

FSB Issues Global Stablecoin White Paper

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On April 14, 2020, the Financial Stability Board (FSB) issued a [consultative paper](#) entitled “Addressing the Regulatory, Supervisory and Oversight Challenges Raised by ‘Global Stablecoin’ Arrangements.” The paper considers various risks and vulnerabilities of global stablecoins, or GSCs, which are defined to include a crypto-asset that aims to maintain a stable value relative to a specified asset, or a pool or basket of assets, in each case with a potential reach and adoption across multiple jurisdictions and the potential to achieve substantial volume. The white paper then surveys existing regulatory, supervisory and oversight challenges, particularly in the cross-border context; contemplates the role of international standard setters in GSC governance; and makes high-level recommendations for regulatory, supervisory and oversight responses.

According to the white paper, risks of GSCs may relate to (1) challenges for financial stability; (2) consumer and investor protection; (3) data privacy and protection; (4) financial integrity, including compliance with rules governing anti-money laundering and countering the financing of terrorism and proliferation (AML/CFT); (5) tax evasion; (6) fair competition and antitrust policy; (7) market integrity; (8) sound and efficient governance; (9) cyber security and other operational risks; (10) the safety, efficiency and integrity of financial market infrastructures (e.g., payment systems); and (11) resolution and recovery considerations.

Vulnerabilities include financial exposures in the GSC arrangement, giving rise to market, liquidity and credit risks; weaknesses in the GSC infrastructure, giving rise to operational risk (including cyber risks) and risk of loss of data; and vulnerabilities in those parts of the GSC arrangement on which users rely to store, exchange and trade GSCs, including operational or fraud risk.

The paper puts forth the following 10 recommendations to address regulatory, supervisory and oversight challenges:

1. Authorities should have and utilize the necessary powers and tools, and adequate resources, to comprehensively regulate, supervise and oversee a GSC arrangement and its multifunctional activities, and enforce relevant laws and regulations effectively.
2. Authorities should apply regulatory requirements to GSC arrangements on a functional basis and proportionate to their risks.
3. Authorities should ensure that there is comprehensive regulation, supervision and oversight

of the GSC arrangement across borders and sectors. Authorities should cooperate and coordinate with each other, both domestically and internationally, to foster efficient and effective communication and consultation in order to support each other in fulfilling their respective mandates and to facilitate comprehensive regulation, supervision and oversight of a GSC arrangement across borders and sectors.

4. Authorities should ensure that GSC arrangements have in place a comprehensive governance framework with a clear allocation of accountability for the functions and activities within the GSC arrangement.
5. Authorities should ensure that GSC arrangements have effective risk management frameworks in place especially with regard to reserve management, operational resiliency, cybersecurity safeguards and AML/CFT measures, as well as “fit and proper” requirements.
6. Authorities should ensure that GSC arrangements have in place robust systems for safeguarding, collecting, storing and managing data.
7. Authorities should ensure that GSC arrangements have appropriate recovery and resolution plans.
8. Authorities should ensure that GSC arrangements provide to users and relevant stakeholders comprehensive and transparent information necessary to understand the functioning of the GSC arrangement, including with respect to its stabilization mechanism.
9. Authorities should ensure that GSC arrangements provide legal clarity to users on the nature and enforceability of any redemption rights and the process for redemption, where applicable.
10. Authorities should ensure that GSC arrangements meet all applicable regulatory, supervisory and oversight requirements of a particular jurisdiction before commencing any operations in that jurisdiction, and construct systems and products that can adapt to new regulatory requirements as necessary.

Finally, the paper invites public comment. Responses should be sent to fsb@fsb.org by July 15, 2020.

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