

Crapo Statement at Digital Currency Hearing
June 30, 2020

WASHINGTON – U.S. Senator Mike Crapo (R-Idaho), Chairman of the U.S. Senate Committee on Banking, Housing and Urban Affairs, delivered the following remarks at a virtual hearing entitled, “The Digitization of Money and Payments.”

The text of Chairman Crapo’s remarks, as prepared, is below.

“Today, the Committee will hear testimony on the digital transformation of money and payments.

“We will discuss how it has enabled more efficient technologies, ushered in new players and business models, and raised important questions about what the rules of the road should be and the federal government’s appropriate role.

“Testifying will be The Honorable Chris Giancarlo, Senior Counsel, Willkie Farr & Gallagher and former Chairman of the U.S. Commodity Futures Trading Commission; Mr. Charles Cascarilla, Chief Executive Officer & Co-Founder, Paxos; and Professor Nakita Q. Cuttino, Visiting Professor of Law, Duke University School of Law.

“Welcome to our witnesses, and thank you for joining us today.

“The COVID-19 pandemic has forced us all to ‘go digital’ at rapid pace, turning to our phones or computers to work, shop, communicate, and provide or receive services.

“This has highlighted the incredible innovation of banks, fintech and payment companies to facilitate commerce at speed and scale.

“It has also challenged us to reexamine issues of financial inclusion, and consider different ways to think about money and payments.

“New technologies, like digital wallets and mobile money transfers, have greatly increased the availability and ease of electronic transactions.

“Often, these services are layered on top of traditional payment rails and rely on core nonbank payment systems as means of settlement.

“Because many of these services require consumers to hold a preexisting bank account or card, some believe they may be limited in their ability to expand the population of financial services consumers.

“Financial innovation has attempted to fill that need by creating entirely separate payment systems based on their own digital currency and distributed ledger technology.

“Cryptocurrencies have long claimed the ability to provide faster, less-expensive payments on a global scale, with some degree of anonymity.

“More recently, a new type of cryptocurrency has emerged aimed at achieving these benefits while marginalizing the volatility of some of its predecessors.

“Stablecoins, which may be issued by a central entity, deliver price stability by having their value pegged to another asset, like commercial bank deposits or government-issued bonds.

“Still, there are legitimate questions about certain stablecoins and digital currencies more broadly, such as the degree of oversight, impact on the transmission of monetary policy and disruption of banks’ traditional financial intermediation.

“The Financial Stability Board (FSB) recently reported that stablecoins could pose financial stability risks if offered and used by a large, existing customer base.

“Nothing amplified these concerns more than Facebook’s announcement of the Libra project last year.

“To be sure, the cryptocurrency ecosystem is as diverse in its products and functions as the rest of financial services.

“And as I said in our last digital currency hearing, it seems to me that these and similar innovations are inevitable, beneficial, and the U.S. should lead in their development.

“The U.S. currently regulates digital assets based on their activity and employs a ‘same risks, same rules’ principle. Some states have taken further steps in designing their own oversight regimes.

“The U.S. must have clear rules of the road in place that protect businesses and consumers without stifling future innovation.

“Acting OCC Comptroller Brian Brooks has recently raised the idea of a federal payments or digital currency charter.

“The OCC is also seeking input on a variety of areas important to fintech and digital currency, aimed at supporting “the evolution of the federal banking system” and its ability to meet needs of customers and communities.

“This includes: barriers to further adoption of crypto-related activities and distributed ledger technologies in the banking industry; new payments technologies and processes the OCC be aware of; and innovative tools for complying with regulations and supervisory expectations, also known as ‘regtech.’

“I am interested in learning more about these and other strategies towards a consistent U.S. framework.

“In the meantime, adoption of electronic payments and the growing scale of digital currencies has led to calls for digital fiat, a so-called ‘central bank digital currency,’ or CBDC. This is being explored by many major central banks.

“A CBDC could take many forms. For example, former Chairman Giancarlo has discussed a tokenized U.S. dollar that could be issued by the Fed and function next to cash, central bank reserves and commercial bank money, which we will discuss more today.

“No matter its form, a U.S. CBDC requires methodical consideration and U.S. regulators have begun this work already.

“Fed Chair Jay Powell has raised several potential legal hurdles, like whether the Fed has the underlying authority to issue a tokenized dollar; how the rights and obligations of system participants would be determined; and potential effects on the U.S. dollar as the world’s reserve currency.

“Another critical consideration is the role traditionally filled by banks and other financial institutions.

“As trusted intermediaries, these firms perform several services critical to the safety and stability of the U.S. economy.

“As the federal government explores CBDC, it must consider the innovation and competition already demonstrated in the U.S. payments sector.

“During this hearing, I look forward to hearing more about efforts being undertaken by different groups in the development of digital money and payments; design, operational, and risk considerations in their development; what specific problems a CBDC should resolve that are not currently being or cannot be addressed by the litany of payments innovation already completed or underway; and what the rules of the road should be.”

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