Rep. Lynch Introduces Legislation to Develop Electronic Version of U.S. Dollar

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March 28, 2022

Boston, MA – Today, U.S. Representative Stephen F. Lynch (MA-08), Chairman of the Task Force on Financial Technology, introduced H.R. 7231, the ***Electronic Currency and Secure Hardware (ECASH) Act***, which would develop an electronic version of the U.S. Dollar for use by the American public. This innovative legislation would promote greater financial inclusion, maximize consumer protection and data privacy, and advance U.S. efforts to develop and regulate digital assets. U.S. Representatives Jesús G. "Chuy" García (IL-04), Rashida Tlaib (MI-13), Ayanna Pressley (MA-07) and Alma Adams (NC-12) of the Committee on Financial Services are original cosponsors of the bill.

"As digital payment and currency technologies continue to rapidly expand and with Russia, China, and over 90 countries worldwide already researching and launching some form of Central Bank Digital Currency, it is absolutely critical for the U.S. to remain a world leader in the development and regulation of digital currency and other digital assets," *said Rep. Lynch.* "By establishing a pilot program within Treasury for the development of an electronic U.S. Dollar, the *ECASH Act* will greatly complement and advance ongoing efforts undertaken by the Federal Reserve and President Biden to examine potential design and deployment options for a digital dollar. Importantly, this pilot program will also preserve a role in our financial system for smaller anonymous cash-like transactions which are currently transacted in physical dollars and which have seen a rapid decline in use."

"My neighborhood in Chicago is home to one of the strongest immigrant business districts in the country, and it couldn't run without cash, " *said Congressman Jesús "Chuy" García (IL-04***).** Cash remains our strongest tool to promote financial inclusion while preserving privacy and security, and new digital tools should emulate it– not replace it. Our government can provide digital assets that are both secure and accessible, and this bill is an important step in that direction."

"Our current financial system has too often served as a barrier for Black, brown, and low-income communities to build and sustain wealth," *said Congresswoman Pressley, Vice Chair for the Subcommittee on Consumer Protection and Financial Institutions.* "Ensuring economic justice means advancing innovative solutions that will promote financial inclusion and trustworthiness while protecting consumer

safety and privacy. I am proud to co-sponsor the *ECASH Act* to ensure we have strong consumer protections and improve financial access and equity."

In January of 2022, the Federal Reserve released its white paper on a potential U.S. central bank digital currency and other digital payment methods – underscoring the importance of exploring a wide variety of design options. More recently, President Biden issued his Executive Order on Ensuring Responsible Development of Digital Assets – providing that the Administration places the "highest urgency on research and development efforts" into digital dollar design, including assessments of financial inclusion, possible benefits and risks for consumers, existing payment systems, and national security.

In line with these guidance and directives, the ***ECASH Act*** would establish a two-stage pilot program led by the U.S. Department of the Treasury to develop and issue an electronic version of the U.S. Dollar that promotes consumer safety and privacy, financial inclusion and equity, and anti-money laundering and counterterrorism compliance. In order to maximize consumer protection and data privacy, the bill requires Treasury to incorporate key security and functionality safeguards into e-cash that are generally associated with the use of physical currency – including anonymity, privacy, and minimal generation of data from transactions. In the interest of expanding financial inclusion, e-cash must also be interoperable with existing financial institution and payment provider systems, capable of executing peer-to-peer offline transactions, and distributed directly to the public via secured hardware devices. Moreover, the bill specifies that e-cash would be regulated similar to physical currency and subject to existing anti-money laundering, counterterrorism, Know Your Customer, and transaction reporting requirements and regulation.

The *ECASH Act* has been endorsed by the following organizations and experts:

Americans for Financial Reform / Demand Progress: "We support the introduction of the ECASH act because it would offer a public option for digital payments that would improve financial inclusion and security for all Americans, especially those who've been left behind by the traditional financial system," *said Mark Hays, Senior Policy Analyst with Demand Progress and Americans for Financial Reform.* "The ECASH Act can also help ensure the introduction of a public digital dollar doesn't come at the expense of our rights to privacy, and could forestall other digital payment schemes that might expand mass surveillance, not curtail it."

Rohan Grey, Assistant Professor of Law at Willamette University and Research Director of the Digital Fiat Currency Research Institute: "The E-CASH Act is the world's first legislative proposal to create a digital dollar using

secured hardware technology that replicates the privacy-respecting, peer-to-peer, and offline-capable features of physical currency," *said Grey*. "Until now, the conversation over CBDCs and cryptocurrencies has been divided between proponents of centralized and distributed ledger-based designs. By contrast, e-cash is unique in that it does not involve any common ledger whatsoever."

Raúl Carrillo, Yale Law School; Director, Public Money Action "The E-CASH Act is the most critical component of a broader effort to ensure that the future financial system preserves the accessibility, privacy, and security of our day-to-day transactions," *said Carrillo***.** "In a world of private payments technologies that do not sufficiently protect financial data, especially the data of people in poor and marginalized communities, this public innovation will set new standards for civil rights within the financial technology sector as a whole."

Action Center on Race and the Economy

Click here for a fact sheet on the bill.

Click here for the bill text.

As Chairman of the Task Force on Financial Technology, Rep. Lynch has prioritized oversight of the development of a digital dollar:

- In June of 2021, Chairman Lynch held a hearing entitled, "Digitizing the Dollar: Investigating the Technological Infrastructure, Privacy, and Financial Inclusion Implications of Central Bank Digital Currencies."

- In July of 2021, Chairman Lynch participated in a Financial Services Committee hearing during which he underscored to Chairman of the Federal Reserve Board of Governors Jerome H. Powell the importance of examining U.S. central bank digital currency given continuing CBDC advancements made by countries worldwide.

- In July of 2021, Chairman Lynch participated in a hearing held in the National Security, International Development and Monetary Policy Subcommittee during which he asked digital asset, economic, and national security experts about the national security impact of China's development of the Digital Yuan.

- In March of 2022, Chairman Lynch participated in a Financial Services Committee hearing during which he urged Chair Pro Tempore Jerome H. Powell of the Federal Reserve to collaborate with Congress and Treasury on exploring digital dollar architecture alternatives.