China is close to releasing a Libra-like digital currency

Enlarge / An employee counts 100-yuan notes at a bank in Nantong in China’s eastern Jiangsu province on July 23, 2018. -/AFP/Getty Images

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China’s central bank is working on a cryptocurrency that will be similar to Facebook’s Libra, a government official said this week, according to Reuters.

China’s central bank has had a group studying digital currencies since at least 2014, but their efforts seem to have come into focus in recent months. Last month, Mu Changchun, deputy director of the People’s Bank of China’s payments department, announced that an official Chinese digital currency was “almost ready.”

Details about the technology remain scarce, but it seems that the new currency will—like Libra—be pegged to a conventional currency to maintain its value. While Libra will be linked to a basket of conventional currencies including the dollar and the euro, China’s digital currency will be pegged to the yuan.

Mu said that the cryptocurrency was designed to “protect our monetary sovereignty and legal currency status.” Government officials in the United States and overseas have raised concerns that if Libra gets traction, it could threaten the dominance of conventional currencies backed by governments.

Mu said that the currency would be usable on major Chinese messaging platforms like WeChat and AliPay. Libra, of course, is designed to be used on Facebook’s own messaging products.

The currency could be issued by both China’s central bank and financial institutions.

“Mu said China’s digital currency would strike a balance between allowing anonymous payments and preventing money-laundering,” Reuters reports.

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