

## **Crapo Statement at Facebook Hearing**

*July 16, 2019*

**WASHINGTON** – U.S. Senator Mike Crapo (R-Idaho), Chairman of the U.S. Senate Committee on Banking, Housing and Urban Affairs, delivered the following remarks at a hearing entitled, “Examining Facebook’s Proposed Digital Currency and Data Privacy Considerations.”

*The text of Chairman Crapo’s remarks, as prepared, is below.*

“Today we will receive testimony from David Marcus, Head of Calibra at Facebook.

“On May 9, Senator Brown and I sent a letter to Facebook shortly after it was reported that the company was recruiting financial institutions and online merchants to help launch a cryptocurrency-based payments system using its social network.

“Our letter asked Facebook for more information about how the system would work, its access to and use of consumer financial information, and Facebook’s access to and use of information on individuals or groups of individuals in credit, insurance, employment or housing. I appreciate Facebook’s response last week.

“Shortly after the letter was sent, Facebook formally announced its intention to launch the payments system, Libra, and issued a white paper providing some information about the project.

“Since then, U.S. and global regulators have taken notice, including the Federal Reserve, U.K.’s Financial Conduct Authority, Financial Stability Board, G-7 and others.

“Last week during the Federal Reserve’s Semiannual Monetary Policy Report to Congress, Chairman Powell raised concerns about the cryptocurrency’s potential for inciting money laundering and financial instability problems, and also expressed concern over customers’ privacy.

“Yesterday, Secretary Mnuchin stated the Treasury Department has ‘very serious concerns that Libra could be misused by money launderers and terrorist financiers.’

“The Bank of England Governor Mark Carney said, ‘Libra, if it achieves its ambitions, would be systemically important. As such it would have to meet the highest standards of prudential regulation and consumer protection. It must address issues ranging from anti-money laundering to data protection to operational resilience.’

“Concerns include, but are in no way limited to: how the payment system will work, how it will be managed, and how Libra, the Libra Association, Calibra and Facebook will all interact; what consumer protections will apply, and potential implications for consumers with respect to financial loss from fraud or the project’s failure; how individuals’ data will be protected, and how individuals’ privacy will be preserved; how the Libra ecosystem

interacts with the Bank Secrecy Act and other existing anti-money laundering regulations; and ways that Libra could threaten financial stability and the steps that could be taken preemptively to mitigate those risks.

“Despite the uncertainties, Facebook’s stated goals for the payments systems are commendable.

“According to the World Bank, 1.7 billion adults remain unbanked, but two-thirds of them own a mobile phone or otherwise have access to the internet.

“If done right, Facebook’s efforts to leverage existing and evolving technology and make innovative improvements to traditional and nontraditional payments systems could deliver material benefits, such as expanding access to the financial system for the underbanked, and providing cheaper and faster payments.

“Still, Libra is based on a relatively new and continually evolving technology in which it is not entirely clear how existing laws and regulations apply.

“I am particularly interested in its implications for the protection and privacy of individuals’ data.

“Facebook has massive reach and influence within society with over 2 billion active monthly users and access to vast amounts of personal information, including that which is received directly from users and information that can be derived from their behavior, both on and off Facebook.

“Libra and Calibra will only expand this reach by increasing commerce on the Facebook platforms.

“This raises several questions.

“The Banking Committee has held hearings on data privacy, including as it pertains to the European Union’s General Data Protection Regulation, data brokers and the Fair Credit Reporting Act.

“Given the significant amount of user information already held by the largest social media platforms and the prospect of gaining even more financial information, Congress needs to act to give individuals real control over their data.

“Europe has already, by imposing obligations on companies and establishing rights for individuals with respect to their data.

“We need to establish similar obligations for data collectors, brokers and users, and implement an enforcement system to ensure the collection process is not abused, and that data is appropriately protected.

“Individuals are the rightful owners of their data. They should be granted a certain set of privacy rights, and the ability to protect those rights through informed consent, including full disclosure of the data that is being gathered and how it is being used.

“Regulations should be clear and understandable for both collectors and consumers, and should not punish those who opt out of collection practices.

“Individuals should also have the ability to review their data, correct inaccuracies, and have ample opportunity to opt out of it being shared or sold for marketing and other purposes.

“Chairman Powell also said last week that ‘The privacy rules that we apply to banks, we have no authority to apply to Facebook or to Libra.’ He added that we may even need to create a new regulator to address such issues.

“As we determine next steps, what is clear is the importance that financial innovation happen here in America. In this way, the Libra announcement has heightened the need for policymakers and regulators to establish clear rules of the road.

“During this hearing, I look forward to hearing more about Facebook’s project, steps it plans to take and has taken with regulators to ensure compliance with all laws and regulations, and how it intends to ensure individuals’ privacy is maintained and information is protected.”

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