

White House Press Briefing by Treasury Secretary Steven Mnuchin on Regulatory Issues Associated with Cryptocurrency

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SECRETARY MNUCHIN: Good afternoon, everybody. Thank you for being here. Recently, as you know, there has been a great deal of interest about digital assets, including cryptocurrency, such as Bitcoin or Libra.

There are many regulatory and supervisory questions regarding Libra virtual assets and virtual currencies. But, I will focus primarily on the serious concerns that Treasury has regarding the growing misuse of virtual currencies by money launderers, terrorist financiers, and other bad players.

This week, representatives of Facebook's Calibra Project will go to Capitol Hill to discuss their proposal for a cryptocurrency, the Libra. At the Treasury Department, across the U.S. government, and with the international financial community, there has been a great deal of activity recently related to the regulation and the treatment of digital assets and cryptocurrencies.

I would like to give some brief explanatory remarks about what we've been doing on this front, since there's lots of interest, and then I'll open it up to questions.

Last month, the Libra Association -- a consortium of 28 businesses, including a Facebook subsidiary -- announced that it is developing a cryptocurrency called the "Libra." The Treasury Department has expressed very serious concerns that Libra could be misused by money launderers and terrorist financiers.

Cryptocurrencies, such as Bitcoin, have been exploited to support billions of dollars of illicit activity like cybercrime, tax evasion, extortion, ransomware, illicit drugs, human trafficking. Many players have attempted to use cryptocurrencies to fund their malign behavior. This is

indeed a national security issue.

The United States has been at the forefront of regulating entities that provide cryptocurrency. We will not allow digital asset service providers to operate in the shadows and will not tolerate the use of cryptocurrencies in support of illicit activities.

Treasury has been very clear to Facebook, Bitcoin users, and other providers of digital financial services that they must implement the same anti-money laundering and countering financing of terrorism -- known as AML/CFT -- safeguards as traditional financial institutions.

Money transmitters of cryptocurrency must comply with the relevant Bank Secrecy Act obligations, known as BSA, and register with the Financial Crimes Enforcement Network, known as FinCEN.

Many people are not familiar with FinCEN. It is a bureau of the U.S. Department of Treasury. FinCEN's mission is safeguard the financial system from illicit use, combat money laundering, and promote national security through the dissemination of financial intelligence.

Last year alone, it collected over 20 million BSA reports and it has collected over 300 million in the last 11 years. FinCEN implements the Bank Secrecy Act's regulation and has federal regulatory, supervisory, and enforcement authority over money service businesses and banks. The rules governing money service providers apply to physical and electronic transactions alike. As money service businesses, cryptocurrency money transmitters are subject to compliance examinations just like every other U.S. bank.

To be clear: FinCEN will hold any entity that transacts in Bitcoin, Libra, or any other cryptocurrency to its highest standards.

I also recently established the Financial Stability Oversight Council's Working Group on Digital Assets. This FSOC group enables U.S. financial regulators, such as FinCEN, the Fed, OCC, CFTC, CFPB, SEC, and other key stakeholders to work together to combat risks posed by cryptocurrencies.

As the President has said, Bitcoin is highly volatile and based on thin air. We are concerned about the speculative nature at Bitcoin and will make sure that the U.S. financial system is

protected from fraud.

Given the international nature of cryptocurrencies, we are also going to great lengths to ensure that effective regulation does not stop here at the U.S. border. Last month, led by the United States, the Financial Action Task Force, known as FATF, the global standard setter for AML/CFT -- adopted comprehensive measures on how countries must regulate and supervise activities and providers in this space. This was a major step towards harmonizing international regulations concerning cryptocurrencies. We have also had extensive work at the G20, and I will be addressing this again this week at the G7 Finance Minister in France.

To be clear, the U.S. welcomes responsible innovation, including new technologies that may improve the efficiency of the financial system and expand access to financial services. That being said, with respect to Facebook's Libra and other developments in cryptocurrencies, our overriding goal is to maintain the integrity of our financial system and protect it from abuse. Treasury takes very seriously the role of the U.S. dollar as the world's reserve currency, and we'll continue our efforts to protect our country and secure the U.S. and global financial systems.

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