

Facebook's Cryptocurrency Roadblock

By Matias Ahrens Dorf

Facebook's proposed digital currency, libra, has caused the European Union to introduce legislation that will be targeted at preventing libra "from undermining Europe's single currency and being used as a money-laundering tool (Pop, WSJ). According to the vice president of the European Commission, libra could pose a systemic risk to European currency due to the size of the corporations behind the global cryptocurrency-based payments network. A few aspects that will have to be regulated and monitored closely include; financial stability, monetary stability, and anti-money laundering. Regulators in the US and Europe were quick to criticize Facebook's proposed currency due to concerns of national security such as the protected user's privacy of a terrorist laundering money using libra. Another concern that has regulators worried is that libra could drive competitors out of the market. Several European powers such as Germany and France, have already called for libra to be blocked. A Facebook spokesperson addressed these concerns stating that libra "will comply with applicable financial laws and regulations, including anti-money-laundering obligations" and that the concerns of driving out competition are overplayed because libra "will be an open platform (Pop, WSJ)." Several companies, such as Paypal, Visa, and Mastercard, who were backing libra are now questioning their participation following the backlash from government authorities, while others such as Vodafone, said it would back libra.

In class we learned about several regulatory measures regarding financial markets such as the Dodd-Frank Act and the Glass-Steagall Act which helped shape the way financial institutions operate by staying within the regulations in today's economy. This European legislation will be important because it would be the EU's first regulatory moves regarding cryptocurrencies and

will set the tone for how they monitor cryptocurrencies in the future, such as the two acts mentioned above helped set the tone for financial markets in the US today.

Work Cited

Pop, Valentina. "Facebook's Libra Hits Extra Regulatory Roadblocks in Europe." *The Wall Street Journal*, Dow Jones & Company, 8 Oct. 2019, www.wsj.com/articles/facebook-s-libra-hits-extra-regulatory-roadblocks-in-europe-11570541421?mod=searchresults&page=2&pos=2.