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NOTE

From: Presidency
To: Council

Subject: Any other business: "Stablecoins"
- *Information from the Presidency*

1. On 28 October 2019, the Economic and Financial Committee discussed recent developments with respect to "stablecoin" arrangements. Following the discussion, the Financial Services Committee was entrusted with elaborating a draft Joint Statement by the Council and the Commission on "Stablecoins".
2. On 6 November 2019, the Financial Services Committee agreed the text that is set out in Annex, with a view to the approval of the Joint Statement on "Stablecoins" in accordance with the Council's working procedures.
3. The draft Joint Statement will be submitted to the Permanent Representatives Committee with a view to the approval by the Council (ECOFIN) at its 5 December meeting.

Draft Joint Statement by the Council and the Commission

on "Stablecoins"

1. Technological innovation can produce great economic benefits for the financial sector, promoting competition and financial inclusion, broadening consumer choice, increasing efficiency and delivering cost savings for financial institutions and the economy at large.
2. So-called "stablecoins" may present opportunities in terms of cheap and fast payments, especially cross-border payments. At the same time, these arrangements pose multifaceted challenges and risks related for example to consumer protection, privacy, taxation, cyber security and operational resilience, money laundering, terrorism financing, market integrity, governance and legal certainty. When a "stablecoin" initiative has the potential to reach a global scale, these concerns are likely to be amplified and new potential risks to monetary sovereignty, monetary policy, the safety and efficiency of payment systems, financial stability, and fair competition can arise.
3. As underlined by the recent report of the G7 working group dedicated to these issues, global "stablecoin" projects and arrangements should not come into operation until all of these risks and concerns are properly addressed. We reaffirm our willingness to appropriately tackle the challenges raised by these initiatives on the basis of an EU common understanding and coordinated approach. These initiatives should not undermine existing financial and monetary order as well as monetary sovereignty in the European Union.
4. There is a need to ensure legal clarity about the status of "stablecoin" arrangements. Some recent projects of global dimension have provided insufficient information on how precisely they intend to manage risks and operate their business. This lack of adequate information makes it very difficult to reach definitive conclusions on *whether* and *how* the existing EU regulatory framework applies. Entities that intend to issue "stablecoins", or carry out other activities involving "stablecoins" in the EU should provide full and adequate information urgently to allow for a proper assessment against the applicable existing rules.

5. Tackling the challenges raised by "global stablecoins" requires a coordinated global response. The risks raised by "stablecoin" arrangements should be subject to clear and proportionate regulatory and oversight frameworks, established on a sound evidence base and based on general principles and applicable to all "stablecoin" arrangements. Consistent with the global response, the Council and the Commission are willing to act swiftly, in cooperation with the ECB and with national and European Supervisory Authorities. This approach should include consultation and development of the evidence base as precursors to potentially developing new legislation for a common EU approach to crypto-assets, including "stablecoins". While the Council and the Commission are committed to put in place a framework that will harness the potential opportunities that crypto-assets may offer, we acknowledge the risks that some present. The Council and the Commission are prepared to take all necessary measures to ensure appropriate standards of consumer protection and orderly monetary and financial conditions. All options should be on the table, including any measures to prevent the creation of unmanageable risks by certain global "stablecoins".

6. In view of the above, the Council and the Commission state that no global "stablecoin" arrangement should begin operation in the European Union until the legal, regulatory and oversight challenges and risks have been adequately identified and addressed.

7. The emergence of "stablecoin" initiatives highlight the importance of continuous improvements to payment arrangements in order to meet market and consumer expectations for convenient, fast, efficient and inexpensive payments – especially cross-border. While European payment systems have already made significant progress, European payment actors, including payment services providers, also have a key role to play in this respect. We note that the ECB and other central banks and national competent authorities will explore further the ongoing digital transformation of the payment system and, in particular, the consequences of initiatives such as "stablecoins". We welcome that central banks in cooperation with other relevant authorities continue to assess the costs and benefits of central bank digital currencies as well as engage with European payment actors regarding the role of the private sector in meeting expectations for efficient, fast and inexpensive cross-border payments.