

Rep. Stephen Lynch introduces bill to create Treasury-issued digital currency

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By Alex Graf

Rep. Stephen Lynch, D-Mass., introduced a bill on March 28 that would create a Treasury-issued, hardware-secured digital currency, distinct from a central bank digital currency and capable of offline, peer-to-peer transactions without digital ledgers, blockchain, or accounts.

"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," Lynch said in a press release. "The *ECASH Act* will greatly inform, compliment, and advance ongoing efforts undertaken by the Federal Reserve and President Biden to examine potential design and deployment options for a digital dollar."

The bill aims to create a digital currency that functions similarly to physical cash and would require the Treasury to incorporate key functionalities including privacy, anonymity, and minimal data generated from transactions. These measures seek to address the privacy concerns some legislators have raised about a potential Federal Reserve-issued CBDC, which the central bank is currently researching. Supporters of the bill hope this Treasury-issued digital currency would function in complementary fashion to a CBDC.

"The Fed, from day one has said that any CBDC it issues will not be fully anonymous, and it will primarily be done through a two-tiered system in which banks and other providers provide the retail service," said Rohan Grey, an assistant professor of law at Willamette University who worked closely with Lynch's office on the bill. "Those two features are at odds with how we think of physical cash, which is issued directly to people, privacy respecting and anonymous."

Unlike CBDCs, which operate on a centralized ledger, or cryptocurrencies, which use a distributed ledger, this Treasury-issued digital currency would function, like physical cash, with no ledger at all and instead exist on secured hardware like a stored value card or mobile device.

"With a Fed system ... you have to ask permission for [the Fed] to validate your transaction," said Grey. "With cash you don't have to do that. So, in addition to being privacy respecting, anonymity respecting and censorship resistant, it also means that you can have offline payments."

Grey believes banks would integrate the new currency into their operations in much the same way they already do with cash. Namely, users would likely keep most of their savings in a bank account and keep smaller amounts of ecash on their person for everyday transactions.

The bill would also require the Secretary of the Treasury to create the Electronic Currency Innovation Program to oversee the digital currency's development and implementation. Within 90 days of the bill's enactment, the Treasury would begin a two phase pilot program to determine the feasibility of the ecash and deploy the currency within 48 months.

In addition to Lynch, the bill's cosponsors include Reps. Chuy Garcia, D-Ill., Ayanna Pressley, D-Mass., and Rashida Tlaib, D-Mich. Outside groups including Americans for Financial Reform, Demand Progress, and Action Center on Race and the Economy are also throwing their support behind the bill.

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