FSB work on regulatory issues of stablecoins

*Recommendations and the G20 agenda*

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Current shortcomings in cross-border retail payments

Decline in correspondent banking

Remittances volumes are rising

...at still high average costs

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

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.

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

- **G20 Osaka Declaration**
  - 2019
  - JUN – SEP
    - Constitution of FSB RIS Group
    - Coordination with SCAV-FIN on vulnerability analysis
    - Drafting of issues note

- **Issues Note to G20**
  - OCT – NOV
  - DEC – MAR
    - Stocktake of supervisory and regulatory approaches with FSB members
    - Drafting of consultative report

- **Public Consultation Report and Recommendations**
  - APR – JULY
    - Extended consultation period by a month to end July
    - Held four stakeholder outreach sessions in June and July

- **Draft Final Report**
  - AUG
    - Reviewed 53 responses from the public consultation
    - Incorporated consultation findings into the final report

- **Publication Final Report and Recommendations**
  - 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

- Governance
- Issuance, Redemption, Stabilisation
- Transfer
- Interaction with users
Consider risks to financial stability

- Payment / Clearing / Settlement
- Exposures of financial institutions
- Wealth effects
- GSCs as Payment means and/or Store of Value
- Confidence effects
- Macrofinancial impacts

FSB work on regulatory issues of stablecoins
Adopt a holistic approach for the regulation, supervision and oversight of GSCs

Cross-border

Cross-sector

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
The G20 roadmap on payments


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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