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U.S. Senate Committee on Finance
219 Dirksen Senate Office Building
Washington, DC 20510

Chairwoman Maxine Waters, Ranking Member Patrick McHenry
U.S. House Committee on Financial Services
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U.S. Senate Committee on Banking, Housing and Urban Affairs
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Chairman Frank Pallone Jr., Ranking Member Greg Walden
U.S. House Committee on Energy and Commerce
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Chairman Richard Neal, Ranking Member Kevin Brady
U.S. House Committee on Ways and Means
1102 Longworth House Office Building
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Cc: U.S. Securities Exchange Commission; U.S. Federal Trade Commission; Office of the United States Trade Representative; U.S. Commodity Futures Trading Commission; Board of Governors of the Federal Reserve System; Financial Stability Oversight Council; Financial Crimes Enforcement Network; Calibra, c/o Facebook, Inc.

July 2, 2019

Dear Legislators, Regulators, and Facebook and Calibra employees:

The Facebook proposal to create a new cryptocurrency as part of its broader Libra project raises profound questions about national sovereignty, corporate power, consumer protection, competition policy, monetary policy, privacy and more. The U.S. regulatory system is not prepared to address these questions. Nor are the regulatory systems of other nations or international institutions.

We call on Congress and regulators to impose a moratorium on Facebook's Libra and related plans until the profound questions raised by the proposal are addressed.

We also urge Facebook to put its implementation of its plans for the new cryptocurrency, Libra, on hold until the Congress and regulators have an opportunity to assess and react to a far more detailed presentation than has yet been made public.

Some of us believe a careful assessment will show that the proposal is too dangerous to be permitted to proceed. Others of us believe it should be permitted if appropriate controls and rules are in place. Others of us are uncertain what we think in light of the long list of unanswered questions about Libra.

All of us believe the risks posed by Facebook’s proposal are too great to allow the plan to proceed with so many unanswered questions.

Leaving aside important technical and technological questions about the new plan, some of which Facebook itself has highlighted, we see a very long list of questions that require answers before Facebook moves forward. We identify a small subset of them here, grouped in the following categories:

- Governance
- National sovereignty
- Law enforcement, including tax policy
- Consumer protection
- Privacy
- Competition and systemic risk

Governance

- What transparency standards will apply to the new association that Facebook proposes should govern Libra?
- In what ways will the public be able to affect decision making related to Libra?
- How will the Libra Association relate to national governments and intergovernmental organizations? Will it consider the impact of its decision on particular national interests? Should it? For example, a decision to adjust the basket of reference currencies could have a major effect on the real value of actual currencies.
- What protections will be in place to prevent collusive behavior among Libra Association members?

National sovereignty

- What impact might Libra have on monetary policy in smaller and developing countries?
- Facebook says that the Libra Association will act as a currency board rather than central bank – i.e., it will create new Libra only in proportion to which investors and users buy in with real money – but what is to stop the Libra Association from changing that policy in the future? How would that affect national monetary policy?

- The International Monetary Fund among other international authorities and experts now recognizes the value of currency and capital controls, at least in situations of economic instability. Could nations, especially smaller economies, successfully maintain capital controls if Libra develops at scale?
- What are the distributional and monetary control consequences of Libra's planned pegging of its value to a basket of currencies? As currencies fluctuate, then it seems it will become relatively cheaper for some countries and relatively more expensive for others. Within a country, using the Libra could become relatively more or less expensive compared to using the national currency. How will that impact domestic inequality and what are its implications for national government control of the money supply?

Law enforcement, including tax policy

- Wouldn't Libra provide an easy mechanism for money laundering?
- Would the Libra Association apply the anti-money laundering rules imposed by many nations? Would its technology even permit "know your customer" type standards? Will all wallet providers be required to adhere to such rules? Should a private association be in the business of applying such standards?
- Wouldn't Libra similarly facilitate tax evasion and tax fraud? What protections could be put in place to avoid the near certain use of Libra for this purpose? Will all wallet providers be required to adhere to such rules?
- Won't Libra be a tool to evade economic sanctions? Conversely, is it appropriate for an international private association to be a tool to enforce nationally imposed sanctions on sovereign nations?

Consumer Protection

- How will national consumer protection laws apply to, be enforced against and prevent misconduct by global sellers and lenders, on matters relating to required disclosures, civil remedies, usury rules, access to credit, unfair and deceptive practices and more?
- The plan for Libra makes explicit and implicit promises to consumers – such as the claim that value will remain stable – but what is to stop the Libra Association from changing policy in order to, for example, degrade the value of Libra or to impose a microtax on every Libra transaction?
- Will Facebook and other Libra validator nodes be able to accumulate data in order to price and product discriminate against consumers? Might Libra worsen the problem of algorithmic discrimination?
- How will consumers be protected if their Libra go missing? What are the risks of creating a new currency with no system of deposit insurance?

- Why should the Libra Association be able to earn interest on the real currency underlying Libra, while consumers earn nothing? What are the risks if the Association decides to change the investment strategy and invest the reserves in riskier assets?

Privacy

- What guarantees will there be that Facebook does not use Calibra to obtain access to the transactions across the Libra network? What protections does incorporation of a subsidiary offer? What is to prevent Facebook from unilaterally altering promises about a firewall between Calibra and Facebook?
- Even if a firewall is maintained, Facebook would presumably know about the transactions conducted through Facebook apps. What are the privacy implications? How might Facebook use that information for targeted advertisements? What protections will exist to prevent the data being used for discriminatory purposes?
- Similarly, even if the firewall is maintained and Calibra does not share personal data with other corporations, might it sell services that exploits that personal data in inappropriate ways – e.g., doing targeting on behalf of third-party clients?
- Given Facebook's record and stated views on privacy, why should anyone believe that claims and commitments about privacy made now will be maintained?

Competition and Systemic Risk

- Will Facebook be able to use Libra and Calibra to pull consumers into a closed Facebook ecosystem that will disadvantage competitors and consumers?
- What protections will prevent the Libra Association from disfavoring competitors, including by excluding them, offering discounts to Libra partners, punishing competitors using alternative private currencies?
- The United States continues to separate banking and commerce, for good reason. Banks may have unfair advantage in the commercial sector. Conversely, they may be overly aggressive in commercial investments, putting bank deposits at risk. Does the Calibra/Facebook arrangement run afoul of Bank Holding Company Act requirements for the separation of banking and commerce? Does it run afoul of the spirit and wisdom of those requirements?
- What systemic risk threats might a scaled-up Libra pose to the U.S. and global economies? What are the particular consequences of such risk without the backup of depository insurance? Does the externalization of those risks create an unfair competitive advantage for Libra?

- What happens if there is a run on the Libra? What if the Libra Association decides in the future to alter its reserve policy or does not adhere to what it now promises?

These are just a sampling of the serious questions posed by Facebook's proposal. It is not even clear which regulators would or should have jurisdiction over the new enterprise, nor how they should work individually and in coordination to analyze the Facebook proposal.

We have too much recent experience with insufficiently regulated financial markets spinning out of control to let this happen again. The Facebook proposal must be put on hold until these numerous and fundamental questions are resolved.

Sincerely,

American Family Voices
Americans for Financial Reform
Center for Digital Democracy
Center for International Policy
Consumer Action
Consumer Federation of America
Consumer Reports
Courage Campaign
Demand Progress Education Fund and Rootstrikers.org
Demos
Digital Intelligence Lab at Institute for the Future
Economic Policy Institute
Economic Strategy Institute
Electronic Privacy Information Center
Friends of the Earth-US
Global Witness
Institute for Agriculture and Trade Policy
Institute for Local Self-Reliance
Lake Research Partners
Media Alliance
National Association Of Consumer Advocates
National Consumer Law Center (on behalf of its low-income clients)
Network for Environmental & Economic Responsibility of United Church of Christ
Oakland Privacy
Open MIC (Open Media and Information Companies Initiative)
Public Citizen
Revolving Door Project
RootsAction.org
Service Employees International Union
SumOfUs
The Open Markets Institute
U.S. PIRG
Woodstock Institute

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