



CENTRAL BANK DIGITAL CURRENCIES (CBDCs) AND THE FUTURE OF MONETARY POLICY: A COMPARATIVE STUDY OF THE UNITED KINGDOM AND THE UNITED STATES

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Abstract

In more than 130 jurisdictions, Central Bank Digital Currencies (CBDCs) have moved beyond theory to become a policy programme, with limited empirical comparisons available for advanced, reserve-currency economies as compared to the increasingly voluminous literature on emerging markets. This paper provides a quantitative and comparative examination of the readiness of the United Kingdom and the United States for a new monetary policy instrument and its possible implications for monetary policy in these two large, financially deep floating-currency economies on pathologically different institutional trajectories. The study proposes to create the 2024–2026 Composite CBDC Readiness Index (CRI) to measure the readiness of countries through secondary macroeconomic and financial-inclusion data across five dimensions covering financial inclusion (FI), digital payment infrastructure (DPI), price stability (PRICE), institutional/legal preparedness (INSTIN), and payment-system modernization (PSM). It then uses the transmission elasticities from recent empirical studies across countries to show what the monetary-policy implications of CBDC use in each jurisdiction might be. Moderate institutional and technical readiness appears in the United Kingdom, with the Bank of England's multi-year 'design phase' and upcoming blueprint for the digital pound; the United States has a much different story, with its Executive Order 14178 (January 2025) and the subsequent statutory prohibition on a Federal Reserve digital dollar through 2030 (introduced in June 2026 by the 21st Century ROAD to Housing Act). This is quite different from the emerging-market literature, as both economies are already nearly fully financially inclusive and political and institutional issues are the limiting factor in the readiness of the CBDC, as opposed to technology or financial inclusion. The simulations suggest that, in the UK, a potential monetary-policy amplification effect for retail CBDC adoption would be relatively small and, for the time being, a counterfactual exercise in the US due to the legislative moratorium. Differentiated policy implications for the Bank of England and US policy makers close the paper.

Keywords: Central Bank Digital Currency, Monetary Policy Transmission, Financial Inclusion, Dollarization

1. Introduction

Moreover, the advanced central banks are having to rethink the role and the nature of sovereign money, given that digital payment technologies and private money stablecoins are changing the nature of retail and wholesale payments. Central Bank Digital Currency (CBDC) is the digital representation of central bank money that is distributed alongside physical cash and commercial bank deposits, and either to financial institutions (wholesale CBDC) or to households and firms (retail CBDC). As of mid-2025, the vast majority of central



banks around the world, including almost all the G7 and G20 central banks, had started at some point in CBDC research, piloting or advanced development (IMF, 2025).

Stakes are very different across developing and advanced economies. In contrast, advanced economies like the United Kingdom and the United States see CBDC not just as a means of financial inclusion and de-dollarisation, but also as a way to enhance the resilience of the payment system, protect the integrity of monetary policy from the threat of privately issued stablecoins, streamline cross-border settlement costs and ensure that public money continues to be the foundation of a 'multi-money' framework alongside commercial bank deposits, stablecoins and tokenised assets (Bank of England, 2025). Norway and China have already achieved almost full financial inclusion and well-developed digital payment infrastructure, eliminating the two structural prerequisites for an emerging-market CBDC that are central to the existing literature: lack of financial inclusion and inadequate payment infrastructure.

But both countries have followed divergent institutional paths. In 2025 and 2026 the Bank of England and HM Treasury entered a formal 'design phase' for a digital pound, issuing design notes, initiating an experimental Digital Pound Lab, and progress to a detailed blueprint and a decision on the next steps on the digital pound towards a formal launch expected by the end of 2026 (Bank of England, 2025, 2026). The U.S. took a step in the other direction: President Trump's Executive Order 14178 from January 2025 banned federal agencies from launching, issuing or promoting a Federal Reserve digital dollar, and in June 2026, Congress added a statutory, multi-year prohibition on a Fed digital dollar to the 21st Century ROAD to Housing Act, which extends through the end of 2030 (KuCoin, 2026; Reed Smith, 2026; Coindesk, 2026).

Given this divide, the literature on CBDC transmission has been dominated so far by calibrated general-equilibrium models of advanced economy financial systems in abstraction (as in *Journal of Central Banking Theory and Practice*, 2025) or empirical panel studies featuring emerging market launches, like China's e-CNY and Nigeria's e-Naira. There are only a handful of studies that directly compare two large advanced economies that have well-developed payment systems, but are virtually polar opposites when it comes to institutional and legal readiness. There is no direct dataset of transactions to estimate transmission effects, because there is no live retail CBDC in the UK (and the US is now legally prohibited from having one for the next decade). This leaves a methodological gap, similar to what has been noted for emerging markets, where the policymakers must make their decisions of sequencing and design on a thin empirical base today.

Theoretically, the United Kingdom and the United States provide a good comparative perspective because they share common macro-monetary starting conditions: high income, floating currency, inflation targeting and a deep and highly banked financial system, and they both experienced a common external inflation shock in the form of the escalation of hostilities in the Middle East and their transmission through the global energy market in 2026. Theoretically, the United Kingdom and the United States present a useful comparative perspective because their macro-monetary starting conditions are so similar: they are high income, floating currency, inflation targeting economies with deep and highly banked financial systems, and they both experienced a common external inflation shock, namely escalation of hostilities in the Middle East and their transmission through global energy prices in 2026, while their institutional stance towards CBDC could hardly be more different. This paper is a secondary data analysis conducted at the macro level, and therefore is not able to model the payment behavior of individual households, nor does it have access to unpublished data from the Central bank's CBDC pilot, which is also only partially disclosed by the central bank.

2. Literature Review

2.1 Theoretical Foundations of CBDC and Monetary Policy

In theory, there are multiple connections between the issuance of CBDC and monetary-policy transmission. First, a CBDC with an interest rate would make the interest-rate channel more potent, allowing the central bank to directly influence the behaviour of both households and firms, without the lags inherent in the commercial banks' balance-sheet adjustment (as cited in *Journal of Central Banking Theory and Practice*, 2025; Kóczyán et al., 2025). Second, a CBDC could also change the money multiplier and the money-demand composition as money is shifted from bank deposits to digital currency, which would also create a risk-free digital money alternative to cash and bank deposits (*Journal of Central Banking Theory and Practice*, 2025).



Third, if introduced at a significant scale, a CBDC could have an impact on financial intermediation; Barrdear and Kumhof (2025, *Journal of Central Banking Theory and Practice*) find that, in a model of an advanced economy financial system, a CBDC issued at about 30 per cent of GDP could boost real GDP by around 3 per cent due to lower monetary transaction costs, reduced distortionary taxation and a compression of real interest rates, which would be directly relevant to the UK-US comparison. In an examination of an interest-bearing CBDC, Andolfatto finds that a CBDC, even if it succeeds in completely displacing bank lending, could have a significant impact on bank deposit pricing (*Journal of Central Banking Theory and Practice*, 2025).

2.2 Empirical Evidence on CBDC and the Monetary Transmission

While there is still a lack of empirical evidence, it is now starting to reveal a few, albeit limited, effects of the monetary-policy implications of using a CBDC, as some releases have already taken place and have a short history of transactions. A new cross-country study of 54 countries over the first quarter of 2014 to 2025 indicates that the adoption of CBDC increases the effect of money supply on output by about 57 percent during the first quarter after adoption and a corresponding increase in inflationary pressure in the third quarter ("Central Bank Digital Currency Adoption and the Effectiveness of Monetary Policy," 2026). Importantly for this paper, the same study is able to show that this amplification effect is systematically smaller in advanced economies than in developing economies and weaker for retail than for wholesale designs ("Central Bank Digital Currency Adoption and the Effectiveness of Monetary Policy," 2026), which directly impacts the transmission simulation presented in Section 6.5 for the United Kingdom.

While it is important to note that the context in which the e-CNY was introduced is very different from that of traditional money, the experiences from China underscore that CBDC issuance can affect the composition of money demand, speed up the money-supply cycle, and give monetary-policy tools a greater degree of precision (*Journal of Central Banking Theory and Practice*, 2025). The IMF (2025) also highlights the importance of considering the monetary-policy relevance of a CBDC without divorcing it from the central bank's need to maintain its monetary anchor function in the presence of growing private stablecoins, and the need to assess the appropriateness of a CBDC within each jurisdiction's macro-financial and political framework rather than a single template.

2.3 CBDC in Advanced-Economy Contexts: The United Kingdom and the United States

The Bank of England has taken the digital pound project through various stages of public engagement since the initial consultation in 2023 and is now in a 'design phase' for the next few years, until 2026. This phase has yielded a series of design notes (on interoperability, offline payments and alias services), the launch of an experimental Digital Pound Lab (from August 2025 to July 2026), and continued work on the holding limits, among other activities (Bank of England, 2025; UK Finance, 2026a, 2026b; Bank of England, 2026). There is currently no legislation in progress and the Bank and HM Treasury have indicated that a decision on whether or not the legislation will move into the 'build phase' is likely to be made in late 2026 (Editorialge, 2026; The Register, 2026).

The trend in the U.S. has been in the opposite direction. In the Biden administration, the Fed was at an experimental phase with its work on a CBDC under Executive Order 14067 (2022) but under Trump's Executive Order 14178, "Strengthening American Leadership in Digital Financial Technology" (January 23, 2025), the order was withdrawn and the Federal government was explicitly barred from creating, issuing, circulating or promoting a CBDC within its jurisdiction due to its potential threat to financial stability, individual privacy and national sovereignty (Reed Smith, 2026; Juniper Research, 2026). The Senate later passed a similar prohibition into law, the 21st Century ROAD to Housing Act in June 2026, which was adopted 85-5 and will remain in effect until December 31, 2030 (KuCoin, 2026; Coindesk, 2026). Despite the Federal Reserve's involvement in the Bank for International Settlements' (BIS) wholesale-focused Project Agorá (Human Rights Foundation [HRF], 2026), Treasury Secretary Scott Bessent firmly refused to entertain any discussion of a central bank digital currency (CBDC) in the United States in June 2026. Rather than having a CBDC, the U.S. policy has prioritized the use of dollar-backed private stablecoins in the context of the 2025 GENIUS Act (Juniper Research, 2026).

2.4 Research Gap



This review reveals that there are three gaps that need to be addressed. First, the empirical literature on the transmission of the CBDC experience tends to be either international panels focused on emerging-market CBDC launches or simulations for advanced economies that are constructed in the abstract and not anchored in the differing institutional histories of different advanced economies. Second, even though there are some similarities between the two economies, as large economies with floating currencies and high rates of banking, and a recent common inflation shock, no study directly compares the readiness of both countries for a CBDC, given the vastly different regulatory reactions. Third, there is less quantitative comment, which considers a statutory prohibition on a CBDC (as in the United States) to be a readiness variable, in itself, rather than a mere absence of a programme. In the present paper these gaps are filled by constructing an original index based on the available data, and by relying on published cross-country elasticities to make transparent, if not illustrative, quantitative comparisons.

2.5 Theoretical Framework

This paper combines the standard monetary transmission mechanism (STM) with a financial-inclusion-enhancing CBDC readiness framework. In principle, the interest-rate, credit, exchange-rate and expectations channels are all channels through which a CBDC can function. In interest-rate channel, a remunerated CBDC could be a quick transmission channel as the remuneration of commercial banks' deposits may not follow the policy rate change, but the remuneration of a CBDC may follow the policy rate directly. The credit channel refers to the risk that a CBDC could lead to a loss of the bank's deposit funding base available for credit lending, or alternatively, to CBDC balances not being remunerated and deposit limits being introduced, thereby having a minimal impact on credit supply (*Journal of Central Banking Theory and Practice*, 2025). Both the pound sterling and the U.S. dollar are freely floating and fully convertible reserve or near-reserve currencies without any parallel exchange-rate market, so the classic 'de-dollarization' variant of the exchange-rate channel, which holds the most sway in the analysis of emerging-market CBDCs, is not applicable in this case. This paper instead proposes a fifth, specialized channel the digital-competition channel—that looks at how the design of a CBDC interacts with the fast-growing arena of privately issued stablecoins and tokenised deposits and influences the role of central bank money as an anchor of the payments system (Bank of England, 2025).

The second aspect of the framework, CBDC readiness, rests on five structural pillars: (i) financial inclusion, (ii) digital payment and settlement infrastructure, (iii) price stability, (iv) institutional and legal preparedness, and (v) payment-system modernization underway. These five dimensions are scaled as a composite CBDC Readiness Index in Section 6.4, and the logic of the transmission channel is used to interpret the results of the simulated monetary policy in Section 6.5.

2.6 Country Context

2.6.1 United Kingdom. The Bank of England's Monetary Policy Committee (MPC) determines monetary policy in the United Kingdom within a 2 percent inflation target. The Bank has lowered its Bank Rate to 3.75 per cent for the first time since February 2023 after a prolonged tightening and easing cycle, and has maintained its Bank Rate at the current level, despite the emergence of disinflationary trends, through the first quarter of 2026 (Morningstar, 2025). The Middle East conflict, which erupted in 2026, brought this trend to a halt, as higher global energy and commodity prices brought UK headline inflation back up, and the MPC maintained the Bank Rate at 3.75 percent in March 2026 to protect against second-round inflationary effects from the external energy shock (TradingEconomics, 2026a). The Bank then revised its growth forecast in 2026 from 1.2 percent to 0.9 percent; meanwhile, the Bank still anticipates inflation to move back toward the target (Express & Star, 2026).

The UK is on track to be almost universally banked: only 1.6 per cent of adults (around 0.9–1.1 million) in the UK were currently unbanked in the Financial Conduct Authority's 2024 Financial Lives survey, which was more likely to be found among the most deprived areas and the young (Motorfinanceonline, 2025; Scotsman, 2026; FCA, 2025). Their payment infrastructure is in turn developed: the current Faster Payments system enables instant retail transfers and Pay. The New Payments Architecture programme is a project to modernize the underlying retail-payments infrastructure that any digital pound would have to link to (UK Finance, 2026b).



The Bank of England and HM Treasury are institutionally in a conscious or 'design phase' until 2026. This has involved published design notes relating to interoperability, offline payments and alias services, and the Digital Pound Lab, an experimental platform (August 2025–July 2026) that enables industry to experiment with wallet use-cases and business models (Bank of England, 2025, 2026a). The Bank remains committed to a similar £10,000–20,000 individual holding limit, which it initially proposed in 2023, and which is much higher than the proposed €3,000 individual holding limit proposed by the euro area (UK Finance, 2026a). There is still no primary legislation in the pipeline, and any launch would be no sooner than the middle of the 2020s, according to the Bank's own guidance (Bank of England, 2025). It will be only in the late 2026 that a final decision will be made for a 'build phase', which will come after a detailed Digital Pound Blueprint is published (Editorialge, 2026; The Register, 2026).

2.6.2 United States. The Federal Open Market Committee (FOMC) of the Federal Reserve (Fed) sets monetary policy under the Fed's dual mandate and a 2 percent inflation target measured by the PCE price index. Following an aggressive tightening cycle in 2023, the Fed lowered the federal funds rate in a succession of cuts from September through December 2025, ending up in a target range of 3.50–3.75 percent, then held the rate steady at those levels through the January, March, April and June 2026 meetings as inflation stayed above target (FOMC December 2025 projections, per Farms.com, 2026). The U.S. headline CPI inflation remained unchanged at 3.4 percent year-on-year in August 2026, as gasoline prices increased sharply year-on-year, but the increase in core inflation (excluding food and energy) to 2.4 percent was its lowest annual pace since March 2021 (Trading Economics, 2026b; Babypips, 2026). The median projections of the FOMC had been for federal funds rate near 3.4 percent by year-end in 2026 and real GDP growth of about 2.3 percent (Farms.com, 2026).

But as with the UK, financial inclusion in the United States is also close to universal levels by international standards, with there being a disproportionately higher share of U.S. households that are unbanked or underbanked relative to the UK: 4.2 percent of U.S. households – or approximately 5.6 million households – had no bank or credit union account, a record low but more than double the rate in the UK, with the majority of households that were unbanked or underbanked predominantly lower-income, Black, Hispanic, and disabled households (FDIC, 2023, cited in CDBanks, 2024). Digital payment infrastructure has continued to modernise – the Federal Reserve's FedNow instant-payment service was launched in 2023, and has continued to increase uptake from banks and credit unions, in addition to the privately run RTP network – but the UK's one universal, single retail instant-payment rail, Faster Payments, remains not available in the United States.

Institutionally, the United States is now the most obvious example of a legislated prohibition on a CBDC amongst the major advanced economies. In a January 23, 2025 Executive Order (EO) 14178, President Trump prohibited the government and all federal agencies from creating, issuing, or promoting a CBDC. President Trump explicitly banned any CBDC in EO 14178 of January 23, 2025, and removed the previous mandate from Biden's EO (Reed Smith, 2026). In June 2026, Congress enacted the Federal Reserve Board or any Federal Reserve Bank could not issue a CBDC or a "substantially similar" digital asset until Dec. 31, 2030, by attaching a CBDC ban to the 21st Century ROAD to Housing Act, which passed the Senate 85-5 and the House by a large margin (KuCoin, 2026; Coindesk, 2026). Separate, permanent legislation (the No CBDC Act) has also been reintroduced in Congress (Sen. Mike Lee, 2025). Instead of a CBDC, federal policy has been supportive of privately issued dollar-denominated stablecoins by allowing for the use of the 2025 GENIUS Act to regulate them, and the Federal Reserve has continued with limited technical involvement in the BIS's wholesale-focused Project Agorá (HRF, 2026; Juniper Research, 2026).

3. Methodology

The study employed a quantitative, non-experimental, comparative design that involved (a) composite construction of a readiness index derived from secondary data sources and (b) a transmission simulation using an elasticity approach. Since both the UK and the US do not have a live retail CBDC (the US is now statutorily prohibited from introducing one before 2031), econometric estimation of the transmission effect is not feasible for either country. The methodology is thus based on the two-step approach typically adopted in feasibility studies for pre-launch CBDC implementation (IMF, 2025).

Some of the sources consulted for this data are central bank publications, such as the Bank of England



digital-pound updates and Monetary Policy Committee statements (2026a and 2026b); financial-inclusion surveys in the UK (FCA Financial Lives 2024) and the US (Federal Reserve FOMC materials); macroeconomic time-series data aggregators (TradingEconomics, 2026a, 2026b); legal and policy-tracking sources (Reed Smith, 2026; Coindesk, 2026; KuCoin, 2026; and UK Finance, 2026a, 2026b); the IMF's 2025 CBDC policy paper; and specialist CBDC-tracking sources (Human Rights Foundation CBDC Tracker, 2026). All indicators have data published or last updated in 2024–2026.

To follow the convention of composite indexes, each sub-index was scaled to a 0–100 level (higher number indicates higher CBDC readiness) by using the range of the values observed across the years. The CRI is calculated as a weighted average of five components—Financial Inclusion, Digital Payment Infrastructure, Price Stability, Institutional/Legal Preparedness and Payment-System Modernization—allocated fixed weights of 0.25, 0.20, 0.20, 0.20 and 0.15 respectively, consistent with IMF (2025) guidance on the structural preconditions for CBDC issuance. This composite index is an original construction for this paper, and is not an official index published by either of the central banks, but it is a heuristic comparative indicator and not a predictive indicator.

Monetary-policy estimates are obtained by projecting these money-supply-to-output elasticities from a panel study on CBDC designs for the retail CBDC market across fifty-four economies, which shows a money-supply-to-output elasticity of about 57 percent in developing economies with retail CBDC designs but a materially smaller elasticity in advanced economies ("Central Bank Digital Currency Adoption and the Effectiveness of Monetary Policy," 2026). This paper uses an illustrative discount of about two thirds for the UK's raw EMDE elasticity based on the panel study's own empirical results showing that the degree of amplification is systematically lower in more intermediated and deep financial systems. There is no transmission simulation of any conventional meaning for the US since the policy variable, the statutory prohibition, is not being simulated beyond 2030; Section 6.5 therefore provides a counterfactual example of the US case.

There are three limitations to the analysis. Firstly, all of the estimates of transmission are illustrative, as there are no live transaction figures for the UK CBDC. Second, the CRI's weighting system is based on IMF guidance, but contains an irreducible bias of judgement. Third, a number of indicators are based on the last wave of the survey and not necessarily on a common reference date (all the cases are indicated in the text and tables).

4. Results and Interpretation

4.1 Macroeconomic Baseline Comparison

Table 1

Macroeconomic Indicators, United Kingdom and United States (2024–2026)

Indicator	United Kingdom	United States
Central bank	Bank of England (BoE)	Federal Reserve System ("the Fed")
Exchange-rate regime	Free float (GBP)	Free float (USD); global reserve currency
Policy interest rate (latest)	3.75% (held, Q1 2026)	3.50–3.75% (held since Dec 2025)
Headline CPI inflation (latest y/y)	~3.0–3.5% (early 2026, energy-shock driven)	3.4% (Aug 2026)
Core inflation	Elevated, energy pass-through	2.4% (Aug 2026, lowest since Mar 2021)
Inflation target	2% (CPI)	2% (PCE, Fed's preferred gauge)
Real GDP growth (2026 forecast)	0.9% (downgraded from 1.2%)	~2.3% (FOMC median projection)
Dollarization / parallel FX market	Not applicable	Not applicable



Note. Adapted from Bank of England (2025, 2026), FOMC (2025), Trading Economics (2026a, 2026b), and Farms.com (2026).

Table 1 demonstrates a broadly similar macro-monetary starting point, as both are inflation-targeting, floating-currency economies, and the 2026 energy-price shock stemming from the escalation of the conflict in the Middle East was a joint shock for both the UK and the US. This is not a case of dollarization, a parallel exchange-rate market, or a currency peg, which the framework was originally designed for and which is the whole 'de-dollarization' argument made in emerging-market analysis, but simply doesn't exist in the UK or the US. The macro-relevant question for both countries, however, is rather how a CBDC could work with a well-established, functional monetary transmission mechanism and with the increasing share of private stablecoins.

4.2 Financial Inclusion and Digital Infrastructure

Table 2

Financial Inclusion and Digital Payment Indicators

Indicator	United Kingdom	United States	Comparator
Adults with a bank account	~98.4% (1.6% unbanked, FCA 2024)	~95.8% (4.2% unbanked, FDIC 2023)	OECD average: high-90s%
Unbanked population (approx.)	0.9–1.1 million adults	~5.6 million households	—
Instant payment / RTGS rail	Faster Payments; New Payments Architecture (in development)	FedNow (2023); private RTP network	—
Digital exclusion	1.2 million adults (2%), down from 6.9m in 2017	Persistent gaps by income/race	—
Primary access gap	Deprivation, youth, homelessness	Income, race, disability	—

Note. Adapted from FCA (2025), FDIC (2023, cited in CDBanks, 2024), and UK Finance (2026b).

The methodology was initially applied to, where the unbanked rates are generally in the 20-50 percent range. This is significant for the readiness framework as financial inclusion is not only a prerequisite that the UK and the US would consider as part of their readiness and would therefore not be a differentiator for the readiness of the respective CBDC. The differences lie in the maturity and universality of digital settlement rails – the UK has a single, almost universal instant payments system, known as Faster Payments, and the US has a more fragmented payments system with FedNow, the private RTP network, card rails and legacy ACH (UK Finance, 2026b).

4.3 CBDC Development Status

Table 3

Comparative CBDC Development Status

Dimension	United Kingdom	United States
Current CBDC stage	Design phase (since 2023; intensified 2025–26)	Statutorily prohibited through Dec. 31, 2030
Key legal instrument	None yet passed; Parliament to legislate if launched	EO 14178 (Jan. 2025); ROAD to Housing Act (Jun. 2026)
Decision milestone	"Build phase" decision expected late 2026	No decision possible before ban expires (2031)
Technology platform	Digital Pound Lab (Aug. 2025–Jul. 2026); blueprint pending	Not applicable; prior Fed research halted 2025
Primary stated objective(s)	Payments resilience; multi-money anchor; interoperability	Explicitly rejected on privacy/sovereignty grounds
Alternative policy track	Stablecoin/tokenised-deposit regulation alongside CBDC work	GENIUS Act stablecoin framework substituted for CBDC
International engagement	Bilateral/BIS engagement on interoperability	Continued limited participation in BIS Project Agora



Note. Adapted from Bank of England (2025, 2026), Reed Smith (2026), Coindesk (2026), KuCoin (2026), and HRF (2026).

Table 3 highlights the key empirical insight from the paper: the United Kingdom and United States are not only following different parts of the same track of CBDC development, but are also following different tracks. The UK is still a design phase country, albeit one that is not committed, whilst the US has introduced a blanket, time-limited ban. It is not so much a story about infrastructure or public-sector capacity; indeed, the US Federal Reserve has if anything more extensive prior technical CBDC research than the Bank of England did at a similar point in time, but rather about domestic political economy – privacy and financial-surveillance concerns, concentrated opposition from parts of the banking and cryptocurrency industries, and an explicit federal policy preference for privately-issued stablecoins over public digital currency (Juniper Research, 2026; HRF, 2026).

4.4 Composite CBDC Readiness Index

Table 4

Composite CBDC Readiness Index (CRI), Author's Construction

Sub-Index (weight)	UK Score (0–100)	US Score (0–100)
Financial inclusion (0.25)	92	88
Digital payment infrastructure (0.20)	78	70
Price stability (0.20)	55	68
Institutional/legal preparedness (0.20)	60	5
Payment-system modernization (0.15)	65	55
Composite CBDC Readiness Index (CRI)	71.4	58.9

Note. Author's original construction based on IMF (2025) guidance. Higher scores indicate higher CBDC readiness.

The CRI for the United Kingdom is 71.4, which is about 12.5 points higher than the CRI for the United States (58.9). In the United States, the financial-sector depth gap is largely due to one sub-index (institutional/legal preparedness) in which the UK ranks 60 points higher than the United States (5 points), reflecting the fact that there is no CBDC issuance in the United States, but it is actively prohibited by statute. On all other dimensions, the two countries are much closer, and, in this instance, the US fares better, with a somewhat less volatile core inflation and a more established, credible inflation-targeting history through 2026. When institutional/legal status is reweighted down to 0.10 (with the remaining 0.10 spread out evenly across the other four sub-indices), the gap is reduced to approximately 8 points, indicating that the ranking is fairly sensitive to the amount of weight assigned to this sub-index, but has considerable robustness in direction – another policy implication, which is discussed in Section 7.

4.5 Simulated Monetary Policy Transmission Effects

Table 5

Simulated Monetary Policy Transmission Effects Under Retail CBDC Adoption

Simulated Effect (illustrative)	United Kingdom	United States
Baseline policy-rate pass-through lag (est.)	2–3 quarters	2–3 quarters
Simulated pass-through lag with retail CBDC (advanced-economy-discounted elasticity)	~1.5–2.5 quarters	Not applicable – CBDC issuance prohibited through 2030
Simulated 1st-quarter output response to money-supply shock	Amplified by roughly 15–20%	Counterfactual only; no legal pathway to issuance
Simulated 3rd-quarter inflation response	Modest acceleration; requires careful sequencing given post-	Not estimable; policy variable does not currently exist



Simulated Effect (illustrative)	United Kingdom	United States
Primary transmission channel affected	2026 energy-shock inflation Interest-rate and digital-competition channels	None (channel closed by statute)
Key transmission risk	Bank deposit disintermediation if CBDC is remunerated and uncapped	Continued migration of settlement activity to privately issued stablecoins outside central bank money

Note. Adapted from "Central Bank Digital Currency Adoption and the Effectiveness of Monetary Policy" (2026). All estimates are illustrative.

It is sensible to expect such a compression of the policy-rate pass-through lag using the advanced-economy-discounted elasticity derived from the 54-country panel study, compared to the EMDE-scale compression estimated in similar previous work in Pakistan ("Does CBDC Amplification Matter? Evidence from the Panel Study of Central Bank Digital Currency Adoption," 2026) for which the discount was large for advanced economies. The question of monetary policy and the impact of a digital dollar on money supply and payment-system resilience is not one of what it might do, but what it can't do: the ROAD to Housing Act explicitly precludes the issuance of CBDC in the U.S. until 2030, so the relevant monetary-policy question is what foregone benefits in terms of transmission would result from the absence of a CBDC - and whether ongoing growth of private-stablecoins in the U.S. under the GENIUS Act framework would have similar impacts on payment-system resilience and money demand outside the central bank's control.

5. Discussion

The findings suggest three generalizations. First, and foremost, a comparison with the UK shows that in advanced economies, preparedness to launch a CBDC isn't a digital-literacy, infrastructure or financial-inclusion challenge, as it is in the emerging-market literature, but a political-institutional issue where the UK is close to being a universally banked society and has modern instant-payment rails. The biggest reason for the disparity in CRI between the UK and the US is whether there is a legal route to issuance or not, regardless of any difference in technical or economic capacity.

Second, the US case confirms that restricting the issuance of a CBDC has opportunity costs that are not easily measurable, even if they take the form of foregone benefits. Second, the US case also demonstrates that banning a CBDC is a monetary-policy design decision that has real (though less quantifiable) opportunity costs, even where those costs are in terms of foregone benefits. With GENIUS Act's stablecoin provisions, the same money-demand and transmission-relevant dynamics that CBDC research projects when a digital currency is issued by the Fed can happen when they are issued by private parties, but in a different way for implications on monetary sovereignty, financial stability oversight, and the singleness of money (IMF, 2025; HRF, 2026).

Last but not least, the UK's strategic and long-term design process (not a quick launch or even a ban) represents a third option for advanced economies with strong financial systems: a long and robust process of technical and policy experimentation (including through the Digital Pound Lab) and an honest choice to move forward or not. This path includes the option value of issuance but does not allow for the interest-rate-channel and disintermediation risks listed in Table 5, which will be present for industry participants following the lead of the eventual system (UK Finance, 2026a).

Another issue that must be considered relates to sequencing between infrastructure modernization and CBDC decisions. The advanced economies' New Payments Architecture programme and the FedNow rollout demonstrate that their payment-system modernisation efforts are independent from the CBDC decision, and Payment-System Modernisation scores 65 and 55 respectively in Table 4, which are not far apart compared to the score on Institutional/Legal Preparedness. In both countries, the path toward infrastructure modernization is running in parallel to the CBDC discussion, with the former being very different from the latter in Pakistan and Iraq, where the debate on CBDC and core payments-infrastructure investment was intermingled.



6. Policy Recommendations

1. Release the promised Digital Pound Blueprint following a clear, binding timetable for the 'build phase' decision, enabling industry participants to plan their investments with some confidence, irrespective of the final result.
2. Conduct initial rollouts in a cautious manner with capped payments or non-payment to minimize the risk of disintermediating banks (as outlined in Section 6.5) especially in light of the post-2026 energy-shock inflation context.
3. Make interoperability between a potential digital pound, Faster Payments and the New Payments Architecture programme a priority, because interoperability in the infrastructure is the more binding constraint on transmission speed mentioned in this paper, rather than new infrastructure build.
4. Keep publishing regular open and clear progress reports and anonymised results from the Digital Pound Lab as the data is released from the design phase to allow independent research.
5. Even in the absence of CBDC issuance, augment and strengthen oversight of privately issued, dollar-denominated stablecoins under the framework of the GENIUS Act, as some of the money-demand and payment-system effects discussed in the literature are likely to occur with private issuers, even in the absence of a statutory ban.
6. Maintain Federal Reserve technical engagement in international wholesale-focused projects, including BIS Project Agorá, to keep institutional knowledge and expertise in interoperability, which would be difficult and expensive to recreate if the 2030 sunset on the CBDC ban is not extended.
7. During the prohibition period, required independent and non-partisan research of the transmission, financial-stability and privacy trade-offs found in the international literature, and ensure that any future reconsideration of the prohibition period is based on an evidence base that is up-to-date and not from 2025.
8. In parallel, keep increasing the number of FedNow services in use by banks and credit unions, and the number of jurisdictions that offer instant-payments service, without regard to the CBDC issue, as payment-system modernization and CBDC issuance are two distinct policy tracks, as discussed in Section 5.

6. Limitations and Future Directions

The principal drawback of this study is that the transmission effects for both countries are assumed; in fact, there is no actual transaction data to estimate these effects for either country—an issue that is expected to continue for at least 2030 in the US case by statute. The composite readiness index is a judgment-weighted construction that can be further refined using the available expert elicitation or principal-component analytic methods as more similar advanced-economy CBDC indicators become available. The 'advanced-economy discount' applied to the EMDE transmission elasticity in Section 6.5 is also an approximation, and not an econometric estimate from the underlying 54-country panel study as elasticities are not reported separately for the UK or US. Further research is warranted, particularly following the Bank of England's Digital Pound Blueprint and 'build phase' announcement in late 2026, and incorporating a broadening of the comparative exercise to other advanced economy CBDC programmes with a strong institutional pedigree, such as the euro area, Sweden, Japan and Switzerland, to determine whether the institutional-preparedness gap identified here is broadly applicable across advanced economy CBDC programs.

7. Conclusion

This paper compares the readiness and possible impact of CBDC in two advanced economies—the United Kingdom and the United States—which have highly interconnected financial systems, high levels of financial inclusion and a comparable external inflation shock experienced in recent years, but have taken opposite institutional positions towards central bank digital currency. The United Kingdom has embarked on a multi-year design process for a potential digital pound, and the United States has progressed from research to a law that forbids the Federal Reserve from issuing a digital currency until 2030. This is primarily because of institutional and legal status and not necessarily because of a lack of financial-sector depth, digital infrastructure, or financial inclusion, as shown by the composite readiness analysis that flips the typical



emerging-market narrative in which it is usually the infrastructure or inclusion gap that is the limiting factor. While there may be a slight speed-up of monetary-policy transmission across the board for any means of monetary issuance in the UK, the question for the rest of the decade will not be how a digital dollar would work, but what the role of stablecoins will be in its absence. In both examples, the decision about a CBDC is ultimately a political one relating to the future of money, rather than a technical one, as stated by the IMF (2025).

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