

FSB work on regulatory issues of stablecoins

Recommendations and the G20 agenda

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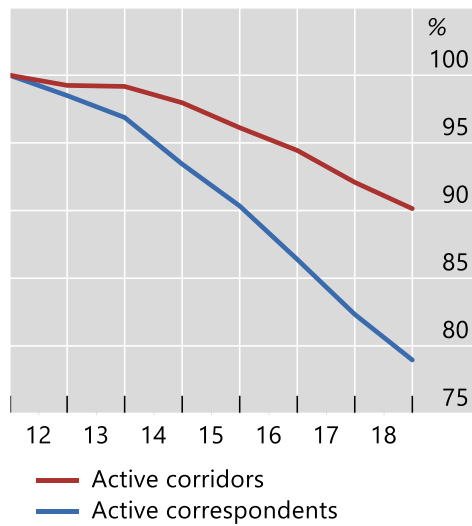
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CEMLA Fintech Forum meeting, 24 March 2021

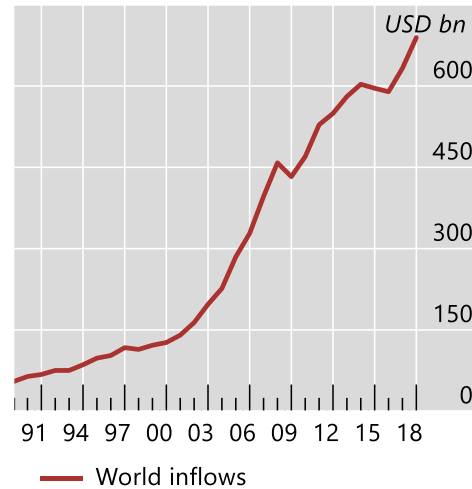


Current shortcomings in cross-border retail payments

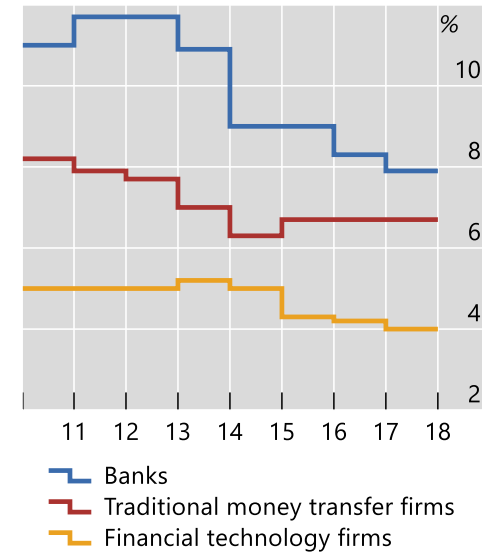
Decline in correspondent banking



Remittances volumes are rising



...at still high average costs²



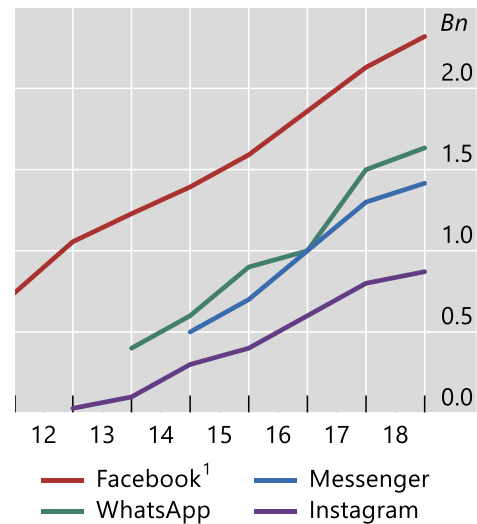
¹ CPMI, Cross-border retail payments, February 2018

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

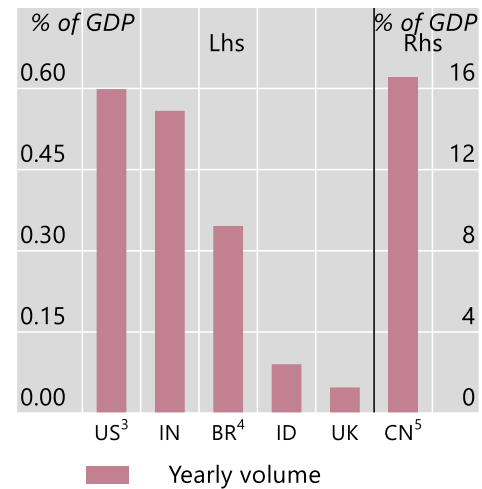
Sources: National Bank of Belgium; SWIFT BI Watch; *The Economist* (2019); World Bank, *Remittance Prices Worldwide*; World Bank; BIS calculations.

BigTechs in payments could achieve global adoption

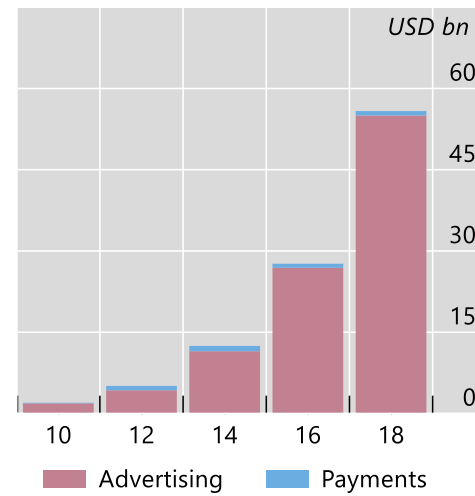
Monthly active users



Big tech mobile payment services²



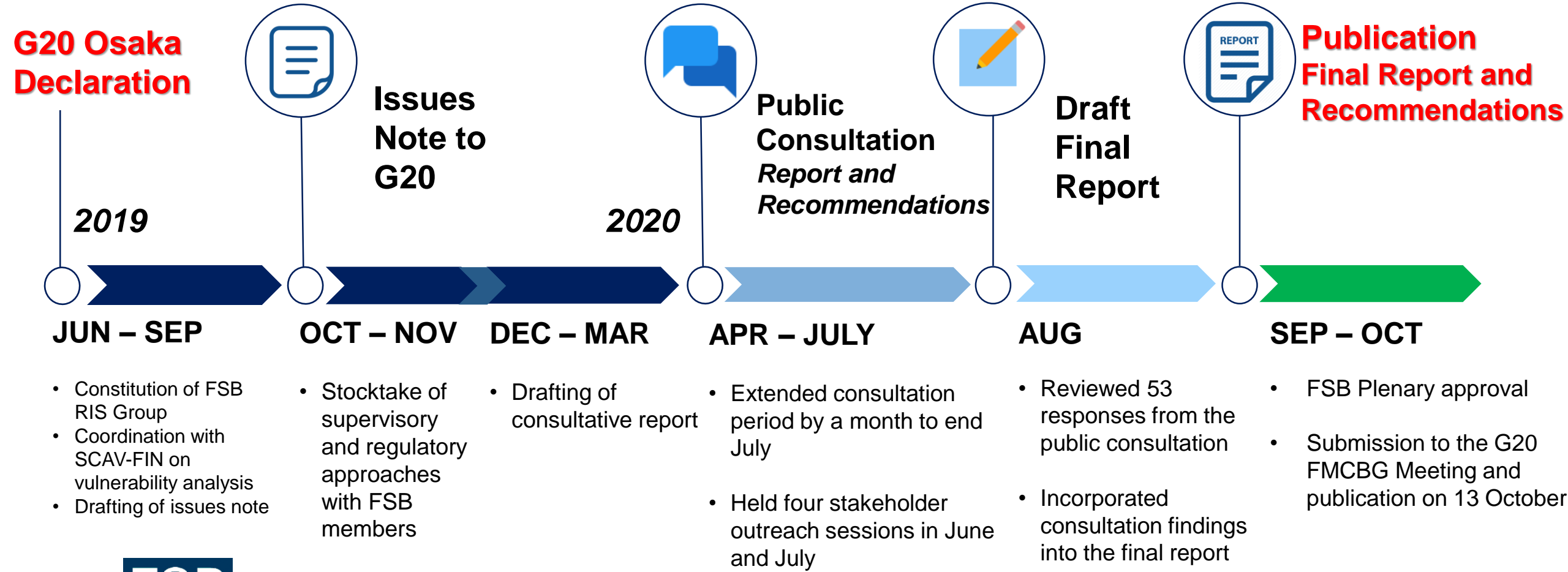
Facebook's revenue



¹The numbers do not include Instagram or WhatsApp users unless they would otherwise qualify as such users. ²2017 data. ³2016 data. ⁴Estimate based on the public data for Mercado Libre. ⁵Only 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.

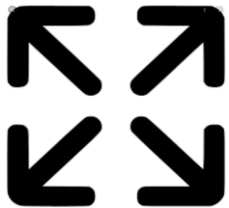
FSB implementation of the G20 mandate on “global stablecoins” (GSCs)



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)

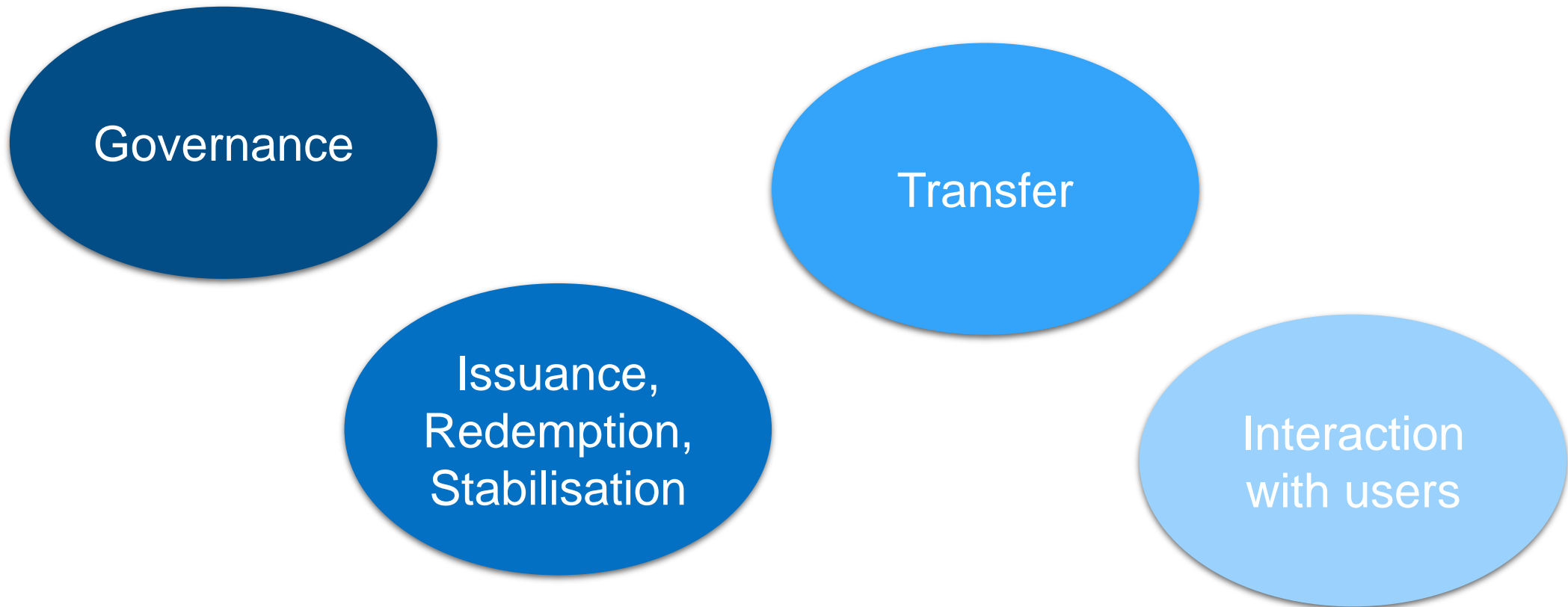


**Linkages to
existing financial
system**

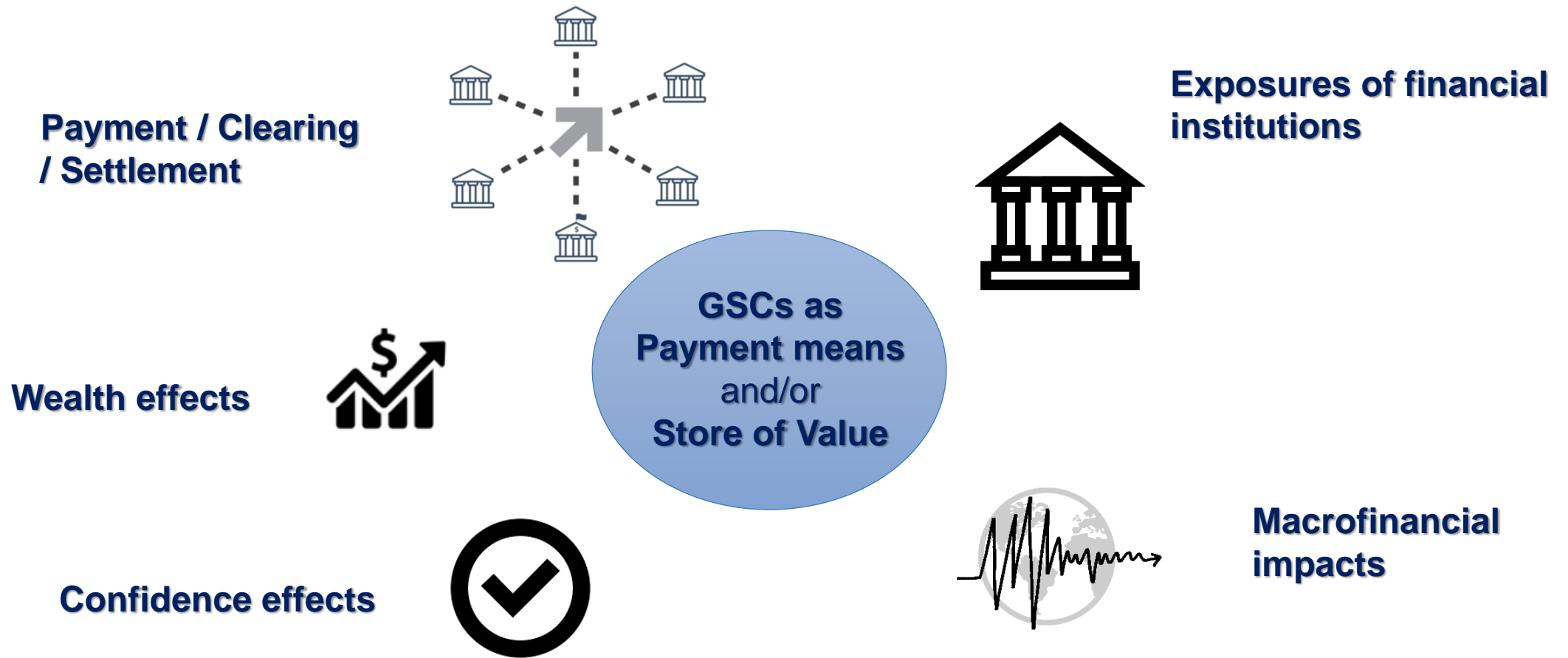


**Large number of
actors**

Functions of a GSC arrangement



Consider risks to financial stability



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



Cross-border



Regulatory arbitrage



Spillover effects



Cross-sector

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

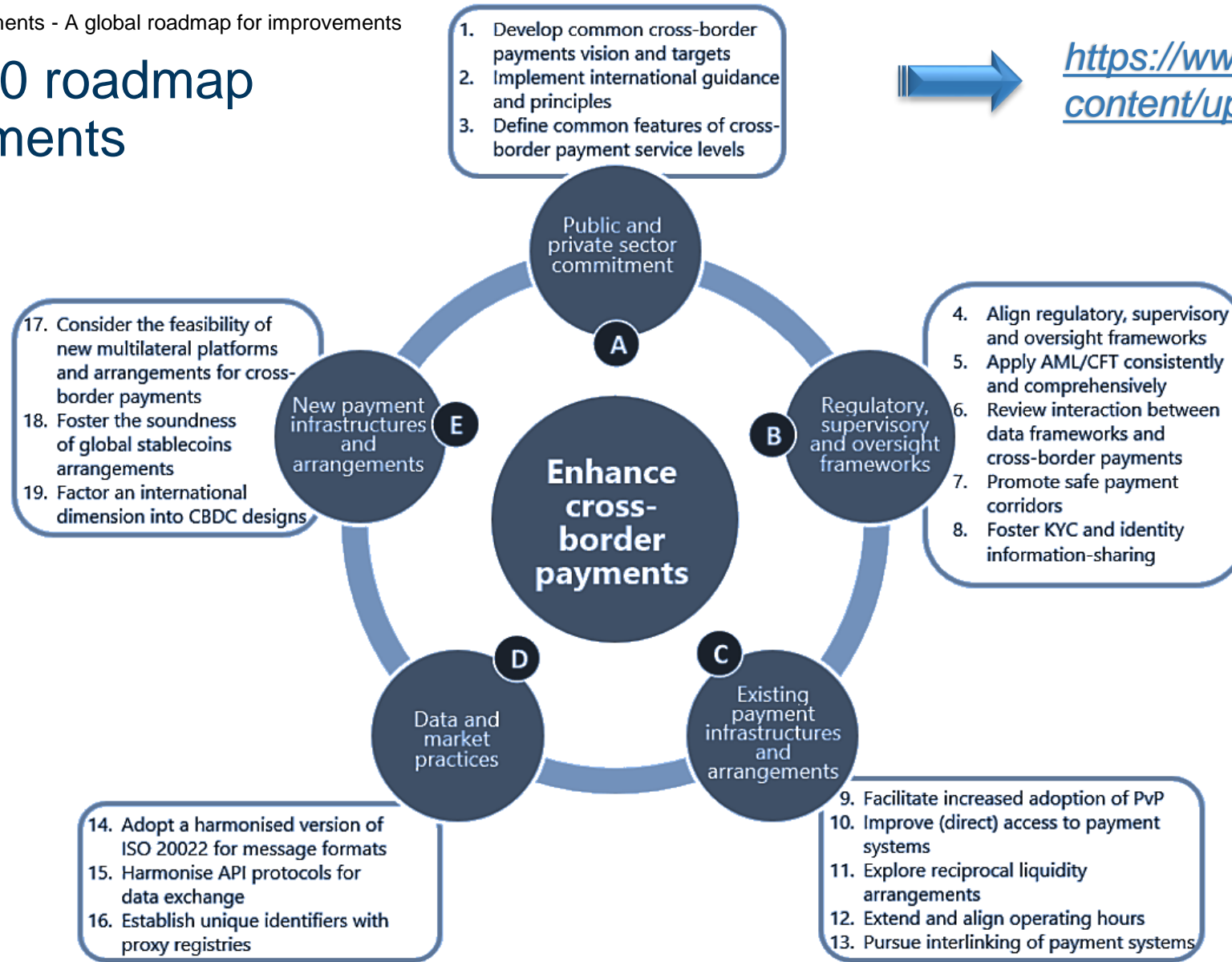
Addressed to authorities, applicable to GSC arrangements...

- 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**

The G20 roadmap on payments



<https://www.fsb.org/wp-content/uploads/P131020-1.pdf>



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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