

EMANUEL CLEAVER, II

FINANCIAL SERVICES COMMITTEE  
NATIONAL SECURITY, INTERNATIONAL DEVELOPMENT,  
AND MONETARY POLICY SUBCOMMITTEE  
CHAIRMAN

HOUSING, COMMUNITY DEVELOPMENT,  
AND INSURANCE SUBCOMMITTEE



**Congress of the United States**  
**House of Representatives**

August 27, 2019

FIFTH DISTRICT, MISSOURI

HOMELAND SECURITY COMMITTEE

SELECT COMMITTEE ON THE  
MODERNIZATION OF CONGRESS

[HTTPS://CLEAVER.HOUSE.GOV](https://cleaver.house.gov)

Steven Mnuchin  
Chairman,  
Financial Stability Oversight Council  
1500 Pennsylvania Avenue, NW  
Washington, D.C. 20220

Dino Falaschetti,  
Director,  
Office of Financial Research  
U.S. Department of the Treasury  
717 14th Street, NW  
Washington, DC 20220

Mark Zuckerberg  
Founder, Chairman and Chief Executive Officer  
Facebook  
1 Hacker Way  
Menlo Park, CA 94025

David Marcus  
Chief Executive Officer  
Calibra  
Facebook  
1 Hacker Way  
Menlo Park, CA 94025

Dear Secretary Mnuchin, Director Falaschetti, Mr. Zuckerberg, and Mr. Marcus:

Following deep concerns raised by domestic and international financial regulators, as well as members of Congress from both the House of Representatives and Senate, I request that the Financial Stability Oversight Council (FSOC) and the Office of Financial Research (OFR) initiate an affirmative investigation and review of Facebook's proposed cryptocurrency, Libra, and digital wallet, Calibra, for possible systemic risk and regulatory compliance. While Facebook works to establish this currency and digital wallet, I request that Facebook furnish any and all information necessary for FSOC and OFR to conduct their investigation and review of every phase of development so that it may be completed thoroughly and within a reasonable timeframe.

On July 17, David Marcus, the head of Calibra at Facebook, testified before the House Financial Services Committee and spoke at length about his willingness to work with financial regulators and other stakeholders. While I applaud his statements, I remain deeply concerned with the current lack of understanding that he or anybody else at Facebook seems to have about what the

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current lack of understanding that he or anybody else at Facebook seems to have about what the long-reaching risks and implications of Libra and Calibra will be. Positive intentions will not be enough to combat the real threats of money laundering, terrorist financing, and fraud, or to ensure the protection of our financial system as we know it. For that, we will need to take concrete steps that have not yet been adequately initiated or articulated.

When pressed on these concerns, Mr. Marcus told the Financial Services Committee that the Libra Association will register with the Financial Crimes Enforcement Network (FinCEN) as a money services business. While this is an important preliminary step, checking this box does little to assure me that Facebook is aware of the challenges they will face in this sector. These problems are not simple ones and the ability to combat bad actors takes a significant amount of focused energy and resources. Even institutions that have been working on these issues for decades face significant challenges. In June, I chaired a bipartisan briefing with FinCEN Director Kenneth Blanco where we discussed the problems Libra might pose. There I stated, “Before we allow such a giant corporation to begin processing millions to billions of financial transactions, we have to study these issues and ensure we have the tools and guardrails in place to deter terrorists, extremists, and/or enemies from utilizing such a platform to do harm to our nation.”

In a recent report issued by the G7 Finance Ministers and Central Bank Governors, they noted that projects such as Libra “raise serious regulatory and systemic concerns, as well as wider policy issues, which both need to be addressed before such projects can be implemented” and that Libra “may affect monetary sovereignty and the functioning of the international monetary system”<sup>1</sup>. I would echo these concerns and highlight that if the United States seeks to be a leader in the development of this new technology, we have the responsibility to be a leader in assessing the risks of this new technology and how it might forever shape our domestic and the global economy.

When the FSOC was established by the Dodd-Frank Act, it was tasked with investigating and addressing potential sources of systemic risk. Specifically, Section 112 (a)<sup>2</sup> underscores the primary purposes of the FSOC:

- (A) to identify risks to the financial stability of the United States that could arise from the material financial distress or failure, or ongoing activities, of large, interconnected bank holding companies or nonbank financial companies, or that could arise outside the financial services marketplace;
- (B) to promote market discipline, by eliminating expectations on the part of shareholders, creditors, and counterparties of such companies that the Government will shield them from losses in the event of failure; and
- (C) to respond to emerging threats to the stability of the United States financial system.

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<sup>1</sup> “Chair’s Summary: G7 Finance Ministers and Central Bank Governors’ Meeting”, [https://www.gouvernement.fr/sites/default/files/locale/piece-jointe/2019/07/g7\\_chairs\\_summary.pdf](https://www.gouvernement.fr/sites/default/files/locale/piece-jointe/2019/07/g7_chairs_summary.pdf)

<sup>2</sup> Dodd-Frank Wall Street Reform and Consumer Protection Act Public Law No: 111-203 <https://www.congress.gov/search?q=%7b%22source%22:%22legislation%22,%22search%22:%22cite:PL111-203%22%7d>

Among the 14 specific duties of the FSOC, risk monitoring, data collection, possible designation of a systemically important financial institution or systemically important financial market utility, and enhanced prudential standards are its core responsibilities.

The development of Libra clearly falls within this mandate because it poses an unprecedented level of potential systemic risk. Facebook's undertaking could be one of the most beneficial or one of the most disastrous changes to our global financial system to ever happen. Until regulators and policymakers know more, it is impossible to understand what changes may be needed to address or guide the new technology. The ability to respond and react to these developments will require investigations that the FSOC is uniquely and supremely qualified to conduct. More directly, this is precisely what Congress designed the FSOC to do.

It is my great hope that the FSOC understands the importance of this request and does not underestimate the implications of what could happen if Libra were to launch before we have these answers. I would ask, while the FSOC and OFR conduct this thorough review of every phase of development of Facebook's currency and digital wallet, that they also keep Congress informed of its findings and determinations. My office looks forward to partnering with you all in any way we can to ensure the continued strength and defense of our economic system.

Sincerely,

A handwritten signature in black ink, appearing to read 'Emanuel Cleaver, II', with a long horizontal flourish extending to the right.

Emanuel Cleaver, II  
Member of Congress

CC: Jerome H. Powell, Chairman, Board of Governors of the Federal Reserve System  
Joseph Otting, Comptroller of the Currency, Office of the Comptroller of the Currency  
Kathleen Kraninger, Director, Bureau of Consumer Financial Protection  
Jay Clayton, Chairman, Securities and Exchange Commission  
Jelena McWilliamas, Chairman, Federal Deposit Insurance Commission  
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Mark A Calabria, Director, Federal Housing Finance Agency  
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