

May 15, 2023

The Honorable Janet Yellen
Secretary
U.S. Department of the Treasury
1500 Pennsylvania Avenue, NW
Washington, DC 20220

Dear Secretary Yellen:

As sponsors of the *Electronic Currency and Secure Hardware Act*, we write to respectfully urge you to prioritize the design and implementation of anonymity and privacy features as the Treasury Department moves forward in examining the responsible development of Central Bank Digital Currency.

Importantly, Under Secretary for Domestic Finance Nellie Liang recently outlined the next steps that the Treasury Department will take to advance work on technical and policy considerations surrounding a prospective CBDC – in complement to the related examination undertaken by the Federal Reserve.¹ In particular, the Treasury-led interagency CBDC Working Group is currently developing preliminary findings and recommendations pertaining to core architectural features, design alternatives, policy objectives, and areas that may demand additional research and development.² Moreover, the Treasury Department will continue its engagement with our global allies and partners to further explore CBDC development.³

We are strongly encouraged by this progress. According to the Atlantic Council Central Bank Digital Currency Tracker, CBDC exploration has commenced in 119 other countries – with 18 countries initiating pilot programs and 11 countries launching a CBDC.⁴ Our continued leadership in the global financial system and the enduring dominance of the U.S. dollar demand that we augment our efforts in this critical area. Moreover, the responsible development of a CBDC could serve to address several of the outstanding gaps associated with our current digital payment system and the use of private cryptocurrencies and other digital assets, including the absence of real-time settlement of payments, exorbitant transaction fees, pervasive data collection, and illicit financial activity. As evidenced by the recent collapse of FTX, BlockFi, Genesis, and other digital asset firms, the unregulated nature of these products leaves consumers susceptible to grave financial risks that would not accompany a thoughtfully-designed, U.S. Government-backed digital dollar.

However, we specifically urge you to prioritize the incorporation of technical features that preserve consumer anonymity and privacy as you continue to review design options and seek to reconcile CBDC objectives. While we understand that the responsible development of a CBDC

¹ https://home.treasury.gov/news/press-releases/jy1314#_ftn1

² *Id.*

³ *Id.*

⁴ <https://www.atlanticcouncil.org/cbdctracker/>

will necessarily entail policy tradeoffs, we believe that consumer anonymity and privacy must remain at the forefront of every CBDC conversation. We believe this can be attained while also ensuring anti-money laundering protections remain in place. The accelerated transition towards contactless digital payments has dramatically reduced the use of physical cash, hard currency and its anonymity. Privacy-respecting features should still serve a critical role in promoting equity and inclusion within our financial system. As recently reported by the Pew Research Center, lower-income Americans continue to rely on cash – with three-in-ten Americans with an annual household income below \$30,000 indicating that they still use cash for the majority of their purchases.⁵ The 2022 Diary of Consumer Payment Choice similarly indicated that the share of cash use for consumers in households making less than \$25,000 per year was nearly three times higher than those living in households making more than \$150,000 annually.⁶ A CBDC must replicate – to the extent possible - the anonymity and privacy safeguards associated with physical cash to ensure consumer security and inclusion.

It is in the interest of hardworking American consumers that we introduced the *Electronic Currency and Secure Hardware (ECASH) Act* – legislation designed to inform and supplement the work undertaken by the Treasury Department and the Federal Reserve to examine a CBDC. This bill would commence a pilot program to facilitate the development of an electronic version of the U.S. Dollar that preserves the privacy protections, anonymity, and minimal transactional data-generating properties of physical currency. To this end, the *ECASH Act* would require that any hardware device authorized to hold or facilitate digital dollar transactions be secured via cryptographic encryption and other technologies; the bill would also prohibit the incorporation of surveillance, personal identification or transactional data-gathering, or censorship-enabling features. Moreover, the legislation would establish a Monetary Privacy Board to preserve the privacy interests of individuals using electronic currency.

Again, we commend your continued work in support of a potential CBDC and thank you in advance for your consideration. If you have any questions regarding this letter, please feel free to contact (202) 225-8273.

Sincerely,



Stephen F. Lynch
Member of Congress (MA-08)



Ayanna Pressley
Member of Congress (MA-07)

⁵ <https://www.pewresearch.org/short-reads/2022/10/05/more-americans-are-joining-the-cashless-economy/>

⁶ <https://www.frbsf.org/cash/publications/fed-notes/2022/may/2022-findings-from-the-diary-of-consumer-payment-choice/>

Rashida Tlaib

Rashida Tlaib
Member of Congress (MI-12)

cc: Deputy Secretary Wally Adeyemo and Under Secretary Nellie Liang