FSB work on regulatory issues of stablecoins

Recommendations and the G20 agenda

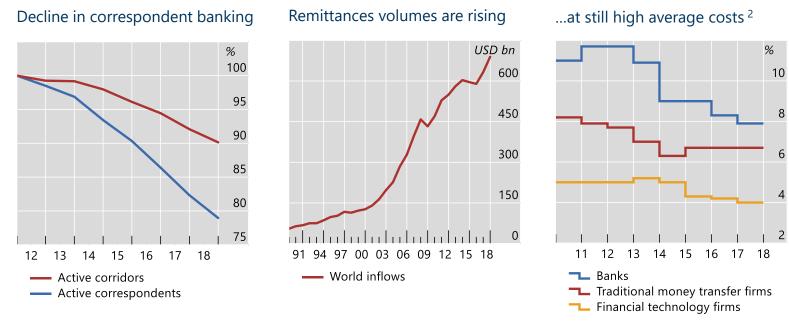
Alexandre Stervinou, Secretariat

alexandre.stervinou@fsb.org

CEMLA Fintech Forum meeting, 24 March 2021



Current shortcomings in cross-border retail payments



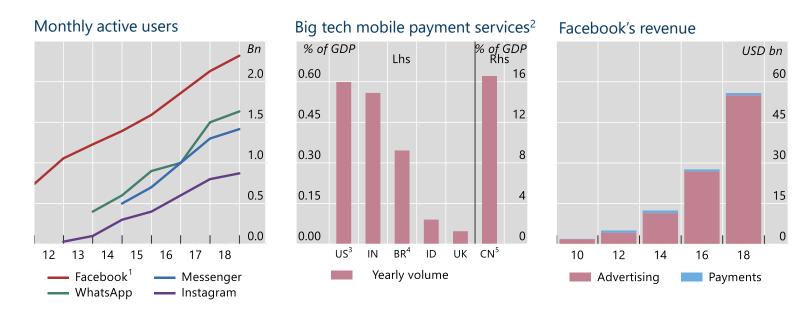
¹ CPMI, Cross-border retail payments, February 2018

Sources: National Bank of Belgium; SWIFT BI Watch; The Economist (2019); World Bank, Remittance Prices Worldwide; World Bank; BIS calculations.



² Average total cost for sending \$200; figure adapted from *The Economist* (2019).

BigTechs in payments could achieve global adoption



¹The numbers do not include Instagram or WhatsApp users unless they would otherwise qualify as such users. ² 2017 data. ³ 2016 data. ⁴ Estimate based on the public data for Mercado Libre. ⁵ Only mobile payments for consumption data (ie excluding mobile payments for money transfer, credit card payments and mobile finance).

Sources: J Frost, L Gambacorta, Y Huang, H S Shin and P Zbinden, "BigTech and the changing structure of financial intermediation", BIS Working Papers, no 779, April 2019; World Bank; Forrester Research; GlobalData; iResearch; Mercado Libre; Nikkei; Worldpay; S&P Capital IQ; companies' reports and announcements; national data; BIS calculations.



FSB implementation of the G20 mandate on "global stablecoins" (GSCs)



JUN - SEP

- Constitution of FSB **RIS Group**
- Coordination with SCAV-FIN on vulnerability analysis
- Drafting of issues note

OCT - NOV DEC - MAR

Stocktake of

supervisory

approaches

with FSB

members

and regulatory

- Drafting of consultative report
- Extended consultation period by a month to end July
- Held four stakeholder outreach sessions in June and July

AUG

- Reviewed 53 responses from the public consultation
- Incorporated consultation findings into the final report

SEP - OCT

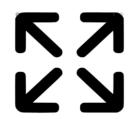
- **FSB Plenary approval**
- Submission to the G20 **FMCBG** Meeting and publication on 13 October



What are so called "global stablecoins"..?



Crypto-asset referencing a basket of fiat currencies (or a single currency), other assets, or a combination of those



Potential to scale (network effects, underlying technology)



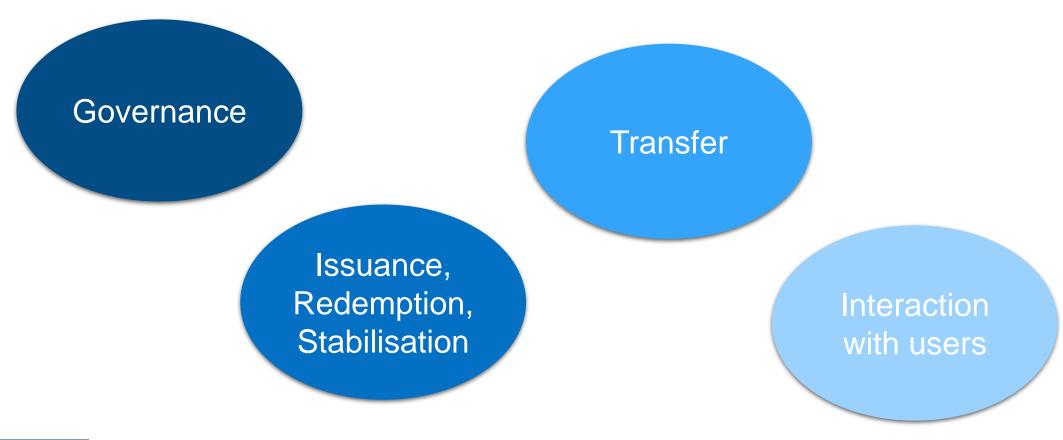
Linkages to existing financial system



Large number of actors



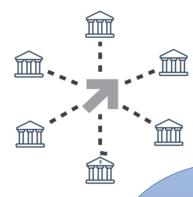
Functions of a GSC arrangement





Consider risks to financial stability

Payment / Clearing / Settlement



Exposures of financial institutions

Wealth effects



GSCs as
Payment means
and/or
Store of Value



Macrofinancial impacts

Confidence effects





Adopt a holistic approach for the regulation, supervision and oversight of GSCs



Crossborder



Regulatory arbitrage



Spillover effects



Financial stability
ML-FT
Legal certainty
Market integrity
Consumer/investor
protection
Data privacy
Competition
Monetary policy







10 High-level Recommendations

Addressed to authorities...

- 1. Necessary powers and tools
- 2. Comprehensive regulatory, supervisory and oversight requirements applied on a functional basis and proportionate to their risks

"Same business – same risks – same rules" principle

3. Cross-border and cross-sector regulation supported by cooperation and coordination between authorities



10 High-level Recommendations

Addressed to authorities, applicable to GSC arrangements...

- 4. Comprehensive governance
- 5. Effective risk management
- 6. Robust systems for handling data
- 7. Appropriate recovery and resolution plans
- 8. Appropriate disclosure of information to users and relevant stakeholders
- 9. Legal clarity on redemption rights
- 10. Meet all applicable requirements before commencing any operations



Cross-border Payments - A global roadmap for improvements

The G20 roadmap

on payments

- Develop common cross-border payments vision and targets
- Implement international guidance and principles
- Define common features of crossborder payment service levels



Public and private sector

17. Consider the feasibility of new multilateral platforms and arrangements for cross-border payments
 18. Foster the soundness

New payment infrastructures

 Adopt a harmonised version of ISO 20022 for message formats

16. Establish unique identifiers with

15. Harmonise API protocols for

data exchange

proxy registries

- 18. Foster the soundness of global stablecoins arrangements
- Factor an international dimension into CBDC designs

commitment

Enhance crossborder payments Align regulatory, supervisory and oversight frameworks

- Apply AML/CFT consistently and comprehensively
- Review interaction between data frameworks and cross-border payments
- Promote safe payment corridors
- 8. Foster KYC and identity information-sharing

Data and market practices

D

and

arrangements

Existing payment infrastructures and arrangements

9. Facilitate increased adoption of PvP

Regulatory,

supervisory and oversight

frameworks

- Improve (direct) access to payment systems
- 11. Explore reciprocal liquidity arrangements
- 12. Extend and align operating hours
- 13. Pursue interlinking of payment systems



Way forward

- Fostering the soundness of global stablecoin arrangements for cross-border payments is one Building Block of the FSB roadmap for enhancing cross-border payments
- This Building Block (18) includes actions to
 - Complete international standard setting work (in 2021) with FATF, BCBS, CPMI, IOSCO
 - Implement international standards in national jurisdictions, including effective cooperation, coordination and information sharing arrangements (2021-2022)
 - ➤ For October 2021, FSB to report to the G20 on progress made
 - Review the implementation and assess the need to refine or adapt international standards (2022-2023)



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