MAXINE WATERS, CA
CHAIRWOMAN

United States House of Representatives
Committee on Financial Services
2129 Rayburn House Office Building
Washington, D.C. 20515

PATRICK MCHENRY, NC
RANKING MEMBER

July 2, 2019

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

Sheryl Sandberg
Chief Operating Officer
Facebook
1 Hacker Way
Menlo Park, CA 94025

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

Dear Mr. Zuckerberg, Ms. Sandberg, and Mr. Marcus:

We write to request that Facebook and its partners immediately agree to a moratorium on any movement forward on Libra—its proposed cryptocurrency and Calibra—its proposed digital wallet. It appears that these products may lend themselves to an entirely new global financial system that is based out of Switzerland and intended to rival U.S. monetary policy and the dollar. This raises serious privacy, trading, national security, and monetary policy concerns for not only Facebook's over 2 billion users, but also for investors, consumers, and the broader global economy.

On June 18, 2019, Facebook announced its plans to develop a new cryptocurrency, called Libra, and a digital wallet to store this cryptocurrency, known as Calibra. To assist it in this venture, Facebook has enlisted 27 other companies and organizations to form the Libra Association, which is based out of Switzerland. [1] These companies span the financial services and retail industry and include payment systems, like Mastercard, Paypal, and Visa, and technology giants, like Uber, Lyft, and Spotify. By the target launch date of early 2020, Facebook hopes to have recruited over 100 firms into the Libra Association.

While Facebook has published a "white paper" on these projects, the scant information provided about the intent, roles, potential use, and security of the Libra and Calibra exposes the massive scale of the risks and the lack of clear regulatory protections. If products and services like these are left improperly regulated and without sufficient oversight, they could pose systemic risks that endanger U.S. and global financial stability. These vulnerabilities could be exploited and obscured by bad actors, as other cryptocurrencies, exchanges, and

[1] The 27 other members of the Libra Association are Mastercard, PayPal, PayU (Naspers' fintech arm), Stripe, Visa, Booking Holdings, eBay, Facebook/Calibra, Farfetch, Lyft, MercadoPago, Spotify AB, Uber Technologies, Inc., Iliad, Vodafone Group, Anchorage, Bison Trails, Coinbase, Inc., Xapo Holdings Limited, Andreessen Horowitz, Breakthrough Initiatives, Ribbit Capital, Thrive Capital, Union Square Ventures, Creative Destruction Lab, Kiva, Mercy Corps, and Women's World Banking

wallets have been in the past. Indeed, regulators around the globe have already expressed similar concerns, illustrating the need for robust oversight.[2]

Investors and consumers transacting in Libra may be exposed to serious privacy and national security concerns, cyber security risks, and trading risks. Those using Facebook's digital wallet – storing potentially trillions of dollars without depository insurance– also may become unique targets for hackers. For example, during the first three quarters of 2018, hackers stole nearly $1 billion from cryptocurrency exchanges.[3] The system could also provide an under-regulated platform for illicit activity and money laundering.

These risks are even more glaring in light of Facebook's troubled past, where it did not always keep its users' information safe. For example, Cambridge Analytica, a political consulting firm hired by the 2016 Trump campaign, had access to more than 50 million Facebook users' private data which it used to influence voting behavior.[4] As a result, Facebook expects to pay fines up to $5 billion to the Federal Trade Commission (FTC), and remains under a consent order from FTC for deceiving consumers and failing to keep consumer data private. In the first quarter of 2019 alone, Facebook has also removed more than 2.2 billion fake accounts, including those displaying terrorist propaganda and hate speech.[5] It has also recently been sued by both civil rights groups[6] as well as the U.S. Department of Housing and Urban Development for violating fair housing laws on its advertising platform and through its ad delivery algorithms.[7]

Because Facebook is already in the hands of over a quarter of the world's population, it is imperative that Facebook and its partners immediately cease implementation plans until regulators and Congress have an opportunity to examine these issues and take action. During this moratorium, we intend to hold public hearings on the risks and benefits of cryptocurrency-based activities and explore legislative solutions. Failure to cease implementation before we can do so, risks a new Swiss-based financial system that is too big to fail.

Sincerely,

Representative Maxine Waters
Chairwoman

Representative Carolyn Maloney
Chair
Subcommittee on Investor Protection, Entrepreneurship and Capital Markets

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[2] *See, e.g.* The Honorable Randal K. Quarles, Vice Chairman of Supervision for the Board of Governors of the Federal Reserve System and Chair of the Financial Stability Board, *Financial Stability Board Chair's letter to G-20 Leaders meeting in Osaka*, June 25, 2019, https://www.fsb.org/2019/06/fsb-chairs-letter-to-g20-leaders-meeting-in-osaka/. ("A wider use of new types of crypto-assets for retail payment purposes would warrant close scrutiny by authorities to ensure that that they are subject to high standards of regulation."); Bank of International Settlements Annual Economic Report, *Big tech in finance: opportunities and risks*, June 23, 2019, https://www.bis.org/publ/arpdf/ar2019e3.htm. ("Big techs have the potential to become dominant through the advantages afforded by the data-network activities loop, raising competition and data privacy issues. Public policy needs to build on a more comprehensive approach that draws on financial regulation, competition policy and data privacy regulation… As the operations of big techs straddle regulatory perimeters and geographical borders, coordination among authorities – national and international – is crucial.")

[3] CipherTrace Cryptocurrency Intelligence, Cryptocurrency Anti-Money Laundering Report, 2018 Q3 https://ciphertrace.com/wp-content/uploads/2018/10/crypto_aml_report_2018q3.pdf

[4] Kevin Granville, *Facebook and Cambridge Analytica: What You Need to Know as Fallout Widens*, (March 19, 2018).

[5] Facebook, *Community Standards Enforcement Report* (2019 Q1).

[6] Complaint, Nat'l Fair Housing Alliance et al. v. Facebook, Inc., No. 18-cv-02689 (S.D.N.Y Mar. 27, 2018), https://nationalfairhousing.org/wp-content/uploads/2018/03/NFHA-v.-Facebook.-Complaint-w-Exhibits-March-27-Final-pdf.pdf.

[7] Charge of Discrimination, U.S. Dep't of Housing & Urban Development v. Facebook, Inc., FHEO No. 01-18-0323-8 (March 28, 2019), https://www.hud.gov/sites/dfiles/Main/documents/HUD_v_Facebook.pdf.

Representative Wm. Lacy Clay
Chair
Subcommittee on Housing, Community Development and Insurance

Representative Al Green
Chair
Subcommittee on Oversight and Investigations

Representative Stephen Lynch
Chair
Task Force on Financial Technology

cc: The Honorable Patrick McHenry, Ranking Member