll-outs of new technology infrastructure, there will be a need for testing, sandbox rollouts and targeted roll-outs to specific and discrete user groups before wider adoption is attempted. The digital Pound platform will also need to be interoperable with existing systems and this will also require testing. The Foundation will seek to assist in all aspects of this part of the journey to adoption, primarily through:

- Working with the Bank of England and other government stakeholders to further define and refine the adoption roadmap developed in Phase 3.
- Facilitating the creation and management of targeted stakeholder working groups to develop testing strategies and plans that can ensure the digital Pound has been comprehensively tested across a suite of use cases and stakeholder requirements.
- Identifying the education requirements for both general public and businesses, in order to ensure successful take-up of the digital Pound.
- Supporting the Bank of England and UK Government in creation and production of educational resources for all user sectors.
- Providing an on-going forum and resource for all stakeholders to work together in ensuring successful take-up at all levels of the UK economy, from businesses to individual citizens, as well as more broadly in the global digital economy.

This phase will require additional commitment of human resources by the Foundation's membership to support the many and varied methods by which education will occur. It will run throughout the roll-out of the digital Pound and beyond, provided that the Foundation can continue to provide valuable input to the further development of the digital Pound as it takes its place in the infrastructure underpinning the new digital economy.

A digital Pound presents many exciting opportunities for the UK and its people. It will not happen without significant commitment and energy. The Digital Pound Foundation needs Founding Members to help the constituting team drive the phases and activities outlined above to seek to help all stakeholders realise the vision. The Founding Members will build the solid foundation upon which additional members and stakeholders will stand to see a digital Pound through to successful implementation.

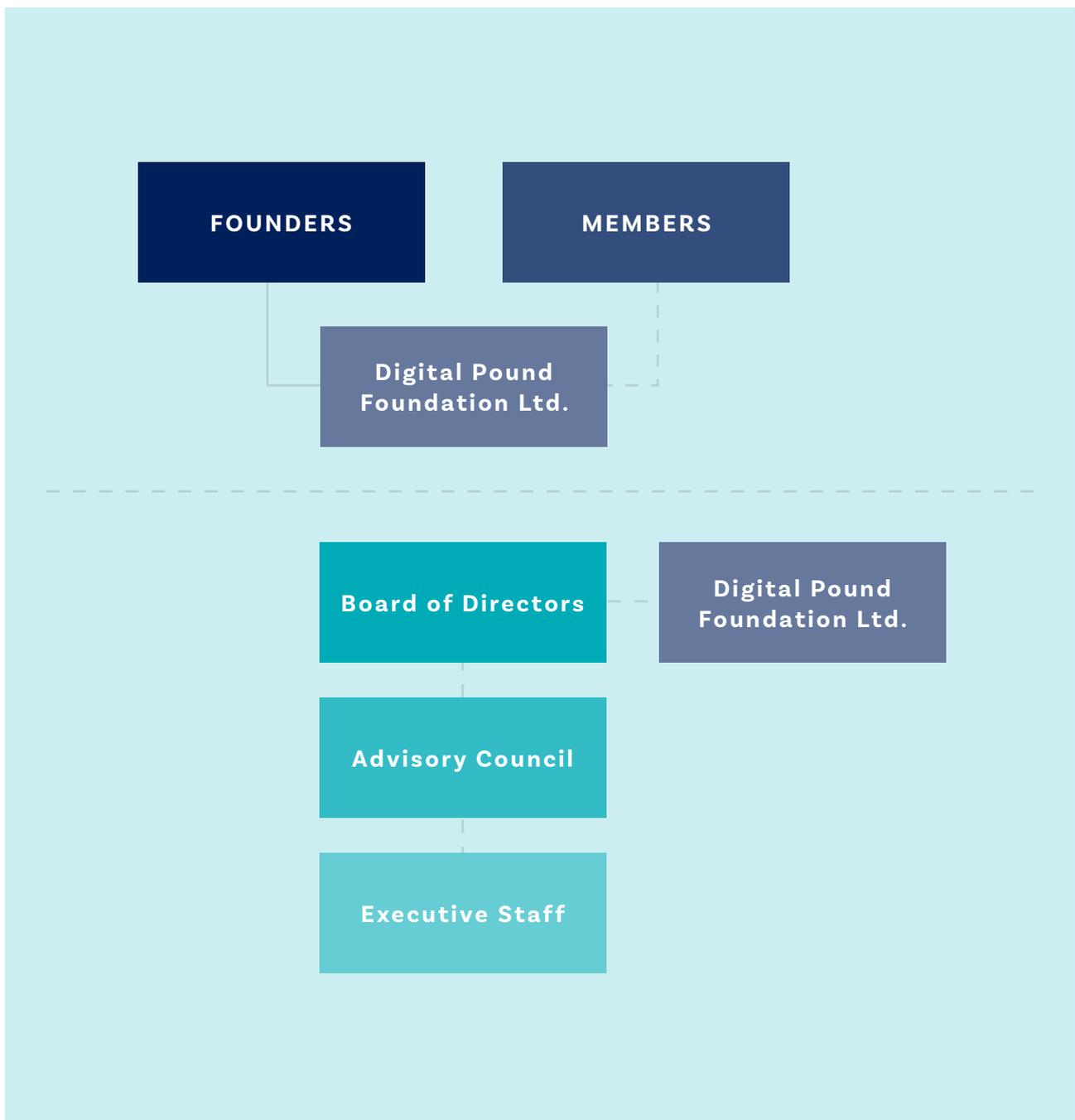
APPENDIX A

– PROPOSED STRUCTURE, GOVERNANCE AND FUNDING MODEL

1. STRUCTURE AND GOVERNANCE

Proposed Organisation: The Digital Pound Foundation will be established as an English company limited by guarantee (“Digital Pound Foundation Ltd.”). We are using a separate company unaffiliated with any other entity or organisation to preserve neutrality and maintain

the Foundation's focus. A company limited by guarantee is a common vehicle for projects such as The Digital Pound Foundation due to the liability protection it offers those that have a membership interest in the company (in The Digital Pound Foundation's case – the founders).



STRUCTURE AND STAKEHOLDERS: Set out below is a summary of the key stakeholders (as set out in the chart), their rights and responsibilities and the key governing documents.

a. Founding Members (or “Founders” will be the legal members, as per the Articles of Association, of Digital Pound Foundation Ltd., a company limited by guarantee): we are seeking 5-10 Founding Members, each of which will:

- i. be required to provide a guarantee of £1 in order to have a legal membership interest in Digital Pound Foundation Ltd. (for corporate law purposes). The £1 guarantee would only be payable on a winding up of Digital Pound Foundation Ltd.;
- ii. be required to contribute an initial membership fee (see below on funding) to contribute towards start-up costs;
- iii. have the right to appoint a Director to the Board of Directors, the right to influence the identity of any other directors that join the Board as a result of spaces becoming available (see Board of Directors below) and the right to invite members to become Founding Members. Founders will have limited rights in relation to dividends and capital on a winding up, since it is proposed that to the extent the Foundation creates a profit, this will be re-invested into the Foundation’s projects; and
- iv. have access to benefits the Members will have access to, in addition to being a legal member with the rights set out above.

Founders’ rights will be set out in Digital Pound Foundation Ltd.’s Articles of Association. If there are sensitive matters relating to the governance and control of Digital Pound Foundation Ltd., these will be set out in a private Founders’ Agreement.

b. Members (of The Digital Pound Foundation): membership will be open to legal entities in the first instance:

- i. will be members of The Digital Pound Foundation, but (unlike Founding Members) will not hold a legal membership interest in Digital Pound Foundation Ltd.;
- ii. will be required to contribute an initial membership fee (see below on funding) to contribute towards running costs in return for certain member benefits; and
- iii. members only may become Founding Members if invited by the current Founding

Members, or subject to submission of a formal application and approval of that application by the Founding Members.

Members will be expected to sign up to Members’ Terms and Conditions, which will set out Member benefits and expectations.

c. Board of Directors: the board of directors will comprise the 8 – 13 Digital Pound Foundation Ltd. statutory directors which will:

- i. consist of:
 1. a Director nominated by each founder;
 2. initially, a representative of the Whitechapel Think Tank Future of Payments Working Group (to be independent of the Founding Members). To the extent that Whitechapel Think Tank and / or the Future of Payments Working Group ceases to exist or no longer wishes to be involved in the Foundation, such Director will step down and the Founders may appoint new independent Directors in their place; and
 3. an independent Chair. A founding Chair, to spearhead the Foundation, will be selected in due course after which the Founding Members will have the right to appoint the Chair.
- ii. set the strategy, budget and business plans;
- iii. delegate day to day management of the Foundation to the executive team (see below), but maintain approval rights over significant matters;
- iv. have the ability to determine how to raise further finance for Digital Pound Foundation Ltd. in the future;
- v. have the right to appoint, amend, consult with and disband an advisory board at their discretion (see below); and
- vi. be expected to participate actively in the Foundation’s projects and advocacy, as necessary.

The directors’ authority will be set out in Digital Pound Foundation Ltd.’s Articles of Association and there may also be separate Terms of Reference for the board.

d. Advisory Council: the Advisory Council will be appointed and disbanded at the directors' discretion and will:

- i. likely comprise 3-5 people who are acknowledged leaders based on their current or former positions in the UK Government and the global financial and technology sectors; and
- ii. be consulted, at the Board of Directors' discretion, on strategy, direction and operation.

The Advisory Council's role and remit will be governed by the Advisory Council Terms of Reference, which will be set by the Board of Directors from time to time.

e. Executive Team: the Executive Team will be:

- i. a small group to whom the Board of Directors delegate responsibility for the day-to-day management of the Foundation – the team may comprise of both paid employees/ consultants and voluntary members; and

- ii. led by an Executive Director, who will be someone with significant recognition in UK government and financial circles - the Executive Director, together with the Chair of the Board will be front and centre in the Foundation's activities and play a leading role in its advocacy, will assist in fundraising, as necessary.

The Executive Team's role and remit will be governed by a delegated authority set by the directors from time to time.

f. Employees / consultants: employees, consultants and volunteers may be recruited to:

- i. carry out administrative functions, e.g. website and company secretariat; and
- ii. support the Executive Team and the Board of Directors.



2. PROPOSED FUNDING SOURCES AND USES:

The Digital Pound Foundation intends to have a conservative budgeting process and rely on volunteer work insofar as possible. Nevertheless, the Foundation expects the following by way of funding sources and uses:

a. The Foundation hopes to attract donations and funding from its membership and others, with an initial target endowment in the amount of £3-5 million.

- i. We envisage that the Founding Members will each contribute a minimum of £25,000.
- ii. Members will join in different tiers of £1000, £5000, £10,000, based on size.

b. The initial funding will be spent on the following, among other items approved by the Board:

- i. A website that explains the project and provides resources and materials produced by the Foundation.
- ii. Part-time staff (initially consultants, moving towards employees as the Initiative progresses) for project management, coordination of working groups, events and other activities, and production of research and materials.
- iii. Public relations and advertising, developing a media presence.
- iv. Grants to academics and other researchers.

c. The board of directors will have the ability to raise further funds should this be required.



APPENDIX B

– SELECTED RESOURCES

UK central bank **discussion** paper on CBDC

Andrew Bailey **speech** at Brookings Institution on 3 September 2020

G30 **report**: Digital Currencies and Stablecoins: Risks, Opportunities, and Challenges Ahead

Bank for International Settlements **paper** updating of survey on CBDCs August 2020

Bank for International Settlements **paper** on Rise of the Central Bank Digital Currencies August 2020

The Block Research **paper** on A Global Look at Central Bank Digital Currencies August 2020

French central bank **consultation** paper on CBDC

Bank of Korea Working **Paper** on CBDCs and financial stability Feb. 2019

Bank of Japan Working **Paper** on CBDCs and the digital and data revolution Feb. 2019

European Central Bank Working **Paper** on Tiered CBDC and the financial system Jan. 2020

Bank for International Settlements Mar. 2018 **report** on CBDC

Bank for International Settlements Quarterly **Review** on payments Mar. 2020

Press **release** announcing central bank working group on CBDCs, including European Central Bank, Bank of Japan, Bank of Canada

Dutch Central Bank **report** on CBDC Apr. 2020

World Economic Forum **toolkit** on creation and introduction into circulation of CBDCs

Fed Governor Brainard Oct. 2019 **speech**, Feb. 2020 **speech** on CBDCs

Digital Dollar Project **website**

Academic **paper** on architecture of digital currencies to ensure privacy May 2019 by G. Goodell & T. Aste, Univ. College London

Academic **paper**: Arner, Buckley, Zetzsche, and Didenko, After Libra, Digital Yuan and COVID-19: Central Bank Digital Currencies and the New World of Money and Payment Systems (June 2020)

Positive Money **paper**: Money We Trust: Designing Cash's Digital Counterpart (June 2020)

Academic **paper**: Goodell, Al-Nakib, and Tasca, Digital Currency and Economic Crises: Helping States Respond (June 2020)

Digital Currency Revolution **paper** Apr. 2020

CoinTelegraph survey **article** on CBDCs Oct. 2018

Zero Hedge **article** "CBDC: The Overarching Goal Behind the Digitisation of Money" Apr. 2020

Kenneth Rogoff **article** on China's proposed CBDC



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