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# United States Senate

COMMITTEE ON BANKING, HOUSING, AND  
URBAN AFFAIRS

WASHINGTON, DC 20510-6075

GREGG RICHARD, STAFF DIRECTOR  
LAURA SWANSON, DEMOCRATIC STAFF DIRECTOR

July 10, 2019

The Honorable Jerome H. Powell  
Chair  
Board of Governors of the Federal Reserve System  
20<sup>th</sup> Street and Constitution Avenue NW  
Washington, DC 20551

Dear Chair Powell:

The Federal Reserve plays an important role in maintaining and operating a well-functioning payment system in the United States. I am concerned that by failing to take the lead on upgrading the payments system, the Fed is allowing private actors who are not primarily driven by serving the public interest to shape alternatives to the current payment system. For example, Facebook recently announced its plans for “Libra,” a digital currency backed by a basket of global currencies and other assets to be governed by a group of private companies, including Facebook.<sup>1</sup> This could have far-reaching consequences for billions of individual consumers and the broader financial system, raising data privacy, systemic risk, and anti-competitive concerns.<sup>2</sup>

The Fed must take seriously the potential ramifications of privately run, centralized, digital currencies. Facebook co-founder Chris Hughes has cautioned that Libra could “hand over much of the control of monetary policy from central banks to these private companies.”<sup>3</sup> Chair Powell, however, said the Fed is not worried that Libra will displace national currencies or make it harder to implement monetary policy, noting, “we’re a long way from that.”<sup>4</sup> That may be the case now, but the Fed should be acting immediately to address the risks that private sector digital currencies pose. It is the Fed, not Facebook, which is responsible for setting monetary policy, maintaining confidence in our currency, and ensuring financial stability.

We have also seen what happens when big companies seek to dominate a part of the financial system historically led by the Fed. In 2015, the Fed created a Faster Payments Task Force to

<sup>1</sup> Libra White Paper, <https://libra.org/en-US/white-paper/>.

<sup>2</sup> Bank for International Settlements, Annual Economic Report, June 30, 2019, <https://www.bis.org/publ/arpdf/ar2019e3.pdf>, <https://www.forbes.com/sites/mayrardríguezvalladares/2019/06/23/big-techs-raise-important-issues-globally-beyond-traditional-financial-risks/#49b07e3158ce>; see Phillip Inman and Angela Monaghan, “Facebook’s Libra cryptocurrency ‘poses risks to global banking,’” *The Guardian*, June 23, 2019, <https://www.theguardian.com/technology/2019/jun/23/facebook-libra-cryptocurrency-poses-risks-to-global-banking>.

<sup>3</sup> Rob Davies, “Facebook co-founder: Libra currency could give firms excess power,” *The Guardian*, June 31, 2019, <https://www.theguardian.com/technology/2019/jun/31/facebook-co-founder-warns-against-libra-cryptocurrency>

<sup>4</sup> Dave Michaels, “Fed, Congress Promise Scrutiny of Facebook Cryptocurrency,” *The Wall Street Journal*, June 19, 2019, <https://www.wsj.com/articles/fed-congress-promise-scrutiny-of-facebook-cryptocurrency-11560983531>.

study ways to improve the U.S. payment system, and in 2018, the Fed issued for comment a proposal on how the Fed could support faster payments. In the meantime, a group of the largest financial institutions implemented their own real time payments network and threatened to increase prices if in the future they face competition from other networks, including a Fed-operated system. The need to be cautious and thoughtful before embarking on new technology is important, but the Fed must preserve its critical role in the payments system by quickly providing an alternative for smaller institutions and consumers so that they are not left behind, priced out of, or disadvantaged by a system created by and for the largest financial institutions.

Just as a faster payments network, privately operated by a group of the world's largest banks, raises concerns about consumer protection and the ability of small banks and businesses to compete, so too does a global digital currency, privately operated by a group of the world's largest tech companies and financial institutions. Facebook has not released important details about how its unregulated digital currency would actually work or interact with the existing U.S. payments structure, what mechanisms would be in place to protect consumers, or how it would prevent money laundering and protect data privacy and security. These are policies that should be set by public institutions based on the interests of all stakeholders, not by private corporations.

We cannot allow giant companies to assert their power over critical public infrastructure. The largest banks and the largest tech companies do not act in the interest of working Americans, but in the interest of themselves and their investors. The Fed must take a proactive role to ensure that the payments system remains accountable to the public.

To that end, please provide answers to the following questions by July 31, 2019:

1. What steps does the Fed plan to take in regulating Libra?
2. The Libra network will operate as its own payment system. To what extent could the Fed regulate the Libra network as a financial market utility?
3. Facebook has promoted Libra as a way to provide financial system access to billions of users, particularly those who have traditionally lacked access to banking because of high fees or other obstacles. Yet, it appears that Libra users would not receive interest and may even lose money, while Libra investors would receive dividends. What consumer protection laws, if any, would apply to Libra users?
4. Facebook has said little about how it would protect Libra user data, specifically, consumer financial data. To what extent would consumer financial data protection laws apply to Libra and would the Fed enforce them?
5. Libra is designed to be a digital currency backed by a basket of fiat currencies, which appears to operate much like a security. To what extent has the Fed coordinated with the SEC on the introduction of Libra and digital currency issues more generally?
6. How does the Fed plan to work with the SEC, IRS, Treasury, CFPB, FDIC, and other government agencies to regulate financial products like Libra going forward?
7. What other legal authority related to monetary policy, currency, payment system operation, and financial stability would the Fed have over various aspects of Libra or the establishment of other private currencies? Please provide specific citations.
8. Has the Fed evaluated the potential systemic impacts that a private currency with the reach of Facebook's user base could have? Please provide any such analysis.

9. Aside from Libra, has the Fed evaluated the potential systemic, anti-competitive and consumer protection impacts that could arise if small financial institutions, consumers and others do not have a choice of real time payment systems including one designed by a public agency that must take into account the interests of all stakeholders?
10. If both currencies and payment systems are run by private actors, what could be the impact on Americans' access to and treatment by the financial system?

Sincerely,

A handwritten signature in black ink that reads "Sherrod Brown". The signature is written in a cursive, slightly slanted style.

Sherrod Brown  
Ranking Member

cc: The Honorable Richard H. Clarida, Vice Chair  
The Honorable Randal K. Quarles, Vice Chair for Supervision  
The Honorable Michelle W. Bowman, Governor  
The Honorable Lael Brainard, Governor