

July 8, 2019

Chairman Mike Crapo
Ranking Member Sherrod Brown
Committee on Banking, Housing, and Urban Affairs
United States Senate
534 Dirksen Senate Office Building
Washington, D.C. 20510

Dear Chairman Crapo and Ranking Member Brown:

Thank you for your recent letter. I appreciate your interest in Project Libra, and I welcome the opportunity to discuss this important initiative with you.

Libra is a big idea. Our aim is to develop a safe, secure, and low-cost way for people to efficiently move money around the world. The reality is that financial transactions today take too long and cost too much. The fees associated with moving money are high, and those that can afford it least are being charged the most. Libra was designed with those populations in mind. The goal of the Libra Association is to reduce transaction costs and expand access to the financial system using blockchain technology.

We understand that big ideas take time, that policymakers and others are raising important questions, and that we can't do this alone. We want, and need, governments, central banks, regulators, non-profits, and other stakeholders at the table and value all of the feedback we have received. That's why we and the other members of the Libra Association issued a white paper early in this process, so that there could be ample time for policymakers to ask questions and share concerns. I want to give you my personal assurance that we are committed to taking the time to do this right.

THE LIBRA ASSOCIATION

In May of 2018, Facebook formed a small team that was dedicated to exploring ways to help more people benefit from blockchain technology, with a focus on financial services. We believe that blockchain technology can be used to provide people and businesses with better access to essential financial services at a much lower cost than currently available. The team set out to create a resilient digital currency and network while complying with applicable anti-money laundering (AML), combating the financing of terrorism (CFT), sanctions, and other laws.

These efforts culminated in our work, along with a coalition of companies and organizations, to found the Libra Association. The Libra Association is a not-for-

profit membership association. The Association plans to launch Libra, a digital currency built on the Libra Blockchain that people can use for their everyday needs. Libra will be 100% backed by a reserve of bank deposits and very short-term government securities denominated in US dollars, the euro, and certain other major currencies.

The Association will be responsible for setting rules for its members, operating the Libra Blockchain, issuing the digital currency, and managing the reserve that backs the digital currency. The members of the Libra Association will consist of geographically distributed and diverse businesses, nonprofit and multilateral organizations, and academic institutions. The reserve will be held on behalf of the Association by a geographically dispersed network of commercial banks and possibly certain central banks. We expect the Association to hold a governmental license or similar authorization appropriate for an issuer of a digital currency that is 100% backed by a reserve, to be subject to appropriate anti-money laundering oversight and inspection, and otherwise to be subject to appropriate government regulation.

While final decision-making authority will rest with the Association, Facebook is expected to maintain a leadership role through the rest of 2019. Once the Libra network launches, Facebook and its subsidiary will have the same commitments and financial obligations as any other founding member of the Association. As one member among many, Facebook's role in governance of the Association will be the same as that of its peers.

FACEBOOK INC.'S SUBSIDIARY CALIBRA

Facebook created Calibra, Inc., a US subsidiary of Facebook regulated as a money services business, to build and operate services on top of the Libra network. Calibra will be Facebook's representative in the Association. As a separate, regulated subsidiary of Facebook, Calibra will safeguard consumer financial data and will not use or share this data for ad targeting purposes.

As we set out to build this digital currency and blockchain, we have met with industry experts and leaders in areas like financial inclusion, economics, security, compliance, privacy and blockchain technology. We have also met with central banks, treasury and finance ministry officials and financial services regulators, primarily in the United States and Europe, and we look forward to continuing to engage with lawmakers and regulators. We know that these are complicated issues, and that they won't be solved overnight, or by one company alone.

With that context in mind, below, please find answers to your specific questions.

1. How would this new cryptocurrency-based payment system work, and what outreach has there been to financial regulators to ensure it meets all legal and regulatory requirements?

With Libra, developers and businesses will be able to build new, accessible financial service products for people and businesses in countries around the world. This ecosystem will be underpinned by the **Libra Blockchain**, a new blockchain that has been built from the ground up to prioritize scalability, security, and reliability, as well as the flexibility required to evolve over time; and the **Libra Reserve**, a reserve of low-risk and highly liquid financial assets that will fully back the Libra digital currency, providing low volatility and the opportunity for wide consumer and business acceptance.

Facebook has done outreach to financial services, regulators, central banks, treasury and finance ministry officials and other national policymakers, global standard setting bodies like the Financial Action Task Force, and other stakeholders like the Bank for International Settlements. The Association will continue this outreach on its own behalf as its membership is increasingly diversified.

The Libra Association will work with policymakers and regulators to make sure this new ecosystem is a value-add to economies, that consumers are protected, and that the role of government oversight and central banks is appropriate. The Association is fully committed to advancing the global dialogue on how blockchain and cryptoassets should be regulated.

Facebook, through its newly established subsidiary Calibra, has also had discussions with regulators to discuss Calibra's digital wallet to be built on the Libra Blockchain, which is expected to be one of many competing digital wallets available to consumers. Our conversations have been focused on a number of issues, including the global AML, CFT, and sanctions compliance program Calibra is developing to guard against financial crimes and to further consumer protection and data privacy. Calibra has applied for state money transmitter licenses in the US, and Calibra is registered with FinCEN as a money services business.

2. What privacy and consumer protections would users have under the new payment system?

Similar to existing and widespread cryptocurrencies such as Ethereum and Bitcoin, transactions that take place directly on the Libra Blockchain are "pseudonymous," meaning that the user's identity is not publicly visible. Only data relevant to each transaction, such as the blockchain address of the sender and receiver, the timestamp, and the transaction amount, are recorded and publicly visible. Consumers and businesses will operate on the Libra Blockchain through public account addresses, which are not linked to their real-world identity.

The Libra Association itself will not be involved in processing user transactions and will not store any personal data of Libra users. Transactions on the Libra Blockchain will be processed and stored by validator nodes or by wallet services, such as Calibra's digital wallet. We anticipate that most consumers will use "custodial"

wallets, which offer an extra level of privacy, as custodial wallets will place transactions in bulk on the Libra Blockchain without an address for each individual transactor. Calibra's wallet will be custodial.

As Libra is an open source platform, third party developers will be able to build on top of the Libra Blockchain, including by building digital wallets. It will be the responsibility of these providers to determine the type of information they may require from their customers and to comply with regulations and standards in the countries in which they operate. Regulators of Calibra and other digital wallet services can require them to collect information about the identity and activities of their users and make such information available to law enforcement and regulatory agencies, such as for AML, CFT, and sanctions purposes.

Calibra is still being developed, but will offer customer support, anti-fraud protections and refunds, and a dedicated fraud and risk management team. Calibra is committed to protecting user privacy through providing simple, understandable, and accessible data management controls. Aside from limited cases, Calibra will not share account information or financial data with Facebook or any third party without customer consent, except for data shared with law enforcement and regulatory agencies as required by law, such as for AML, CFT, and sanctions purposes. For example, Calibra customer account information and financial data will not be used to improve ad targeting on Facebook or across its family of social media and messaging products.

3. What consumer financial information does Facebook have that it has received from a financial company?

Today, users provide their payment credentials in order to carry out transactions on Facebook platforms. Transactions take place either through Facebook Payments Inc. (which processes person-to-person payments in the United States over Messenger, donations to US charities onboarded to our fundraising platform, and payment for digital goods or games within Facebook on the web) or a commercial partner (e.g., PayPal powers transactions for certain US-based shops on Pages and Instagram Checkout in the US).

Facebook Payments Inc. is a financial institution and subsidiary of Facebook with its own privacy policy and AML, CFT, and sanctions compliance program. Facebook Payments Inc. collects non-public personal financial information data necessary for payment transactions (e.g., payment credentials) in accordance with the Gramm-Leach-Bliley Act (GLBA), and is PCI-DSS compliant. Payment card information is stored in a separate PCI-DSS compliant environment.

Payment account information (e.g., credit card number or bank account information) is not used for Facebook advertising or personalization. Similar to other direct interactions users have on Facebook, other information about

transactions can be used for advertising and personalization on the Facebook platform in accordance with Facebook's Data Policy.

As Facebook is the platform on which these transactions take place, Facebook Inc. also collects data related to the transaction (e.g., purchase, merchant, transaction amount, date, time), similar to any other commerce platform. For example, Facebook collects information related to interactions on Marketplace, which is used to provide a better user experience and to better suggest products.

Financial companies can also utilize Facebook's platform to interact with users. For example, financial companies may use bots or APIs to facilitate customer interactions. While Facebook is the platform by which these interactions take place, Facebook itself does not have access to payment credentials in these interactions.

4. To the extent Facebook has received consumer financial information from a financial company, what does Facebook do with such information and how does Facebook safeguard the information?

Please see our answer to Question 3.

5. Does Facebook share or sell any consumer information with unaffiliated third parties?

Consumer information is not sold to unaffiliated third parties. We may share data with unaffiliated third parties in limited circumstances that fall under GLBA exceptions, such as with consent, for fraud prevention, or with service providers. We provide a privacy notice on any sharing with unaffiliated third parties.

6. Does Facebook have any information bearing on an individual's (or group of individuals') creditworthiness, credit standing, credit capacity, character, general reputation, personal characteristics, or mode of living that is used (either by Facebook or an unaffiliated third party) to establish eligibility for, or marketing of a product or service related to 1) credit, 2) insurance, 3) employment, or 4) housing?

Consistent with the disclosures to users in our Data Policy, Terms of Service, and in other user-facing notices, Facebook allows its users to connect with, message, and share information of their choosing.

Facebook does not share any user information with third parties for eligibility purposes, as defined under the Fair Credit Reporting Act (FCRA). In fact, Facebook's Platform Policy prohibits third parties from using data to make the "eligibility determinations" that the FCRA contemplates. Facebook investigates suspected violations of the Platform Policy by developers and can, and has, taken action to terminate access to the platform by developers who violate our policies.

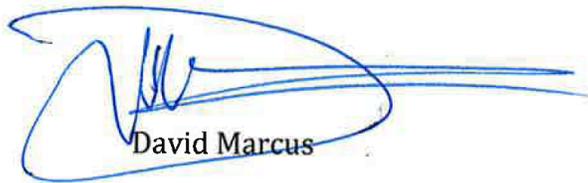
Additionally, Facebook does not share any individual user information with third parties as part of its self-service advertising tools.

Facebook does not obtain or use consumer reports or credit scores for any purpose.

7. How does Facebook ensure that information bearing on an individual's (or group of individuals') creditworthiness, credit standing, credit capacity, character, general reputation, and/or personal characteristics is not used in violation of the Fair Credit Reporting Act?

Please see our answer to Question 6.

Sincerely,



David Marcus