

'Legal basis' an 'absolute prerequisite' for digital monies like Libra: G7

October 18 2019

Facebook's proposed digital currency must have legal and regulatory issues worked out in key economies before it can be put into use, the Group of Seven economies said Thursday.

In a new report on stablecoins—a type of [digital currency](#) backed by reserves assets—the G7 also urged regulators to coordinate their work to prevent issuers from seeking out the most favorable country from which to operate.

"For stablecoin developers, a sound legal basis in all relevant jurisdictions... is an absolute prerequisite," according to the report from the G7 working group led by Benoit Coeure, a European Central Bank board member.

Facebook's Libra has generated intense scrutiny from officials worldwide who worry about the impact it could have on the financial system.

France's Economy Minister Bruno Le Maire is due to hold a news conference to discuss the report's findings.

Digital currencies are ripe for use by [terrorist organizations](#) or for money laundering, so developers must have "legal clarity" about "all participants in the stablecoin ecosystem, such as coin holders and issuers," the report said.

They also pose other challenges to the [financial system](#) and to banks, if they are adopted widely.

"Ambiguous rights and obligations could make the stablecoin arrangement vulnerable to loss of confidence—an unacceptable risk, especially in a payment system of potentially global importance," the report said.

The G7 called said national regulators "must coordinate across agencies, sectors and jurisdictions," to address the risks and "forestall harmful regulatory arbitrage."

"These risks, which are of a systemic nature, merit careful monitoring and further study," the report said.

© 2019 AFP

Citation: 'Legal basis' an 'absolute prerequisite' for digital monies like Libra: G7 (2019, October 18) retrieved 23 April 2024 from <https://techxplore.com/news/2019-10-legal-basis-absolute-prerequisite-digital.html>

This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.