



Texas moves to create gold-backed digital currency

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As lawmakers in the U.S. introduce bills pushing back against the creation of a U.S.-dollar-based central bank digital currency (CBDC), Texas is opting to go a different route with the creation of a state-issued, gold-backed digital currency.

Based on the text of Senate Bill 2334, which was introduced by state Senator Bryan Huges (R), and House Bill 4903, which was introduced by state Representative Mark Dorazio (R), the legislators are looking to require the state comptroller to establish a digital currency that is fully backed by gold and fully redeemable in cash or gold.

“The comptroller shall establish a digital currency that is backed by gold so that each unit of the digital currency issued represents a particular fraction of a troy ounce of gold held in trust,” the bills state, adding that if needed, a private vendor can be enlisted to help establish the digital currency.

The comptroller would also be required to create a mechanism that would allow the new gold-backed digital currency to be used by citizens for their daily transactions. “In establishing the digital currency the comptroller shall establish a means to ensure that a person who holds the digital currency may readily transfer or assign the digital currency to any other person by electronic means.”

All gold reserves backing the digital currency would be held in a trust with the Texas Bullion Depository that is controlled by the comptroller or another entity appointed by the comptroller. "The trustee shall maintain enough gold to provide for the redemption in gold of all units of the digital currency that have been issued and are not yet redeemed for money or gold," the bills read.

There will be no limit on the amount of gold-backed digital currency that Texans can purchase. As soon as a purchase is made, the comptroller will be required to "buy a fractional number of troy ounces of gold equal to the number of units of the digital currency issued to the purchaser, and issue to the purchaser a number of units of the digital currency equal to the amount of gold that the comptroller purchases with the money received from the purchaser."

When someone holding the digital currency wants to redeem it for cash, all they would need to do is present it to the comptroller or a designated agent, who will then sell gold held in the depository account equal to the redemption amount and transfer the funds to the redeemer, minus any fees.

Holders can also elect to redeem the digital currency for gold. The comptroller or one of its designated agents "may manage redemption of the digital currency for gold by the use of bars or coins of standard sizes and may pay fractional remainders in cash as necessary to facilitate the transaction," the bill states.

The value of each unit of the digital currency will be determined at the time of a transaction and "must be equal to the value of the appropriate fraction of a troy ounce of gold at the time of that transaction."

And as a way to reassure investors in the fund who are worried about issues like bail-ins, the bill explicitly states that "Money received from the purchase of the digital currency, gold purchased and held under this chapter, and money received from the sale of gold in response to a request for redemption is not available for legislative appropriation."

All fees generated from the management of the fund will be deposited in an account established in the general revenue fund to help pay the costs.

Both bills end with a line saying, "This ACT takes effect September 1, 2023." At the time of writing, neither bill had been assigned to a committee. In order to become official law, they must first get a committee hearing, pass by a majority vote, and then be approved in a full vote by the state Senate and House.

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by Jordan Finneseth

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