



DEPARTMENT OF THE TREASURY  
WASHINGTON, D.C.

ASSISTANT SECRETARY

October 21, 2019

The Honorable Emanuel Cleaver, II  
U.S. House of Representatives  
Washington, DC 20515

Dear Representative Cleaver:

Thank you for your letters of August 27, 2019, and September 26, 2019, regarding Facebook's proposed Libra digital currency. Treasury appreciates and shares your concerns about Libra as well as other digital currencies.

As you note, fundamental questions about the Libra effort remain unanswered. Libra may implicate a wide range of laws and regulations, including securities, consumer financial protection, privacy, anti-money laundering and countering the financing of terrorism (AML/CFT), and tax. The Financial Stability Oversight Council (FSOC) working group on digital assets and distributed ledger technologies is monitoring developments related to the Libra project and is working to identify and assess potential risks and gaps in authorities that may require further attention. As Congress continues to examine these issues, Treasury will closely monitor this market to address regulatory gaps that it identifies and looks forward to working with your office.

Regulated financial institutions make considerable investments in governance, risk management, and cybersecurity, and entities participating in the Libra project should establish similar measures. We expect that any banks, broker-dealers, and other regulated financial institutions that lend to, invest in, or provide services for Libra market participants would be subject to careful oversight by their primary financial regulators regarding whether those activities are permissible and consistent with the firms' safety and soundness.

If they are to operate, Calibra, the Libra Association, and all virtual asset service providers participating in the Libra network must implement the same AML/CFT requirements as traditional financial institutions. This includes compliance with respect to Bank Secrecy Act (BSA) requirements, Financial Crimes Enforcement Network (FinCEN) registration, Office of Foreign Assets Control (OFAC) sanctions, and industry standards of safety, soundness, and prudent practice. It is unclear whether U.S. and foreign regulators will have the ability to monitor the Libra market and require corrective action, if necessary. This concern must be addressed if the Libra is to launch.

As can be the case with other speculative investments, individuals or institutions that hold Libra or other digital assets could be exposed to risks resulting in the loss of their investment, including theft, price volatility, cybersecurity breaches, and privacy violations. Further, if Libra

is widely adopted, a significant decline in its value could affect the real economy, either directly through financial losses or indirectly through fire sales.

As virtual currencies and other digital assets have emerged and grown in recent years, U.S. financial regulators have taken a cautious approach, seeking to ensure compliance with existing laws and regulations while seeking not to stifle potentially beneficial technological developments. Treasury welcomes responsible innovation in the financial sector, including new technologies that improve efficiency, enhance competition, and expand access. That innovation, however, must not come at the expense of the integrity of our financial system or national security.

Thank you for contacting Treasury on this important matter. If you have any further questions, please contact the Office of Legislative Affairs.

Sincerely,



Brian T. McGuire

cc: Director Dino Falaschetti  
Mark Zuckerberg  
CEO David Marcus  
Chairman Jerome Powell  
Comptroller Joseph Otting  
Director Kathleen Kraninger  
Chairman Jay Clayton  
Chairman Jelena McWilliams  
Chairman Heath Tarbert  
Director Mark Calabria  
Chairman Rodney Hood