

**HEARING BEFORE THE UNITED STATES SENATE  
COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS**

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**I. Introduction**

Chairman Crapo, Ranking Member Brown, and members of the Committee, thank you for the opportunity to appear before you today. My name is David Marcus, and I am the Head of Calibra at Facebook. For most of my life, I have been an entrepreneur building products aimed at improving people’s lives. Throughout my career, I have led businesses in regulated industries such as telecommunications and financial services. I became PayPal’s President after it acquired my last startup, and I moved to Facebook about five years ago to run Messenger and more recently to lead our blockchain efforts.

I appreciate the opportunity to speak with you today about the vision for Libra. Libra is about developing a safe, secure, and low-cost way for people to move money efficiently around the world. We believe that Libra can make real progress toward building a more inclusive financial infrastructure. The journey to get there will be a long one, and we recognize that ours has just begun.

Chairman Powell has made clear that the process for reviewing Libra needs to be patient and thorough, rather than a sprint to implementation. We strongly agree. That was the spirit with which we published the white paper introducing the Libra project. The time between now and launch is designed to be an open process and subject to regulatory oversight and review. In fact, I expect that this will be the broadest, most extensive, and most careful pre-launch oversight by regulators and central banks in FinTech’s history. We know we need to take the time to get this right. And I want to be clear: Facebook will not offer the Libra digital currency until we have fully addressed regulatory concerns and received appropriate approvals.

Before I go any further, I want to take a moment to acknowledge the twenty-seven other companies that have joined us on this journey—including companies in the payments, technology, telecommunications, blockchain, and venture capital industries, as well as non-profits. We are pleased to have each of these organizations as partners, and we look forward to working with them and others to make Libra a reality.

We approach all of these efforts with humility and a commitment to engage with experts in law, finance, economics, security, compliance, and blockchain technology, as well as with the regulators and policymakers who oversee the stability and security of our financial systems. But we also know how important it is that we begin this journey now. Since publishing our white paper on Libra, I have heard from people all around the world, excited by the possibilities that Libra offers. The status quo is not working for many; it is too expensive for people around the world to

use and transfer their money. We believe Libra can offer a more efficient, low-cost, and secure alternative.

I am excited about the potential that Libra holds, and I am proud that Facebook has initiated this effort here in the United States. I believe that if America does not lead innovation in the digital currency and payments area, others will. If we fail to act, we could soon see a digital currency controlled by others whose values are dramatically different. I believe that Libra can drive positive change for the many people who would benefit from it. I also believe that it can provide an opportunity for leadership consistent with our shared values.

## **II. The Structure and Management of Libra**

I first want to discuss the vision for Libra, the Libra Reserve, and the Libra Association, and why executing that vision, in collaboration with governments, multilateral organizations, and industry, can, in time, help deliver a giant leap forward toward a lower-cost, more accessible, and more connected global financial system.

Libra is designed to be a digitally native currency that can be used around the world. Libra brings together attributes of the world's best currencies: stability, low inflation, wide usability, and fungibility. Technology innovations have given people tools to connect and communicate. But while people can send each other texts, videos, and photos, in many cases they cannot easily move value between one another. Economic empowerment is one of Facebook's core values, and the 90 million businesses communicating with their customers on the Facebook platform can attest to that. We have done a lot to democratize free, unlimited communications for billions of people. We want to help do the same for digital currency and financial services, but with one key difference: We will relinquish control over the network and currency we have helped create.

Libra is a payment tool, not an investment. People will not buy it to hold like they would a stock or a bond, expecting it to pay income or increase in value. Instead, Libra is like cash. People will use it to send money to family members in other countries, for example, or to make purchases.

### The Libra Reserve: Libra's Financial Infrastructure

Unlike existing stablecoins—digital currencies designed to minimize volatility by being “pegged” to a single asset—Libra will not have a fixed value in any single real-world currency. Instead, Libra will be fully backed on a one-to-one basis through the Libra Reserve, which will hold a basket of currencies in safe assets such as cash bank deposits and highly liquid, short-term government securities. These currencies will include the U.S. dollar, the British pound, the euro, and the Japanese yen. This approach will minimize exposure to fluctuations from a single region, providing further stability for people around the world who could rely on Libra for their daily financial needs.

The assets in the Libra Reserve will be held by a geographically distributed network of regulated custodians with investment-grade credit ratings to provide high auditability, as well as transparency, security, and a decentralization of the assets. These custodians are well-versed in safekeeping billions and even trillions of dollars worth of assets. Because Libra will be backed by

the Reserve, anyone using Libra should have a high degree of confidence that they will be able to sell it for local fiat currency based on an exchange rate, just like exchanging one currency for another when traveling.

### Monetary Policy

The currencies represented in the Libra Reserve will be subject to their respective government's monetary policies—policies those governments will continue to control. The Libra Association, which will manage the Reserve, has no intention of competing with any sovereign currencies or entering the monetary policy arena. It will work with the Federal Reserve and other central banks to make sure Libra does not compete with sovereign currencies or interfere with monetary policy. Monetary policy is properly the province of central banks.

### The Partners and Governance of the Libra Association

Overseeing the Libra Blockchain and the Libra Reserve will be a significant undertaking and responsibility; no single organization can, or should, be solely responsible for it. We believe a cooperative approach is both warranted and necessary, and we are therefore working to develop the Libra Association: an independent membership-based organization.

The initial group of organizations that will work together on finalizing the association's charter and become "Founding Members" upon its completion are, by industry:

- Payments: Mastercard, Mercado Pago, PayPal, PayU (Naspers' FinTech arm), Stripe, Visa
- Technology and marketplaces: Booking Holdings, eBay, Facebook/Calibra, Farfetch, Lyft, Spotify, Uber
- Telecommunications: Iliad, Vodafone
- Blockchain services: Anchorage, Bison Trails, Coinbase, Xapo
- Venture Capital: Andreessen Horowitz, Breakthrough Initiatives, Ribbit Capital, Thrive Capital, Union Square Ventures
- Nonprofit and multilateral organizations, and academic institutions: Creative Destruction Lab, Kiva, Mercy Corps, Women's World Banking

Each of the Libra Association members—a diverse and global group of companies, not-for-profits, NGOs, multilateral organizations, and academic institutions—will be represented on the Libra Association Council. Through the Council, the Association will be responsible for the governance of the Libra Blockchain. It will oversee the evolution of the blockchain's protocol and network and will continue to evaluate new techniques that enhance privacy in the blockchain while taking into account concerns of practicality, scalability, and regulatory impact. It will also serve as the governing body through which the Libra Reserve is managed. All decisions will be made democratically and transparently. To ensure the Association includes a diverse membership, the Association will work to remove as many financial barriers as possible so that a significant number of nonprofit and multilateral organizations, social impact partners, and universities can join.

Facebook teams have led the creation of the Libra Association and the Libra Blockchain and will maintain a leadership role through 2019. Once the Libra network launches, however, Facebook

and its affiliates will have the same privileges, commitments, and financial obligations as any other founding member of the Association. We hope to have approximately 100 such members before the Libra Blockchain launches. As one member among many, Facebook's role in governance of the Association will be equal to that of its peers. Facebook will have only one vote and will not be in a position to control the wholly independent organization.

### **III. Implications for Commerce and Libra Users and Consumers**

#### Regulatory Oversight and Financial Stability

The Libra Association is committed to working with policymakers and regulators to achieve a safe, transparent, and consumer-friendly implementation of Libra. The Association recognizes that blockchain is an emerging technology, and that policymakers must determine how this technology will fit into the regulatory landscape.

Regulatory frameworks for digital assets are beginning to emerge nationally and internationally. The Libra Association will continue to work with regulators and policymakers to ensure that it complies with all applicable legal and regulatory requirements.

Over the past year, federal regulators have repeatedly emphasized their commitment to fostering innovation. This is true as a general matter, as one can see with the Treasury Department's report on FinTech and Innovation. But it is also true in the use of novel technologies to support compliance with anti-money-laundering (AML), combating the financing of terrorism (CFT), and sanctions regulations. The U.S. Treasury Department's Financial Crimes Enforcement Network (FinCEN), the Federal Reserve, the Federal Deposit Insurance Corporation, and the National Credit Union Association have come together to emphasize the important role that new technologies can play in helping companies large and small meet their AML/CFT and sanctions compliance obligations. The Libra Association is committed to taking up this charge, and devoting its considerable technical expertise to this task.

To be clear, the Libra Association expects that it will be licensed, regulated, and subject to supervisory oversight. Because the Association is headquartered in Geneva, it will be supervised by the Swiss Financial Markets Supervisory Authority (FINMA). We have had preliminary discussions with FINMA and expect to engage with them on an appropriate regulatory framework for the Libra Association. The Association also intends to register with FinCEN as a money services business.

#### Anti-Money Laundering, the Bank Secrecy Act, and Other Law Enforcement and National Security Concerns

The Libra Association is similarly committed to supporting efforts by regulators, central banks, and lawmakers to ensure that Libra contributes to the fight against money laundering, terrorism financing, and more. A network that helps move more paper cash transactions—where many illicit activities happen—to a digital network that features regulated on- and off-ramps with proper know-your-customer (KYC) practices, combined with the ability for law enforcement and regulators to conduct their own analysis of on-chain activity, will present an opportunity to

increase the efficacy of financial crimes monitoring and enforcement. The Libra Association will continue to engage proactively and openly with all relevant stakeholders on these key issues. Libra should improve detection and enforcement, not set them back.

The Libra Association will also maintain policies and procedures with respect to AML and the Bank Secrecy Act, combating the financing of terrorism, and other national security-related laws, with which its members will be required to comply if they choose to provide financial services on the Libra network.

### Protecting the Privacy and Security of Personal Information

Protecting consumers and ensuring people's privacy is one of the Libra Association's top priorities. The Association is committed to working with regulators as they explore the application of relevant laws to distributed ledger technology.

Privacy on the Libra Blockchain will be similar to existing blockchains; transactions include only the sender and receiver's public addresses, the transaction amount, and the timestamp. No other information will be visible. The Association will not separately hold any personal data on people who use the blockchain, no matter how it otherwise could be collected, and will not run any infrastructure. As a result, the Association cannot, and will not, monetize data on the blockchain. For the purposes of data and privacy protections, the Swiss Federal Data Protection and Information Commissioner (FDPIC) will be the Libra Association's privacy regulator.

## **IV. The Structure and Management of Calibra**

Because the Libra Blockchain will exist as an open-source ecosystem, businesses and developers around the world are free to build competitive services on top of it. And Facebook intends to be one of the many businesses that will do so. To that end, we recently announced the formation of Calibra, a Facebook subsidiary whose goal is to provide financial services using the Libra Blockchain. The first product Calibra intends to introduce is a digital wallet for Libra that will be available in Messenger, WhatsApp, and as a standalone app. The Calibra wallet will let users send Libra to almost anyone with a smartphone, similar to how they might send a text message, and at low-to-no cost. We expect that the Calibra wallet will ultimately be one of many services, and one of many digital wallets, available to consumers on the Libra network.

We do not expect Calibra to make money at the outset, and Calibra customers' account and financial information will not be shared with Facebook, Inc., and as a result cannot be used for ad targeting. Our first goal is to create utility and adoption, enabling people around the world—especially the unbanked and underbanked—to take part in the financial ecosystem.

But we expect that the Calibra wallet will be immediately beneficial to Facebook more broadly because it will allow many of the 90 million small- and medium-sized businesses that use the Facebook platform to transact more directly with Facebook's many users, which we hope will result in consumers and businesses using Facebook more. That increased usage is likely to yield greater advertising revenue for Facebook.

## **V. Implications for Consumers and Users of the Calibra Wallet**

### Regulatory Oversight and Financial Stability

Companies offering services on the Libra Blockchain will need to be fully compliant with the laws and regulations in the jurisdictions in which they operate, and that includes the Calibra wallet. One of the reasons that Calibra was established as a Facebook subsidiary was because it will be providing financial services, and it will be regulated accordingly. The Calibra wallet will comply with FinCEN's rules for its AML/CFT program and the rules set by the Office of Foreign Assets Control (OFAC) with respect to financial sanctions. State financial regulators will regulate Calibra as a money transmitter, and the Federal Trade Commission and the Consumer Financial Protection Bureau will monitor for consumer protection and data privacy and security issues. Calibra has filed for state money transmitter licenses in the U.S. and it is also registered with FinCEN as a money services business.

### Anti-Money Laundering, the Bank Secrecy Act, and Other Law Enforcement and National Security Concerns

Similarly, Calibra will comply with the Bank Secrecy Act and will incorporate KYC and AML/CFT methodologies used around the world, including those focused on customer identification and verification, and risk-based customer due diligence, while developing and applying technologies such as advanced machine learning to enhance transaction monitoring, and suspicious activity reporting. Calibra's efforts will be commensurate with its risk profile based on several factors, such as Calibra's product features, customer profiles, geographies, and transaction volumes.

### Protecting the Privacy and Security of Personal Information

Calibra is also being designed with a strong commitment to protecting customer privacy. Calibra believes that customers hold rights to their data and should have simple, understandable, and accessible data-management controls. Calibra will not share individual customer data with the Libra Association, no matter how it might be collected, nor will Calibra receive other personally identifiable user data from the Libra Association. And, except in limited circumstances, such as preventing fraud or criminal activity and complying with the law, Calibra will not share customers' account information or financial data with Facebook unless people agree to permit such sharing. Calibra customer account information and financial data will not be used to improve ad targeting on the Facebook, Inc. family of products.

## **VI. Conclusion**

The goal for Libra is straightforward: A digital currency built on a secure and stable open-source blockchain, backed by a reserve of real assets, and governed by an independent association. We want to create more access to better, cheaper, and open financial services—no matter who you are, where you live, what you do, or how much you have. We recognize that the road to reaching that goal will be long, and it will not be achieved in isolation. That is why we have begun publicizing the vision for Libra and why we have been discussing, and will continue to discuss, how best to

achieve that goal with businesses, nonprofit and multilateral organizations, and academic institutions from around the world, as well as with policymakers, central banks, and regulators. We recognize the authority of financial regulators and support their oversight of this project.

Thank you for having me here today. I look forward to answering your questions.