AMENDMENT TO RULES COMMITTEE PRINT

117–31

OFFERED BY MR. FOSTER OF ILLINOIS

At the end of division G, add the following:

TITLE XI—CENTRAL BANK

DIGITAL CURRENCY STUDY ACT

SEC. 61101. FINDINGS.

Congress finds the following:

(1) As of January 2022, the Atlantic Council CBDC tracker indicates that 87 countries, representing over 90 percent of global GDP, are exploring a CBDC, up from just 35 countries in May 2020. Currently, nine countries have fully operational CBDCs.

(2) Since December 2016, the European Central Bank and the Bank of Japan have conducted a joint research project named “Project Stella”, which aims to conduct experimental work and conceptual studies exploring the opportunities of digital ledger technologies and challenges for the future of financial market infrastructures, including CBDCs.

(3) Since 2014, the People’s Bank of China has conducted research and development activities for a
CBDC, and in October 2020, launched a digital yuan pilot program in Shenzhen.

(4) In August 2020, the Federal Reserve Bank of Boston announced a collaboration with the Digital Currency Initiative at the Massachusetts Institute of Technology to perform technical research related to a central bank digital currency.

(5) In January 2022, the Board of Governors of the Federal Reserve published a discussion paper exploring the benefits, risks, and policy considerations of a U.S. CBDC. The discussion draft solicits public comment for further evaluation.

(6) According to data from the International Monetary Fund, as of the third quarter of 2021, the United States dollar share of global currency reserves totaled $7,081,390,000,000, or 55.2 percent of all allocated reserves, and the standing of the United States dollar as the world’s predominant reserve currency enables the United States to use economic sanctions as a foreign policy tool.

(7) Although recent payments data from the Federal Reserve shows a sharp decline in the use of cash, this is largely attributable to the COVID–19 pandemic and is likely not a permanent trend. The Federal Reserve’s January 2022 CBDC discussion
paper also indicates that a CBDC would not operate
to replace physical money.

(8) The Federal Reserve System is responsible
for, among other things, conducting United States
monetary policy, promoting the stability of the fi-
nancial system, supervising financial institutions to
ensure safety and soundness, ensuring the safety
and efficiency of payment systems, and issuing and
circulating Federal Reserve notes.

SEC. 61102. SENSE OF CONGRESS.

It is the sense of Congress that—

(1) the Board of Governors should continue to
conduct research on, design, and develop, a CBDC
that takes into account its impact on consumers,
businesses, the United States financial system, and
the United States economy, including the potential
impact of a U.S. CBDC on monetary policy; and

(2) the United States should strive to maintain
its leadership in financial technology and ensure that
the U.S. dollar remains the predominant reserve cur-
rency in the world economy.

SEC. 61103. STUDY AND REPORT.

(a) Study.—The Board of Governors of the Federal
Reserve System, in consultation with the Comptroller of
the Currency, the Federal Deposit Insurance Corporation,
the Department of the Treasury, the Securities and Exchange Commission, the Commodity Futures Trading Commission, diverse financial experts and asset managers, community development financial institutions, minority depository institutions, consumer rights groups, and civil rights groups, shall conduct a study on the impact of the introduction of a United States’ CBDC on—

(1) consumers and small businesses, including with respect to financial inclusion, accessibility, safety, privacy, convenience, speed, and price considerations;

(2) the conduct of monetary policy and interaction with existing monetary policy tools;

(3) the effectiveness of United States economic sanctions programs and the status of the United States dollar as a reserve currency;

(4) the United States financial system and banking sector, including liquidity, lending, and financial stability mechanisms;

(5) the United States payments and cross-border payments ecosystems, including the FedNow Service;

(6) the application, enforcement, and compliance with AML/CFT and other financial crime-re-
lated laws, regulations, and electronic recordkeeping requirements;

(7) data privacy and security issues related to CBDC, including transaction record anonymity and digital identity authentication;

(8) the international technical infrastructure and implementation of such a system, including with respect to interoperability, cybersecurity, resilience, offline transaction capability, and programmability;

(9) the ability for particular design elements to expand access to financial products and services for low-income communities and communities of color;

(10) the likely participants in a CBDC system, their functions, and the benefits and risks of having third parties perform value-added functions, such as fraud insurance and blocking suspicious transactions;

(11) the operational functioning of a CBDC system, including—

(A) how transactions would be initiated, validated, and processed;

(B) how users would interact with the system; and

(C) the role of the private sector and public-private partnerships; and
(12) the environmental impact potential of a U.S. CBDC, particularly as it may relate to energy usage.

(b) REPORT.—Not later than six months after the date of the enactment of this Act, the Board of Governors shall submit to the Committee on Financial Services of the House of Representatives and the Committee on Banking, Housing, and Urban Affairs of the Senate a report that provides the following:

(1) The results of the study conducted under subsection (a).

(2) Based on such study, one or more recommended feasible models for the development of a CBDC that includes a description of the salient design, policy, and technical considerations therein, including a model which takes into account the following:

(A) Financial access and inclusion for unbanked and underbanked consumers, with the ability to make real-time digital payments and transactions through digital wallets.

(B) Strong cybersecurity controls capable of mitigating cyber-related risks including ransomware, malware, and fraud and theft.
(C) A strong digital identity verification system to prevent identity fraud and allow for compliance with applicable requirements relating to anti-money laundering, illicit financing, and security and authentication standards.

(D) Mechanisms to account for instances of mistake, unauthorized transfers, or fraud which may require transaction modification or reversibility.

(E) The capacity for third-party features such as custody and recoverability, account and transaction monitoring, and other services.

(F) Third-party transaction anonymity which protects user privacy and only allows for traceability when otherwise required by law, including through a court order.

(G) Interoperability with other U.S. and international payments systems.

(H) Feedback received during the public comment period following the Federal Reserve’s CBDC discussion paper released January 2022.

(3) A timeline for CBDC development and deployment of the recommended models in paragraph (2), that includes relevant interim milestones.
(4) A description of any legal authorities, if any, the Board of Governors would require to implement the CBDC model set forth in paragraph (2), including any authority with respect to—

(A) the issuance of digital currency;

(B) licensing and supervision of digital currency transmission services and nonbank technology providers to the extent they provide CBDC-related services; and

(C) international agreements which would be necessary to allow foreign nationals to utilize CBDC’s while preserving appropriate privacy and legal traceability.

(e) CBDC Defined.—In this title, the term “CBDC” means central bank digital currency.