

May 5, 2021

Dear Member of Congress:

As the trade association that represents the breadth of the payments industry, the Electronic Transactions Association (ETA)¹ has deep expertise in payments technology and in crypto. At ETA, we are engaged in ongoing conversations about the promise and challenges of Central Bank Digital Currencies (CBDCs), and we believe there is a common set of principles against which any proposed CBDC should be measured. As the federal government assesses a potential CBDC, it should carefully consider these principles and ensure that any proposal best serves the needs of consumers, furthers financial inclusion, preserves and strengthens the financial system, and ensures that consumers continue to have access to a robust and innovative array of secure banking and payment options.

Although various benefits are cited as reasons for adoption of a CBDC, the federal government should also consider the inherent costs and risks, which vary depending on the design and structure of the CBDC.

- 1. Innovation:** Continual investment in innovation is at the heart of past, present, and future improvements to the financial ecosystem — enabling new capabilities, strengthening cybersecurity and consumer protection, increasing efficiencies, and expanding access to financial services. Any public sector engagement with the financial sector, including the deployment of a CBDC, should serve as a catalyst and a platform for continued innovation.
- 2. The Right Tool for the Job:** Policymakers should compare the suitability of a CBDC with existing systems and other ongoing improvements to payments infrastructure — such as real-time payments systems — to find the approach that best fits their country’s transactions needs.
- 3. Private Sector Participation:** Expanded financial inclusion, ongoing payments innovation, and the efficiency of national and international payment flows all depend on vibrant private sector competition in payments. A CBDC should seek to preserve those functions and minimize effects on the broader financial system through a two-tiered ecosystem that includes the private sector in its design, piloting, and distribution.

¹ ETA is the leading trade association for the payments industry, representing over 500 companies that offer electronic transaction processing products and services. ETA’s members include banks, mobile payment service providers, mobile wallet providers, money transmitters, and non-bank financial technology companies (“FinTech”) that provide access to credit, primarily to small businesses, either directly or in partnership with other lenders. ETA member companies are creating innovative offerings in financial services, revolutionizing the way commerce is conducted with safe, convenient, and rewarding payment solutions and lending alternatives – facilitating over \$22 trillion in payments in 2019 worldwide.

- 4. Interoperability:** Any CBDC would be introduced into an established, robust, well-functioning payments ecosystem. Ensuring interoperability between a CBDC and other forms of national and international payments systems is necessary to avoid weakening existing mechanisms and harming consumers and businesses. Any CBDC must be able to interoperate seamlessly across the existing landscape.
- 5. Open Acceptance:** Consumers will be more likely to adopt a CBDC if it can be used on existing acceptance infrastructure and is supported by known and identifiable payment methods (e.g., in-person and online) that are linked to the user's existing devices and accounts. To be useful to consumers, any CBDC would need to take advantage of existing acceptance networks and acceptance infrastructure to allow any merchant that accepts cards to also accept the CBDC.
- 6. Consumer Protection:** A CBDC should require a framework of standards and rules that safeguards the privacy and security of every transaction, protects consumers' interests, and gives consumers the confidence necessary for in-person and online transactions. It should also ensure that consumers understand those protections and how they may differ from those offered by other payment methods.
- 7. Regulation Tailored to the Risk Profile of the Participant:** Entities engaging with a CBDC should be subject to regulation that is tailored to the activities and risks that they pose due to their position in the payments ecosystem. Appropriate regulation should consider potential harm to consumers as well as safety, soundness, and financial stability risks.

ETA looks forward to working with your office to implement these principles. If you have any questions, please contact me or Scott Talbott, SVP of Government Affairs at stalbott@electran.org.

Sincerely,



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