



July 12, 2018

The Honorable Maxine Waters
Chairwoman
Committee on Financial Services
United States House of Representatives
Washington, DC 20515

Re: Examining Facebook's Proposed Cryptocurrency and Its Impact on Consumers, Investors, and the American Financial System

To Whom It May Concern:

Facebook's move into cryptocurrency is an exciting development for the industry as the company could make cryptocurrencies available instantly to billions of users. However, the more pervasive use of cryptocurrency creates financial inclusion for both good and bad actors.

The risk of money laundering needs to be mitigated by all stakeholders, including business models that fall under obligations according to FinCEN's recent guidance issued in June 2019. While the regulatory requirements remain consistent, there is a need for regulators to issue frequent guidance on the application to different business models.

Further, because blockchains like Libra are immutable and permanent, they can empower law enforcement agencies to gain unprecedented visibility into financial transactions. Robust compliance offerings for anti-money laundering (AML) and combating the financing of terrorism (CFT), including transaction monitoring on these blockchains, will be essential to building and maintaining Libra's financial integrity, meeting the legal requirements of regulators, and assisting law enforcement around the world for victims of crime, under legal process.

As the original blockchain analysis company, Chainalysis has been at the forefront of the development of AML/CFT best practices related to cryptocurrency and privacy-protective risk analysis. We have helped both the private and public sectors leverage the transparency of blockchains' shared ledgers to form effective risk-based approaches and to investigate and mitigate financial crime, while maintaining important privacy protections and the low-cost, speed of transactions that are part of the fundamental advances of cryptocurrencies. Indeed, Chainalysis technology has helped track billions of dollars of stolen funds and illicit activity.

Based on our experience, we recommend the Libra Association should first take a risk-based approach in building out an effective compliance program, including a risk assessment of their organization and risks in the ecosystem. This compliance program should include customer due



diligence, the collection and storage of Know Your Customer (KYC) information (including sanctions screening), ongoing real-time transaction monitoring, and suspicious activity reporting to local regulators and law enforcement. Ideally, a universal system with minimum standards would be used by all of the Libra partner companies to ensure data integrity and consistency and prevent gaps in information.

To assist law enforcement and regulators in maintaining global financial integrity, they will need the resources to process and investigate the information in this ecosystem. We recommend Congress allocate more resources to FinCEN and other government agencies to support this mission. Critical risk information provided to government to address potential threats are only helpful if the agencies have the resources to effectively determine the credibility of the suspicious activity and take appropriate action swiftly.

Proper compliance from the Libra Association, combined with collaboration with properly resourced law enforcement agencies and regulators, could potentially provide better visibility and more effective mitigation in combating illicit financial activity than many traditional financial systems currently in place.

Sincerely,

A handwritten signature in black ink, appearing to read "Jonathan Levin".

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A handwritten signature in black ink, appearing to read "Jesse Spiro".

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