

## Digital Dollar Project Releases White Paper on US CBDC

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On May 29, 2020, the Digital Dollar Project, an organization seeking to advance the development of a United States central bank digital currency (CBDC), published a detailed [white paper](#) entitled “Exploring a US CBDC.” The white paper posits that if the US dollar is to remain the world’s primary reserve currency, it cannot remain an analog instrument and unit of account for assets increasingly denominated as digital tokens. Instead, the white paper reasons that the dollar must itself become a digital tokenized currency that measures, supports, and transacts with other digital assets.

After examining the theoretical underpinnings of CBDCs and the tokenization process generally, the white paper makes the case for a tokenized digital dollar. Notably, the white paper identifies eight central characteristics, or tenets, of a US CBDC:

Tokenization: A digital dollar will be a tokenized form of the US dollar.

Third format of currency: A digital dollar will operate alongside existing fiat currency and commercial bank money. It will mirror many properties of physical money, including its ability to work alongside existing account-based systems.

Maintenance of the two-tiered banking system: A digital dollar will be distributed through the existing two-tiered architecture of commercial banks and regulated intermediaries.

Privacy: The digital dollar will support a balance between individual privacy rights and necessary compliance and regulatory processes, decided upon by policymakers and ultimately reflecting the jurisprudence around the Fourth Amendment.

Monetary policy neutral: A digital dollar will not impact the Federal Reserve’s ability to affect monetary policy and control inflation. A digital dollar could act as a new policy tool.

Technology decisions and design choices driven by functional needs: The policy and economic requirements of a digital dollar will inform both the underlying technology and ultimate design choices.

Future proofing the architecture through flexibility: The chosen technological architecture will offer the flexibility to adapt configurability based on policy and economic considerations.

Continued private sector innovation: A digital dollar will act as a catalyst for innovation and will not be antithetical to the development of private sector initiatives.

The white paper also identifies a series of use cases for a US CBDC, including domestic peer-to-peer and retail payments, cross-border payments and remittances, benefits administration, and one-time or other exceptional government relief payments. The white paper concludes with the belief that exploring a “well-architected, durable, and universal digital dollar is in the national interest.”

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