

# Facebook Faceplant

22 July 2019 | Marcel von Pfyffer, Arminius Capital

Last month, with a great fanfare and many pious platitudes, Facebook announced its proposed global cryptocurrency, Libra. We, along with many others, expressed doubt that Libra would meet the regulatory standards which are mandatory in developed countries, particularly the anti money laundering and “know your client” rules (See [Facebook’s Libra](#) 28 June 2019)

Since then, Facebook has managed to achieve the impossible – it has united the USA’s most powerful Republicans and Democrats. They are all hostile to Libra. President Trump tweeted that Libra “will have little standing or dependability. If Facebook and other companies want to become a bank, they must seek a new Banking Charter and be subject to all Banking Regulations, just like other Banks.” His negative sentiments were echoed by Treasury Secretary Steve Mnuchin and Federal Reserve chair Jay Powell. Democrats on the Senate banking committee and the House financial services committee also expressed their reservations about Libra. Congressional Democrats had already drafted a “Keep Big Tech out of Finance” bill which would make Libra illegal.

Libra’s co-creator, David Marcus, testified before Congress on Wednesday. He faced detailed, hostile questioning about Libra’s stability, data privacy, consumer protection safeguards, fraud prevention, anti money laundering compliance, know your client compliance, regulatory domicile, average account balances, etc. Many questioners also emphasized their distrust of Facebook and all its works. The answers which Marcus provided were not considered satisfactory, let alone reassuring. Needless to say, regulators in the world’s largest economies (including China) have also expressed their doubts about Libra.

But Facebook need not give up hope. Even if the US and other wealthy nations shun Libra, there are plenty of small, impoverished countries which would be delighted to do whatever Facebook wants. Many former tax havens possess considerable expertise in filling out legal forms, protecting client anonymity, and concealing beneficial ownership, and they have been looking for new industries ever since the Panama Papers scandals triggered global tax crackdowns.

Facebook also managed to demonstrate its blissful ignorance of the world of regulators. In his testimony to Congress, David Marcus claimed that the Swiss Federal Data Protection and Information Commissioner (FDPIC) would be Libra’s privacy regulator. FDPIC then issued a statement saying that it had noted this claim, but added, “Until today we have not been contacted by the promoters of Libra.” A Facebook spokesman confirmed that the company had not yet met with FDPIC. Off to a great start, guys!

---

Insights by Australian Fund Monitors Pty Ltd (AFM) provides investors and advisors with commentary and articles originated and provided by fund managers and other contributors. The views and opinions contained within each Insights article are those of the contributor and do not necessarily reflect those of AFM. [www.fundmonitors.com](http://www.fundmonitors.com).

Disclaimer: Australian Fund Monitors Pty Ltd, holds AFS Licence number 324476. The information contained herein is general in its nature only and does not and cannot take into account an investor's financial position or requirements. Investors should therefore seek appropriate advice prior to making any decisions to invest in any product contained herein. Australian Fund Monitors Pty Ltd is not, and will not be held responsible for investment decisions made by investors, and is not responsible for the performance of any investment made by any investor, notwithstanding that it may be providing information and or monitoring services to that investor. This information is collated from a variety of sources and we cannot be held responsible for any errors or omissions. Australian Fund Monitors Pty Ltd, A.C.N. 122 226 724