

July 15, 2020

Submitted electronically

Randal K. Quarles
Chair
Financial Stability Board
Bank for International
Settlements CH-4002
Basel, Switzerland

**Re: Addressing the regulatory, supervisory and oversight challenges raised by
“global stablecoin” arrangements: Consultative document**

Dear Chairman Quarles:

World Council of Credit Unions (World Council) appreciates the opportunity to comment on your Consultative Document on *Addressing the regulatory, supervisory and oversight challenges raised by “global stablecoin” arrangements*.¹ Credit unions are cooperative depository institutions and World Council is the leading trade association and development organization for the international credit union movement. Worldwide, there are over 85,000 credit unions in 118 countries with USD 2.1 trillion in total assets serving 274 million physical person members.²

World Council supports the Financial Stability Board’s (FSBs) recommendations that “call for regulation, supervision and oversight that is proportionate to the risks, and stress the need for flexible, efficient, inclusive, and multi-sectoral cross-border cooperation, coordination and information sharing arrangements that take into account the evolution of “global stablecoin” arrangements and the risks they may pose over time.”³ World Council urges the FSB to expand their recommendations to envelop a comprehensive policy that supports proportionate supervision, oversight and regulation based on the size, risk, and complexity of financial institutions. A flexible regulatory approach is necessary, not only to address the general application of regulation as it applies to global stable coin (GSC), but how the regulation is applied so that national-level regulators can likewise tailor regulations to the size, risk and complexity of credit unions.

World Council has responded below to the FSB’s applicable questions; however, we have no additional comments for the omitted questions.

1. Do you agree with the analysis of the characteristics of stablecoins that distinguish them from other crypto-assets?

¹ Financial Stability Board, *Addressing the regulatory, supervisory and oversight challenges raised by “global stablecoin” arrangements: Consultative document*, April 14, 2020; available at: <https://www.fsb.org/wp-content/uploads/P140420-1.pdf>.

² World Council of Credit Unions, *2018 Statistical Report* (2019), available at <http://www.woccu.org/publications/statreport>.

³ See, <https://www.fsb.org/2020/04/addressing-the-regulatory-supervisory-and-oversight-challenges-raised-by-global-stablecoin-arrangements-consultative-document/>

World Council agrees with the FSB's attributed characteristics of stablecoins, however, a more descriptive explanation of how stablecoins differ from other crypto-assets may be necessary. Our understanding of stablecoins, in short, is that they are a type of crypto-currency with an aim to maintain a stable value. Theoretically, this explanation alone highlights the difference between it and other crypto-assets, in addition to the outline of its stabilization mechanisms and an explanation of its potential cross-border functionality; however, in order to fully understand the characteristic of stablecoins, a more thorough explanation and understanding of the attributes of other crypto-currencies may be necessary.

5. Do you agree with the analysis of potential risks to financial stability arising from GSC arrangements? What other relevant risks should regulators consider?

World Council agrees with the FSB's analysis of the potential risks pertaining to GSC arrangements' effect on financial stability, however, we urge the FSB to consider a flexible approach to risk assessment that is proportional to the size, risk, and complexity of a financial institution such as credit unions. Any potential venture into the stablecoin market by credit unions will likely pose minimal additional risk (even in advanced economies) to financial market stability, particularly in instances where financial institutions play multiple roles within a GSC arrangement. Credit unions are smaller, less complex organizations, and are unlikely to play a substantial role within these arrangements.

7. Do you have comments on the potential regulatory authorities and tools and international standards applicable to GSC activities presented in Annex 2?

World Council agrees with the FSB's example in Annex 2, which suggests prohibition of a fully decentralized system of governance over GSC arrangements. While we agree that there should be some central regulation over GSC governance, some flexibility should be permitted so that supervision, regulation and oversight is not overly burdensome on credit unions. A one-size-fits-all approach will create difficulties such as creating a drain on resources and additional costs to mitigate risks that do not exist within a credit union; therefore, we urge the inclusion of proportional guidance to be included in any new regulation shaping implementation, supervision and oversight. We also request that any proportionality built into the regulation is clearly outlined for national-level implementation. National-level regulators have a tendency to stringently apply global regulations to the detriment of credit unions, even when proportionality is built into the regulation. Express language granting proportionality would help guide national-level regulators to administer global prudential regulations appropriately.

9. Are the proposed recommendations appropriate and proportionate with the risks? Do they promote financial stability, market integrity, and consumer protection without overly constraining beneficial financial and technological innovation?

World Council believes that the recommendations are appropriate and proportionate to the risk and do not constrict financial and technological innovation, however, World Council requests that the application of these recommendations are also proportional to the actual risk of the organization so as not to harm credit unions and smaller financial institutions. Any potential use of GSC would be limited by access and affordability. Credit unions are less technologically advanced and have limited access to new innovation.

a. Are domestic regulatory, supervisory and oversight issues appropriately

identified?

According to Consultative Document, “Authorities’ powers should extend to entities that are engaged in GSC activities in their jurisdictions and within the scope of their authority and relevant to their mandate.” World Council agrees with this statement and requests that clear articulation is placed in the regulations ensuring that these regulations only apply to entities that are actually utilizing GSC’s.

b. Are cross-border regulatory, supervisory and oversight issues appropriately identified?

Yes

11. Are there additional recommendations that should be included or recommendations that should be removed?

Recommendation 2 states, “Authorities should apply regulatory requirements to GSC arrangements on a functional basis and proportionate to their risks.” We would add that the regulatory requirements are not only proportionate to the risk of the GSC arrangement, but also to the risk of the institution. As previously stated, World Council would like the implementation of regulations appropriately applied to credit unions based on their size, risk, and complexity. We also reiterate our request for the provision of clear guidance to national-level regulators emphasizing any proportionality included within the regulations.

World Council supports the FSB’s “recommendations that are addressed to authorities at jurisdictional level to advance consistent and effective regulation and supervision of GSC arrangements.” We, however, place particular importance on a risk-based and proportional assessment subject to size, risk and complexity of the institution in order to support the continued efforts of credit unions who provide valuable services to the underserved and underbanked within our communities. World Council appreciates the opportunity to comment on the Financial Stability Board’s Consultative Document on, *Addressing the regulatory, supervisory and oversight challenges raised by “global stablecoin” arrangements*. If you have questions about our comments, please feel free to contact me at pmonford@woccu.org or +1-202-510-9347.

Sincerely,



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World Council of Credit Unions