

# United States Senate

October 19, 2021

Mr. Mark Zuckerberg  
Chairman and Chief Executive Officer  
Facebook, Inc.  
1601 Willow Road  
Menlo Park, California 94025

Dear Mr. Zuckerberg:

Policymakers are once again facing a scandal involving reports about Facebook’s relentless pursuit of profits at the expense of its users.<sup>1</sup> The most recent allegations detail Facebook’s knowing use of algorithms that harm adolescents and teens, particularly girls.<sup>2</sup> Facebook has repeatedly shown itself indifferent to the harms its products cause.

Given the scope of the scandals surrounding your company, we write to voice our strongest opposition to Facebook’s revived effort to launch a cryptocurrency and digital wallet, now branded “Diem” and “Novi,” respectively. In October 2019, Senators Schatz and Brown wrote to members of the Diem Association’s predecessor, the Libra Association, and expressed deep concerns about the risks the project posed to consumers and the financial system. Facebook subsequently shelved Libra amid regulatory scrutiny, but you did not address our concerns before resuming this endeavor.

On multiple occasions, Facebook has committed not to launch a digital currency absent federal financial regulators’ approval. In prepared remarks before the House Financial Services Committee in October 2019, you said that Facebook would “not be a part of launching the Libra payments system anywhere in the world unless all U.S. regulators approve it.”<sup>3</sup> More recently, David Marcus, the executive overseeing Facebook’s digital currency efforts, said, “[w]e are definitely not going to launch without the proper regulatory framework.”<sup>4</sup>

Despite these assurances, Facebook is once again pursuing digital currency plans on an aggressive timeline and has already launched a pilot for a payments infrastructure network,<sup>5</sup> even though these plans are incompatible with the actual financial regulatory landscape—not only for Diem specifically, but also for stablecoins in general. The agencies that oversee the U.S.

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<sup>1</sup> <https://www.theguardian.com/technology/2021/oct/10/frances-haugen-takes-on-facebook-the-making-of-a-modern-us-hero>

<sup>2</sup> <https://www.wsj.com/articles/facebook-knows-instagram-is-toxic-for-teen-girls-company-documents-show-11631620739>

<sup>3</sup> <https://apnews.com/article/technology-business-us-news-mark-zuckerberg-financial-services-a38b5a8ad6be4ecdb75b45ffa38ab1b0>

<sup>4</sup> <https://news.yahoo.com/facebook-exec-says-revamped-diem-cryptocurrency-will-be-in-class-of-its-own-133929181.html>

<sup>5</sup> <https://www.theverge.com/2021/10/19/22734487/facebook-novi-digital-wallet-pilot-program-payments-diem-cryptocurrency>

financial system are studying the risks that stablecoins pose to financial stability. Accordingly, they are considering how to address these inherent risks and clarify regulation and supervision of these products.<sup>6</sup> As Federal Reserve Chair Powell said of stablecoins at a July 2021 Senate Banking and Housing Committee hearing, “They’re like money funds, they’re like bank deposits and they’re growing incredibly fast but without appropriate regulation.”<sup>7</sup> Acting Comptroller of the Currency Hsu recently likened stablecoins to the wholesale funding markets whose collapse precipitated the 2008 financial crisis: “In terms of ‘known knowns,’ a run on a large stablecoin could be highly destabilizing.”<sup>8</sup> Mr. Marcus has cited Facebook’s success in securing “licenses or approvals for Novi in nearly every state,” and concluded that “Novi is ready to come to market.”<sup>9</sup> To be clear, your ability to secure state-issued money transmitter licenses is not equivalent to obtaining the blessing of “all U.S. regulators,” as you said in your testimony two years ago.

In addition to the risks products like Diem pose to financial stability, you have not offered a satisfactory explanation for how Diem will prevent illicit financial flows and other criminal activity. The intergovernmental Financial Action Task Force warned in a report to the G-20 finance ministers that stablecoins’ “propensity for mass-adoption makes them more vulnerable to be used by criminals and terrorists to launder their proceeds of crime and finance their terrorist activities.”<sup>10</sup> The President’s Working Group on Financial Markets said in December 2020 that stablecoins “are likely to attract illicit actors and, without appropriate mitigation measures, allow evasion of key public policy objectives.”<sup>11</sup>

Unfortunately, Facebook’s decision to pursue a digital currency and payments network is just one more example of the company “moving fast and breaking things” (and in too many cases, misleading Congress in order to do so). Time and again, Facebook has made conscious business decisions to continue with actions that have harmed its users and the broader society. Facebook cannot be trusted to manage a payment system or digital currency when its existing ability to manage risks and keep consumers safe has proven wholly insufficient.

We urge you to immediately discontinue your Novi pilot and to commit that you will not bring Diem to market.

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<sup>6</sup> <https://www.bloomberg.com/news/articles/2021-07-19/yellen-tells-regulators-to-act-quickly-on-stablecoin-rules?sref=St6YrHy8>

<sup>7</sup> <https://finance.yahoo.com/news/feds-powell-says-hes-undecided-142513052.html>

<sup>8</sup> <https://www.occ.gov/news-issuances/speeches/2021/pub-speech-2021-101.pdf>

<sup>9</sup> <https://medium.com/@davidmarcus/good-stablecoins-a-protocol-for-money-and-digital-wallets-the-formula-to-fix-our-broken-payment-f11f59fc92d7>

<sup>10</sup> <https://www.fatf-gafi.org/publications/fatfgeneral/documents/report-g20-so-called-stablecoins-june-2020.html>

<sup>11</sup> <https://home.treasury.gov/system/files/136/PWG-Stablecoin-Statement-12-23-2020-CLEAN.pdf>

Sincerely,



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BRIAN SCHATZ  
U.S. Senator



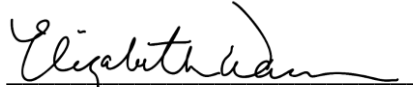
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SHERROD BROWN  
U.S. Senator



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RICHARD BLUMENTHAL  
U.S. Senator



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ELIZABETH WARREN  
U.S. Senator



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TINA SMITH  
U.S. Senator