



H.R. 7231, the Electronic Currency and Secure Hardware (ECASH) Act

SUMMARY

In view of the continued expansion of digital payment and currency technologies and in line with efforts undertaken by the Federal Reserve and Biden Administration to explore diverse digital dollar designs and deployment options, the *Electronic Currency and Secure Hardware (ECASH) Act* directs the Secretary of the Treasury to develop and issue an electronic version of the U.S. Dollar (e-cash) for use by the American public.

- To maximize consumer protection and data privacy, this innovative legislation requires Treasury to incorporate key security and functionality safeguards into the e-cash system that are generally associated with the use of physical currency – including anonymity, privacy, and minimal generation of data from transactions.
- In the interest of greater financial inclusion, the bill mandates that e-cash must 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.
- To safeguard e-cash against illicit financial activities, the bill requires e-cash compliance with existing anti-money laundering and countering terrorist finance regimes.

ELECTRONIC CURRENCY INNOVATION PROGRAM

- Requires the Secretary of the Treasury to establish the **Electronic Currency Innovation Program** to direct, oversee, and coordinate the development and implementation of e-cash and enabling architecture, technologies, and platforms.
- Treasury is fully suited to lead e-cash development given that the agency already produces hard currency and successfully implements the U.S. Debit Card Program – including the Economic Impact Payment prepaid debit cards issued to Americans under the *CARES Act*.
- The director of the ECIP is appointed by the President, with the advice and consent of the Senate, for a 5-year term.

PILOT PROGRAM

- Requires Treasury to initiate a two-phase e-cash **pilot program** within 90 days of enactment – with the deployment of e-cash to the American public expected no later than 48 months after enactment.
- **Phase 1:** Consists of at least three “Proof-of-Concept” pilot programs designed to determine the initial feasibility of e-cash design and deployment. These pilots may be conducted in partnership with universities, non-profit organizations, insured financial institutions, financial technology firms, non-bank payment providers focused on expanding financial inclusion, and other entities. They may also be conducted in partnership with existing federal, state, or local government fund disbursement or payment program – including those that rely on the U.S. Debit Card Program. At least two of the technologies selected for the pilot program must be based on secured hardware-based architectures that do not involve any common or distributed ledger, at least one must include a stored-value magnetic or pin card option for storage and payment, and at least one must include a cell phone or SIM card option for storage and payment.
- **Phase 2:** Consists of at least one large-scale “Field Test” pilot program deployment to a segment of the American public. These pilots may be conducted in partnership with federal, state, local, and foreign governments, international regulatory bodies, and the entities eligible to partner in Phase 1.
- **Objectives:** The general purpose of the pilot programs is to assess the viability and capacity of various e-cash technologies to incorporate the security and functionality safeguards that are generally associated with the use of physical currency; deploy rapidly and efficiently; and maintain compatibility with existing financial institution and payment provider systems.

ELECTRONIC DOLLAR

The bill mandates several e-cash features, *e.g.*:

- **Legal Tender:** E-cash must be legal tender, created and issued into circulation by Treasury, and payable to bearer.
- **Financial Inclusion:** E-cash must be distributed and used directly by the American public via widely available hardware devices. It must also be capable of peer-to-peer, offline transactions and interoperable with all existing financial institution and payment provider systems. Moreover, in developing e-cash, the Security must prioritize technologies that promote universal access and usability – particularly as relating to individuals with disabilities, low-income individuals, and communities with limited access to internet or telecommunications networks.
- **Privacy:** E-cash must incorporate key security and functionality safeguards that are generally associated with the use of physical currency – including anonymity, privacy, and minimal

generation of data from transactions. E-cash must also be distributed through secure hardware devices that are secured locally via cryptographic encryption or other similar technologies and cannot contain personal identifiable information or be subject to surveillance, transactional data collection, or censorship-enabling features. Establishes a “Monetary Privacy Board” which will review decisions and actions of the ECIP and ensure that the actions are consistent with the Act and commit to preserving the privacy interest of individuals that use e-cash. Moreover, establishes a Monetary Privacy Board to review e-cash development actions and decisions and evaluate the extent to which they preserve individual privacy.

- **Consumer Protection:** Merchants may not impose any fee for using e-cash payments or purchases. Disclosures by the government and any third-party authorized to distribute e-cash devices regarding usage, fees, interoperability, security, privacy, data collection, and other areas identified as relevant by the Bureau of Consumer Financial Protection must be clear, readily understandable, and made in writing.
- **AML/CTF:** E-cash must be classified and regulated in a manner similar to physical currency and would therefore be subject to existing anti-money laundering, counterterrorism, Know Your Customer, and financial transaction reporting requirements and regulations.
- **Transparency/Oversight:** In developing e-cash, Treasury must prioritize the use of hardware and software technologies issued under open-source licenses. Also establishes a Digital Dollar Council within Treasury to coordinate with other relevant U.S. departments and agencies on e-cash related activities.