



EUROPEAN CENTRAL BANK

EUROSYSTEM

ECB-PUBLIC

Mario DRAGHI

President

Mr Markus Ferber
Member of the European Parliament
European Parliament
60, rue Wiertz
B-1047 Brussels

Frankfurt am Main, 25 July 2019

L/MD/19/279

Re: Your letter (QZ-036)

Honourable Member of the European Parliament, dear Mr Ferber,

Thank you for your letter, which was passed on to me by Mr Roberto Gualtieri, Chairman of the Committee on Economic and Monetary Affairs, accompanied by a cover letter dated 27 June 2019.

The European System of Central Banks (ESCB) is closely monitoring innovation in the financial sector, including stablecoin projects such as Libra. Central banks in the ESCB are also contributing to the ongoing work of the G7 working group on stablecoins, which is chaired by ECB Executive Board member Benoît Cœuré in his capacity as Chair of the Bank for International Settlements' Committee on Payments and Market Infrastructures.

As part of this group, the ESCB carries out a comprehensive assessment of the potential risks of stablecoin initiatives to financial stability, operational and cyber resilience as well as their potential impact on the tasks of central banks, including ensuring the safety and efficiency of payment systems and the smooth conduct of monetary policy.

As large technology or financial firms could leverage vast existing customer bases to rapidly achieve a global footprint, it is imperative that authorities be vigilant in assessing risks and implications for the global financial system. Stablecoin initiatives must ensure public trust by meeting the highest regulatory standards and be subject to prudent supervision and oversight. From a regulatory perspective, stablecoins, like any other emerging financial product, should be subject to the "same business, same risks, same rules" principle based on a comprehensive assessment of their functionalities. Technology-neutral regulation not only prevents

Address

European Central Bank
Sonnemannstrasse 20
60314 Frankfurt am Main
Germany

Postal Address

European Central Bank
60640 Frankfurt am Main
Germany

Tel. +49-69-1344-0
Fax: +49-69-1344-7305
Website: www.ecb.europa.eu

regulatory arbitrage but also helps avoid the risk of inadvertently constraining technological development. To ensure a level playing field, the ESCB intends to pursue an internationally consistent approach together with the global central bank community and standard-setting bodies.

Further engagement of stablecoin developers with the public and authorities will be required to assess these and other considerations.

Yours sincerely,

[signed]

Mario Draghi

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