

Financial and Monetary Stability Aspects of Global Stablecoins

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Abstract

Global stablecoins (GSCs) like Facebook's Libra could prove much more instable than they might appear at first sight. Not only can their exchange rates against individual fiat currencies fluctuate substantially; theoretically, they also have the potential to replace national currencies, constitute "digital currency areas" and become the basis of a two-tier banking system with one and more GSC issuers, on the one hand, and, on the other hand, commercial banks that can create GSC deposit money. Against that background, all steps taken so far by supervisors and central banks can only be the starting point of what is necessary to effectively regulate the new normal of the world of money that is emerging.

Keywords: Stablecoins, Libra, Crypto-Assets, Virtual Assets, Blockchain

JEL Classification: E42, F65, G28, K24

I. Introduction

By announcing the introduction of its global stablecoin (GSC) "Libra" last summer, Facebook has sparked an intensive and still ongoing debate among economists, regulators and central bankers about the pros and cons of that move and about how governments should react to it. This debate gained new momentum, when the Libra initiators presented a revised concept – called "Libra 2.0" – in April 2020 (Libra Association 2020).

The contributions made so far cover a wide spectrum of Libra-related issues, ranging, among other things, from micro-regulation (Know Your Client rules,

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