

September 14, 2023

The Honorable French Hill
Chairman
Subcommittee on Digital Assets,
Financial Technology, and Inclusion
Committee on Financial Services
Washington, DC 20515

The Honorable Stephen Lynch
Ranking Member
Subcommittee on Digital Assets,
Financial Technology, and Inclusion
Committee on Financial Services
Washington, DC 20515

Dear Chairman Hill and Ranking Member Lynch:

On behalf of the Electronic Transactions Association (ETA), we appreciate the opportunity to share our thoughts on the U.S. developing a central bank digital currency (CBDC).

ETA is the world's leading advocacy and trade association for the payments industry. Our members span the breadth of significant payments and fintech companies, from the largest incumbent players to the emerging disruptors in the U.S and in more than a dozen countries around the world. ETA members make commerce possible by processing approximately \$44 trillion annually in purchases worldwide and deploying payments innovation to merchants and consumers.

Given that the existing payments system in the U.S. is competitive, safe, effective, dynamic, and efficient, ETA urges policymakers to move thoughtfully and deliberately when discussing the need of a U.S. CBDC and that any policy 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 financial services and payment options. As central banks begin to research and develop a CBDC, ETA believes U.S. policymakers should carefully consider the following principles:

- 1. Innovation:** 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 transaction needs. Faster payments is one such benefit, but there may be others.
- 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.
- 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 payment options 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 while harmonizing with existing legal frameworks.

ETA appreciates the opportunity to provide input on this important issue. If you have any questions, please contact me or ETA's Executive Vice President, Scott Talbott, at stalbott@electran.org.

Sincerely,



Jeff Patchen
Director of Government Affairs
Electronic Transactions Association