

# Europe wary as Facebook takes up cryptocurrency challenge

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Facebook's digital money can never become a 'sovereign currency', France's finance minister warns

European financial leaders on Tuesday vowed vigilance after Facebook announced it was diving into the cryptocurrency market, as analysts

warned the social media giant could face major regulatory questions.

French Finance Minister Bruno Le Maire, whose government initiated a new tax on digital giants like Facebook that has angered the United States, said such digital money could never replace sovereign currencies of governments and insisted Facebook's plan required guarantees.

Bank of England Governor Mark Carney said Facebook's new currency would have to withstand scrutiny of its operational resilience and not allow itself to be used for money laundering or terror financing.

Facebook and some two dozen partners on Tuesday released a prototype of a cryptocurrency called Libra, whose rollout as global digital money is expected next year.

"If Facebook wants to create an instrument for transactions, why not? But there is no question that this can become a sovereign currency," Le Maire told Europe 1 radio, saying a "limit" had to be set.

"It cannot and must not become a sovereign currency, with all of attributes of a currency", such as the capacity to issue sovereign debt and serve as a reserve currency.

"The aspect of sovereignty must stay in the hands of states and not [private companies](#) which respond to private interests," Le Maire added.

There need to be "guarantees" so that "this transaction instrument is not misused, for example, for the financing of terrorism or illicit activities," he said.

## **'Not open door'**

With France currently holds the G7 presidency, Le Maire said he had

asked the group's central bank governors to prepare a report by mid-July to lay out the guarantees required from cryptocurrencies.

Speaking in Portugal, Carney echoed Le Maire's concerns, saying the new cryptocurrency would require the strictest regulation.

"Anything that works in this world will become instantly systemic and will have to be subject to the highest standards of regulation," Carney said, Bloomberg reported.

"So open mind, but not open door," he said,

Libra will be introduced in the wake of other cryptocurrencies such as bitcoin but aims to avoid the roller-coaster valuations that have attracted speculation and caused ruin.

Cathy Mulligan, a cryptocurrency expert at London's Imperial College, said Facebook faced a huge challenge to win regulatory approval for such a service in its markets.

"Financial services operators act to protect consumers first—this is not something that Facebook are known for so we can expect difficulties for them," she told AFP.

Mulligan said that if Facebook wished to act like a "nation state" it would have to expect "governments to react quite strongly".

She added given that Facebook has no track record in fiscal and monetary policy, "we can expect regulators to take a strong approach to this."

## **'Spur regulators'**

Le Maire's comments are likely to resonate with EU counterparts, who have been keeping a wary eye on the increasing domination of the digital giants over citizens' daily lives.

But under President Emmanuel Macron, France has prided itself on leading Europe in taking on the digital giants.

French lawmakers this year approved legislation—dubbed "Gafa" after Google, Amazon, Facebook and Apple—for a new tax on digital giants, and a joint commission of the upper and lower houses of the legislature is now discussing the final details.

The plan was developed amid rising public outrage at the minimal tax paid by some of the world's richest firms.

Macron, 41, has presented himself as a supporter of new technologies but has also made clear that digital giants need to do much more to improve regulation.

He has been hugely critical of the failure of social media companies to crack down on extremism, and in May hosted Facebook founder Mark Zuckerberg for talks in Paris.

"This transaction instrument will allow Facebook to again accumulate millions of millions of items of data," Le Maire said.

"This reinforces my conviction on the need to regulate digital giants and ensure they are not in a monopolistic situation," he said.

Analysts at the London Capital Group (LCG) online trading firm said Libra would drastically ramp up the numbers exposed to cryptocurrencies due to its two billion-strong user base.

"The exposure of this many people to cryptocurrencies should spur regulators into action. The wild-west of unregulated cryptocurrencies has less chance of mass-adoption," LCG said.

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