

INSIDE DIGITAL ASSETS

with RIC EDELMAN

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INNOVATION AT THE FED - AND THE COMING DIGITAL CURRENCY

Ric Interviews Sunayna Tuteja, the Fed's Chief Innovation Officer

The following are edited excerpts of Ric's conversation with Sunayna Tuteja, Chief Innovation Officer of the Federal Reserve System, which aired on Ric's radio show and podcast *The Truth About Your Future*.

Ric Edelman: Sunayna, your title is Chief Innovation Officer. "Innovation" at the Fed? Isn't that an oxymoron?

Sunayna Tuteja: When I got the call about this role about a year ago, I first thought it was one of our bitcoin friends pulling a prank on me. So, I give the Fed a lot of credit; they are adding diversity of perspectives and experiences to raise innovation within the Federal Reserve System. I think it's a solid signal.

Ric: I would imagine that the word "innovation" might be scary for a lot of the career employees at the Federal Reserve. After all, it's the foundation of our nation's financial system, and it must operate flawlessly. And as the world's largest economy, with the dollar being the world's most important currency, the last thing we want is to create problems - because that could lead to instability in the global economy. I can envision someone at the Fed saying, "Let's not innovate because innovation means change, and change means new, and new means we might make mistakes." So, how do you innovate in that kind of environment?

Sunayna: That's a great premise. We should never forget the scale, the scope, and the stability that the Federal Reserve brings, not just to U.S. financial systems, but around the world. That said, innovation is alive and well, and innovation does not start and stop with my position. The Federal Reserve System is a compilation of 12 reserve banks as well as the Board of Governors in Washington, D.C., and there is a lot of great activity happening throughout the system to advance innovation, I am just one node in that decentralized network.

Ric: Is the Fed using artificial intelligence as part of its technology strategy?

Sunayna: Yes. The Fed employs over 5,000 technologists. We are a massive technology business. Think of all of the payment rails that the Fed runs and supports every day. Behind the scenes, there are product leaders, technologists, AI developers, and scrum teams that are making sure we are building, scaling, and operating these systems with efficiency.

Ric: The U.S. Treasury is still printing money. Why has it not moved to a digital dollar? Seems like everything else in commerce has gone to an electronic format. Tell us about the Fed's attitude about a Central Bank Digital Currency (CBDC). Is the Fed working on it?

Sunayna: You know, it is not a binary answer of should we, or shouldn't we? There's a whole list of questions that we're still grappling with. Earlier this year, we published a whitepaper, [Money and Payments: The U.S. Dollar in the Age of Digital Transformation](#) (see sidebar) to foster a broad and transparent public dialogue about CBDCs in general, and about the potential benefits and risks of a U.S. CBDC.

Ric: Even if everything were to go well and the Fed indeed wants to launch a CBDC, what's the earliest that a digital dollar could actually be implemented?

Sunayna: My personal conjecture and assumption is that I think a five-year mark seems like a logical starting point, because there's so much that needs to be interrogated and it's not a unilateral decision by the Fed.

Ric: Many people will be surprised to hear you say that. I think a lot of folks would assume that this isn't something that would happen for decades. My point is, I think we all need to recognize that digital money is in our future.

Sunayna: Yes, the future is very exciting. How often do you get to think about these macro questions and maybe shape them? There's something happening here, and we need to be thinking about it and doing something with it. I think people are starting to figure out what are those killer apps that are going to come out of this technology and ecosystem. And that's one of the most encouraging signals.

Ric: Thank you Sunayna.

For the full interview, watch it on [The Truth About Your Future](#).

Key Features for a U.S. CBDC

The Fed's whitepaper notes that, if a U.S. CBDC is created, it should:

- Provide benefits to households, businesses, and the overall economy that exceed costs and risks.
- Deliver such benefits more effectively than alternative methods.
- Complement, rather than replace, current forms of money and methods for providing financial services.
- Protect consumer privacy.
- Protect against criminal activity.
- Have broad support from key stakeholders.