GLOBAL STABILITY UNION

Financial Stability Board, Chairman:
Randal K. Quarles, Vice Chair of the US Federal Reserve for Supervision

Comments to the FSB document of April 14, 2020, on the matter of stablecoins vs. the suggested phrasing “global stablecoins”

July 14, 2020

By means of the following document (21 pages total) we provide our input for the questions raised along with clarifying information. Each of the questions is presented within the relevant individual chapter of this document, with the answer integrated into the text. This response must be circulated and read in its entirety. It may not be edited, changed or presented out of context.

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Content

1 Introduction

The FSB represented by chairman Randal Quarles, also United States Federal Reserve Vice Chairman, proposes the implementation of a special set of regulations for one set of stablecoins, styled as "global stablecoins," which are suggested to be different from other stablecoins.

This is the main objective of the FSB document, namely "Addressing the regulatory, supervisory and oversight challenges raised by 'global stablecoin' arrangements," to which this paper is a reply. Yet that document completely neglects to present any basic information or analysis of the actual stablecoin market (e.g. price-pegs, arrangements or market-shares), nor does it provide such for what it tries to distinguish as "global stablecoins." Indeed, it can only be seen as strange to push for greater regulation of one set of stablecoins vs. another set with the entire absence of comparison between them.

These failures to provide the other G20 members such comparison as well as basic market information extend further to a neglect of any true or fair perspective towards the US effort over the last couple of years to make a quiet yet intensive strategic push towards dominance of emerging blockchain ecosystems, that is, to achieve the same dominance for the US dollar there as it enjoys in the current monetary system. The FSB document remarkably fails to disclose the dominance of those stablecoins pegged to the US dollar within the stablecoin market (a 99% share!). Special regulation applied to "other" stablecoins would extend the US Government's "exorbitant dollar privilege" over the blockchain ecosystems which are otherwise not so restrained.

In this light, the natural question is *"Why?"* Why would the Federal Reserve Vice Chairman use his position at the FSB to push for regulation of something so undefined while concealing vital market information? Maybe the answer can be found in the fact that a better alternative to the US dollar in terms of price-stability now exists. That is the Global Stability Unit (GSU), or simply the "Global."

This digital unit enables a more than 50% reduction of global exchange-rate volatility, as has been academically verified[1], and thus it is The World's Most Stable Unit.

Live rates of the GSU against the currencies of each of the G20 members, together with historical charts and complete volatility analyses (updated daily), are available at www.GSU.io[2]

Recently, FED Chairman Jerome Powell has termed the ballooning United States federal deficit/debt as "unsustainable"[3] [4]. This follows the statement from former FSB Chairman Mark Carney in which he called for the implementation of a global digital currency[5] to replace the US dollar[6]. Together these are powerful arguments for the GSU: global economic circumstances now call for an alternative to the US dollar.

The GSU answers that call by, providing better stability within a neutral and, balanced paradigm.

[1] Link to verification from Department of Mathematical Science at Copenhagen University, Professor Rolf Poulsen
[2] Link to Global Currency Unit website
[3] Link to video Jerome Powell Debt growing faster than economy. By definition, that is unsustainable. View time: 5:25-6:27
[4] Link to Powell Says Deficits On 'Unsustainable Path', The Business Journal
[5] Link to article: Mark Carney calls for global monetary system to replace the dollar, Financial Times
[6] Link to article: 'Hegemonic digital currency' could help fix global system - Carney, Central Banking

Needless to say, US authorities can be counted on to exert immense effort to prevent any real alternatives from emerging. The FSB document is itself evidence of this. Nevertheless, the numbers do not lie, and the GSU's superior stability has been corroborated. The pricing mechanism and blockchain-based tokens (coins) have been created and can be tried out[7] on a practical level by any interested party. The Financial Stability Board is best served by remembering its objective of coordinating measures to support better international financial stability - such as can be provided by the GSU - and not that of restricting progress aligned with its own objective, only to protect dominance by one of its nation-state members.

Meanwhile, further steps to cement US dollar dominance continue to accrue, and the other G20 member-states should take note. We would like to highlight in particular how the US bank JPMorgan Chase & Co. just a few weeks back (after the release of the FSB document) revealed its move to enter the crypto- and stablecoin space[8] by partnering with the issuer of the second-largest stablecoin, the USDC[9]. This followed the presentation of the "Digital Dollar Project,"[10] "a mission-critical move for the United States," headed by a former chairman of the U.S. Commodity Futures Trading Commission.

The true intention is clear: preserving US dollar dominance by extending its "exorbitant privilege"[11] into the blockchain ecosystem. After all, FSB Chairman Quarles was politically appointed[12] by President Donald Trump, following his election victory based on an "America First" mantra.

The publication of the FSB document has become the turning-point where words are changed into action towards establishing an alternative to the US dollar in international dealings.

Obviously, the United States cannot head such a process due to its conflict-of-interest (FSB/IMF). We would like to turn instead to what we call the G19, namely the G20 minus the US, to coordinate implementation of this alternative.

The Global Stability Union has already developed and prepared for real-life implementation of the digital unit (the GSU), and offers to coordinate between each of the individual G19, and others, interested in participating in its implementation for better stability and a more resilient homogenous structure.

The word we of the Global Stability Union have chosen to best represent our values is: Together.

Sections 1 and 12 are our reply to the FSB document question:
11. Are there additional recommendations that should be included or recommendations that should be removed?

[7] Link to Global Currency Unit website
[8] Link JPMorgan's Gemini, Coinbase play is a crypto industry 'roadmap,' analyst says, Banking Dive
[9] Link to JPMorgan Bank Takes on Coinbase, Gemini as Its First Crypto Exchange Customers, CoinDesk
[10] Link to Why Chris Giancarlo Considers A Digital Dollar Mission Critical For The World, Forbes
[11] Link to Wikipedia "Exorbitant privilege"
[12] Link to Political Appointments by President Donald Trump - Randal Quales

2 About the Global Stability Union

The Global Stability Union was founded in 2008 and is located in Copenhagen, Denmark.

It was established with the purpose of contributing innovative solutions for the improvement of price-stability in market-based exchange rates. Based purely on dynamic market data, the Global Stability Union develops advanced yet practical systems to provide better stability and efficiency, systems that address disorderly movements and relations in exchange rates.
As we regard stable market-access as a prerequisite for growth, prosperity and sovereignty, we strive to ensure for all parties their inalienable right to equality in their pursuit of public and private goals. www.GlobalStabilityUnion.org

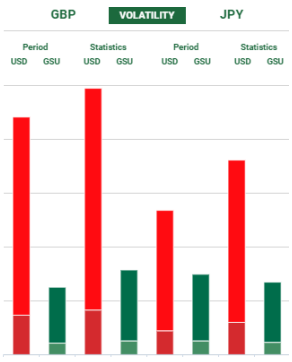
In 2015 three prominent financial mathematics professors (Rolf Poulsen, Michael Hanke and Alex Weissensteiner) delivered mathematical proof for the National Equilibrium Exchange-Rates Solution in the paper "Currency Pegs: Cases for Baskets"[13] published in WILMOTT magazine[14].
In 2017 this was followed by the exchange-rate paradigm for the Global Stability Unit (GSU)[15].

This GSU, or simply the "Global," is empirically and academically verified to be *the world's most stable unit,* and is fully functional and operational in relation to all existing national currencies.

Figur 1: www.gsu.io

The GSU exchange-rates have been operating flawlessly for three years (from January 2017) and can be monitored on-line at gsu.io. There live rates, historical charts and volatility comparisons are available for the currencies of each of the G20 member-states, as well as other nations' currencies.

To document and visualize the significant effect of the GSU as a better alternative (in terms of stability) to the USD, we have made available an on-line function, based upon real-time data, whereby one can simulate a transaction between two currencies for different time periods, showing the volatility and calculating a neutral option-price which represents the value of the reduced risk. We invite you to try it out.



Figur 2: For more information on currency volatility, see www.asu.io

Since mid-2016 the Global Stability Union has focused its resources on participating in the creation of a blockchain-based solution in order to make the GSU (the "Global") available in a format which could be distributed safely and widely to potential users, that is, to businesses and individuals seeking its main function, namely stability.

During these past four years, the Global Stability Union has acquired a deep understanding of both blockchain technology and the crypto-marketplace in general. In the following we will share some of this insight into the stablecoin market as well as information on specific representative stablecoins, in response to the FSB paper.

[13] Link to academic paper Currency Pegs: Cases for Baskets
[14] Link to article Basket Case, by Professor Rolf Poulsen, Published in WILMOTT magazine
[15] Link to verification from Department of Mathematical Science at Copenhagen University, Professor Rolf Poulsen

Stablecoins vs. “Global Stablecoins”: Distinction Makes No Sense

To enable the reader to appreciate that there is no difference between “stable” vs. “global stable” with regard to blockchain-based crypto-coins, as otherwise suggested in the FSB document, we first have to clarify how digital units function on the blockchain.

Blockchain technology functions through the Internet, just like e-mail. Speaking of a “global Internet” makes no sense, as it is global by function. In the same way, trying to distinguish an e-mail address as being “global” (in contrast to one that is not global?) makes no sense either, as one can send between any two e-mail addresses globally, by default, as they connect via the global Internet. Similarly, there is no meaning in trying to differentiate between “stablecoins,” which can be adopted and sent globally just like e-mails, and “global stablecoins.”
A stablecoin is a stablecoin; they can all be used globally.

As such, we find it both prudent and necessary to bring to the attention of the individual members of the FSB that the premise laid out in their document (instigated by the US Federal Reserve) - i.e. the attempt to distinguish between stablecoins and “global stablecoins” - is erroneous and misleading.

Blockchains in the context being discussed (exemplified by Bitcoin, Ethereum, etc.) are inherently global, since they function via the global Internet. This means that any stablecoin operating some kind of price-stable paradigm on such a blockchain should by any standard of deductive reasoning be regarded as a “global stablecoin,” as it is globally available and functioning.

All stablecoins *de facto* have the same potential reach, potential adoption and potential to achieve volume - all three of these are the criteria suggested in the FSB paper for differentiating between those which supposedly are “global” and those which supposedly are not.
What distinguishes stablecoins from each other is how well they are distributed, how easy they are to access, how well they function with regard to the desiderata of stability, associated costs, etc. They operate, compete and succeed on commercial parameters.

So the attempt to make any kind of regulatory distinction between “stablecoin” and “global stablecoin” is indeed meaningless.

There are no criteria or characteristics that differentiate stablecoin arrangements from so-called “global stablecoin” arrangements. Any stablecoin operated on the blockchain is inherently global.

Section 2 is our reply to the FSB document question:
1. Do you agree with the analysis of the characteristics of stablecoins that distinguish them from other crypto-assets?

3 Dominance in Fiat – Dominance in Stablecoins

In March of 2016 Microsoft announced[16] that they would add Ethereum blockchain technology to their Windows platform, making it available to more than three million developers around the world. This move was the milestone marking blockchain technology's "approval" for large-scale professional use. From that point it was no longer a question if it worked, only what it could be used for.

Blockchain is a technology which;

- *verifies* that a transaction can take place,
- *facilitates* that transaction taking place, and
- *records* that it took place.

As one of its inherent properties, the technology ensures that double-spending is not possible.

3.1 US Dollar Dominance in the "Old" Fiat Money World

The US dollar is the global currency both with regard to transactions and as a reserve currency. Thus, any stablecoin with a peg to the USD can only be regarded as a "global stablecoin."

The US dollar's dominance is well-known: as Mark Carney, former FSB Chairman, stated in August of 2019: "*The dollar is the global currency, we know that*."[17]

In the latest Bank for International Settlements (BIS) Triennial Central Bank Survey on Foreign Exchange Turnover[18] from December, 2019, the US dollar's dominance has even climbed to 88.3% of all FX transactions, which is up from its level of 87.6% in 2016.

It is a well-identified strategy of the United States to continuously strive to increase its dollar dominance on a global scale and as much as possible, as this is essential for its ability to A) finance the massive and growing US deficit, and B) enable the US government to exercise actions outside its jurisdiction by use of its currency power to force other sovereign nations[19] into acting against their own best interest, as for example with its current sanctions against Germany's[20] natural gas supply (Nord Stream 2), forcefully depriving the German government of its sovereignty to decide.

3.2 US Dollar Dominance in the "New" Crypto Blockchain World

The FSB document strikingly fails to describe the actual market circumstances to which the G20 are asked to relate, as well as the fact that over the past couple of years a high number of stablecoins in various formats (based on complex legal arbitrage structures) have been implemented. These are all US-backed or US-based, and they are - obviously - all pegged in stable arrangements to the US dollar. The result is that among stablecoins today, US dollar-pegged arrangements have an even stronger dominance than the USD has in the money world. This dominance is at 99%. In the following chapter we provide that overview of the actual stablecoins present in the market today which the FSB document does not present.

Since the US dollar is the global currency, represented in 88.3% of all transactions between currencies, it is clear that those stablecoin arrangements which, in one way or another, are pegged to the USD are themselves global (i.e. "global stablecoins").

[16] Link to article Microsoft Adds Ethereum to Windows Platform For Over 3 Million Developers, Coindesk
[17] Link to CNBC Exclusive: CNBC Transcript: Governor Mark Carney Speaks with CNBC's Steve Liesman
[18] Link to BIS triennial central bank survey FX 2019
[19] Link to article Altkanzler Schröder: USA kündigen transatlantische Partnerschaft auf, Handelsblatt
[20] Link to article Germany warns new US sanctions endanger pipeline, FT

4 Listing of Stablecoins and their Pricing "Pegs"

It seems remarkable that the FSB document neglects to present an overview of those stablecoins to which the US Federal Reserve official who functions as its Chairman wants the remaining 19 member-states to relate. In order to assist with this basic information, we have made a list[21] below, which illustrates the total stablecoin market of $11.41B with **a USD dominance of 98.6%**

Name	Symbol	Peg	Market Cap	24 h volume
1. Tether	USDT	**USD**	9,210,000,000	23,751,232,928
2. USD Coin	USDC	**USD**	1,100,000,000	259,848,586
3. Paxos	PAX	**USD**	245,780,000	148,336,549
4. DAI (MakerDAO)	DAI	**USD**	189,260,000	10,749,889
5. BinanceUSD	BUSD	**USD**	167,800,000	95,053,734
6. TureUSD	TUSD	**USD**	138,510,000	66,523,899
7. Huobi's USD	HUSD	**USD**	118,290,000	19,270,029
8. Stasis euro	EURS	EUR	35,740,000	1,580,339
9. QCash	QC	CNY	66,060,000	185,487,527
10. USDK	USDK	**USD**	28,710,000	89,158,469
11.sUSD	sUSD	**USD**	22,640,000	11,578,000
12. Neutrino Dollar	USDN	**USD**	13,230,000	1,162,259
13. JUST	JST	**USD**	10,410,000	3,007,837
14. Gemini Dollar	GUSD	**USD**	10,350,000	8,097,849

Daily updated information: https://cryptoslate.com/cryptos/stablecoin/
General market information: https://coinmarketcap.com/

There is no significant presence (less than 2%) of stablecoins priced to other currencies than the USD. Thus, the US is aggressively establishing the same negative dominance over the blockchain ecosystems as the one they currently hold over fiat currency markets. The G19 is best served by carefully considering whether such dominance is desirable in the crypto-marketplace as well.

4.1 Mechanisms

There are multiple ways to distinguishing between crypto arrangements which aim to provide stability against the price-movements of e.g. a currency (in most cases the USD) or other price-signals. Unfortunately, some of these are not covered in the FSB document, and the fact that it also fails to provide any true and fair analysis of the plurality of stablecoin arrangements cannot be regarded as anything but a willful attempt to mislead the G19, conducted on the part of the US Federal Reserve official who functions as FSB chairman.

[21] List from July 11th 2020

The most straightforward example of a stabilization mechanism not described in the FSB paper is the functioning of the market-leading stablecoin, Tether. Despite their communicated "peg" to the US dollar, Tether runs an under-balance in their USD reserves of 26%[22]. This fact makes Tether neither pegged nor algorithmically managed, but instead simply use/demand-based - that is, stabilized by the market.

4.2 Purpose

In addition, any suggestion to apply different regulatory standards among stablecoins relative to "purpose" further undermines the credibility of the FSB document. As with the circulation of any fiat currency, some stablecoin holdings will be used for daily shopping, others for larger purchases and again others for yet larger, long-term agreements. Try to imagine one set of regulations for e.g. euros (EUR) used by private citizens for grocery-shopping, another set of regulations for euros used by companies for invoicing, and yet again a different set of regulations for euros used for infrastructure financing. This is both illogical and inappropriate, and it demonstrates how meaningless it is to suggest different regulatory regimes between stablecoins vs." global stablecoins" based on "purpose" of level of use, e.g. retail level, wholesale level, inter-crypto-platform level or structural level.

Section 4 is our reply to the FSB document questions:

2. Are there stabilisation mechanisms other than the ones described, including emerging ones, that may have implications on the analysis of risks and vulnerabilities? Please describe and provide further information about such mechanisms.

10. Do you think that the recommendations would be appropriate for stablecoins predominately used for wholesale purposes and other types of crypto-assets?

[22] Link to Wikipedia page for Tether (cryptocurrency)

5 Cross-Border Issue - Stablecoins Penetrating Sovereign Domains

What is also interesting to observe is how the FSB document suggests differentiating between "stablecoins" and "global stablecoins" with regard to cross-border aspects:

"A stablecoin with a potential reach and adoption across multiple jurisdictions and the potential to achieve substantial volume"

All of the above-listed stablecoins, of which 99% are USD-pegged, satisfy *de facto* all three criteria:

- Potential reach;
- Potential adoption; and
- Potential to achieve volume.

So does the FSB document suggest that stablecoins that have international potential are "global stablecoins"? We would like to draw attention to the fact (apparently missed by the FSB) that there is already a strong cross-border representation of USD-pegged stablecoins across most jurisdictions throughout the world. They are actually the only stablecoins that widely operate across-borders on blockchains. In particular - and limiting our choice for now to G20 members - this is the case in Argentina[23] and Turkey.
For example, the DAI stablecoin (US-backed, USD-pegged and with a highly complex legal arbitrage set-up) is being pushed forward in Argentina[24], while in Turkey penetration of cryptocurrencies among the population at large has reached 18%, higher than any European nation.

Thus, by the criteria the FSB itself suggests, all USD-pegged coins are "global stablecoins" since all of these have the potential for adoption across multiple jurisdictions and can achieve volume.

In our opinion, there is no difference with regard to any potential issue in a cross-border perspective between "stablecoins" and "global stablecoins."

Section 5 is our reply to the FSB document question:
8. Do you agree with the characterisation of cross-border issues arising from GSC arrangements?

[23] Link to article The cryptocurrency startups trying to save Argentina from itself, MIT Technology Review
[24] Link to blog How Dai Became A Favorite Crypto in Latin America

6 New Technology Enables Better Stability - Lower Risk, Lower Cost

Simply in terms of numbers and performance, the Global Stability Union has succeeded in creating a new solution which offers significantly better price-stability in international dealings than any sovereign fiat currency - and that within a non-political paradigm, based only on new technology and intense innovation.

The GSU's price-stability is superior to that of the US dollar, and that will remain true despite whatever resources United States authorities devote to trying to restrain it: the numbers do not lie.

This improved stability is enabled through blockchain technology, which permits frictionless implementation. As such, it represents a straightforward path towards better price-stability which does not require international consensus among national authorities, each with different perspectives, but rather offers implementation via individual adoption by sovereigns as they desire.

6.1 Parameters

It is paramount to the understanding of stablecoins that these compete among themselves - and for that matter, against fiat money - on the basis of commercial "parameters" such as availability, liquidity, stability, cost of use, etc.

Those creating each stablecoin explicitly decide how to position themselves relative to the competitive landscape. The ones who bring forward the best offering, that is, provide superior performance in those parameters that are valued by users, will likely gain market-share.

Within this new paradigm, the Global Stability Union has chosen to focus on what we believe to be the parameter in highest demand, namely stability, and has succeeded in creating market-based pricing for a new type of exchange rates, which are in alignment with and fully functional in relation to all fiat currencies.

This system can continuously be updated based on changes in underlying data used for its mechanism, such as capital flows, trade volumes and the like. Thus, it will continue to perform over time as flows and economies develop. In addition, it enables a global reduction of exchange-rate volatility in excess of 50% compared to current fiat exchange rates. These parameters go beyond mere pegging to the USD, resulting in superior homogeneous performance in the best interest of everyone.

6.2 Competition

The GSU's ultra-stable performance is an opportunity for economies across the globe to achieve better price-stability in international dealings through this new technical paradigm. That is not a threat - that is an opportunity. One can logically reason:
If it is adopted, it is because it creates value for the user.

The only party for which this could be perceived as a disadvantage is the US. However, the GSU also offers the possibility of easing upward pressure on the USD, thereby making US exports more competitive on an international scale and leading to a reduced deficit – something which holds relevance for the US in light of its "unsustainable" economic circumstances.

Despite our strong market-focus, we are not aware of any other documented solution offering better price-stability to that of the GSU.

7 Reduced Costs - If it reduces risk and cost, it is relevant to implement

If we look at the paradigm-shift from the "Plain Old Telephone Service" (POTS) phone system, with high costs and inherent technical limitations, the technical development represented by Skype provided a better solution which in addition to voice also enabled e.g. live imaging and group calls. This development came along with a significant reduction in cost.

To grasp the magnitude of the GSU solution, one has to distinguish between what something "is" and its "function": The apparatus of the telephone provided the *function* of verbal communication over distance. Then one day Skype offered the same *function*, but without the telephone apparatus and at much lower cost. In the same way, the *function* of price-stability is fully achievable without traditional money. The GSU is proof of that, providing better stability and lower cost.

The latent economic benefits for sovereign nations supporting the implementation of the GSU are significant: better competitiveness for exporters, better stability for importers ensuring increased production efficiency, overall improved macroeconomic stability, etc.
From a system-level perspective, the economic advantages are also attractive. The technology enables stablecoins to operate in parallel on multiple blockchains, which will again ensure the optimal mix between cost, decentralization, functionality, etc.

We encourage each of the G19 states to study the economic advantages which their trading companies can enjoy by using the GSU for denomination of tenders/price offers, international agreements and settlements. The volatility figures and neutral option prices needed for such assessments are available on the GSU.io website.

Section 7 is our reply to the FSB document questions:

12. Are there cost-benefit considerations that can and should be addressed at this stage?
3. Does the FSB properly identify the functions and activities of a stablecoin arrangement? Does the approach taken appropriately deal with the various degrees of decentralisation of stablecoin arrangements?

8 Elements for Consideration – Technical Functions

We have to presume that the FSB has sufficient technical expertise to fully understand the blockchain technology behind stablecoins, especially in view of the far-reaching recommendations in its recent paper. Given this, we can only speculate about its questionable intentions when it seeks to differentiate between stablecoins and "global stablecoins."

In Annex 5 to that paper elements are suggested that could be used to distinguish between individual stablecoins. Again, these elements are presented without examples, comparisons or any relevant analysis that would make possible any serious consideration.

Example 1: It is suggested in that Annex to consider "Number of Users," "Number and Value of Transactions" and "Market Share" as criteria for distinguishing between stablecoins and so-called "global stablecoins."
From this, should the reader deduce that those stablecoins that work well to provide value and thereby attract usage are to be regulated in a more restrictive way than those not so successful? To us it sounds ill-considered, to say the least, even to suggest being more restrictive towards the successful than towards the unsuccessful.

Further, the document completely leaves out any consideration of the fact that stablecoins could then simply adjust their properties to achieve lighter regulation. To see this, assume stablecoin AA reaches a certain volume, prompting stablecoins AA1 and AA2 to emerge: each below the regulatory numerical limit, but both priced against the same price-signal (e.g. the USD exchange rate). If desired, AA3, AA4 and AA5 can also emerge, each qualifying for the light regulatory regime. Should some international regulator then attempt to bundle together for combined regulation all "AA" stablecoins, these could simply change their naming (for example, AA1, BB2, CC3, etc.) to avoid such bundling while remaining priced to the same price-signal. This example rather suggests that all stablecoins pegged to the USD, despite any other differences, should potentially be regarded in common as "global stablecoins."

Example 2: It is further suggested to consider elements such as the value of stablecoins in circulation and market-share within each jurisdiction. Again, there is a notable absence of any examples or comparisons in support of this element. Does the FSB mean that, for a "global stablecoin" pegged to a given fiat currency, if that currency declines in value enough to bring the associated stablecoin's value in circulation below the threshold, that token could be demoted to mere "stablecoin" and thereby fall into a different regulatory regime? What if such swings of value from the fiat currency repeatedly move that stablecoin's value in circulation above and below that threshold? For that matter, against which counterpart currency to the one being pegged shall this value be measured? Further, does the FSB suggest that a stablecoin well-represented in one jurisdiction can be regulated as a "global stablecoin" there, while in another jurisdiction with less market-share the same stablecoin shall be regulated differently?

The above technical examples are further evidence that trying to distinguish between stablecoins and “global stablecoins” is without basis. That combined with the distinct lack of any technical analysis in the FSB document in support can only suggest that the true aim of the document is merely political, namely to inhibit potential competition to the USD.

This list of illustrative examples could easily be extended. However, this would serve little purpose as we believe that the above two examples make our point.

Stablecoins are a technology. All stablecoins are based on the same technology.

There are no criteria that differentiate stablecoins from the suggested phrasing “global stablecoins.”

Section 8 is our reply to the FSB document question:

4. What criteria or characteristics differentiate GSC arrangements from other stablecoin arrangements?

9 Risk and Opportunity: Price-Stability

9.1 The Risk is the USD

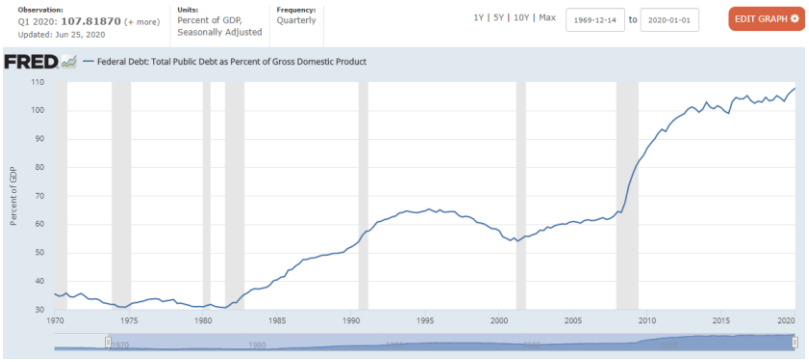
When assessing risk in the scenario of international price-stability it would be negligent not to recognize that the most dominant risk facing the G19 is the accelerating US budget deficit, which Federal Reserve Chairman Jerome Powell has termed *"unsustainable."*

As Chairman Powell stated in his semi-annual monetary report to Congress in July of 2019:

"The debt is growing faster than the economy, it's as simple as that, in nominal terms. And that is by definition unsustainable." Link video[25]. Link to article[26].

One year later, no action has been taken to reduce either deficit or debt - on the contrary!

US debt now at 108%



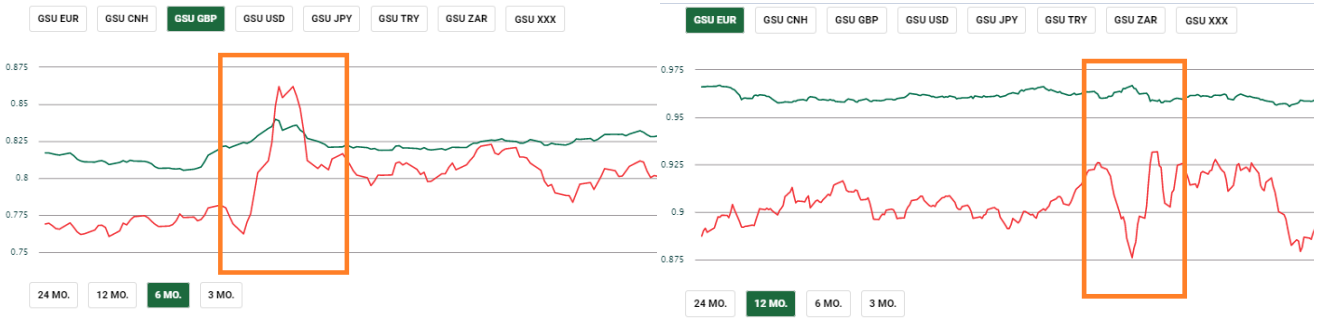
Figur 3.Federal Reserve Bank of St. Louis https://fred.stlouisfed.org/series/GFDEGDQ188S

Deficit at 18.7%

Figur 4. http://www.crfb.org/blogs/budget-projections-debt-will-exceed-size-economy-year

This leaves only one question for us to ask the US Federal Reserve:
Can you please explain how the US intends to repay its debt, when it operates a deficit (relative to GDP) which is larger than the growth of the economy?

1. The primary risk for any stablecoin arrangement is to lose its stability, that is, experience disorderly movements and excessive swings in the price to which it is pegged. USD red/GSU green.



[25] Link to video Jerome Powell Debt growing faster than economy. By definition, that is unsustainable. View time: 5:25-6:27
[26] Link to Powell Says Deficits On 'Unsustainable Path', The Business Journal

2. The second-most dominant risk is that the G19 will unknowingly consent to the extension of the USD's "exorbitant" market privilege, rather than realizing the advantages they could gain from new opportunities offered by blockchain technology.

The suggested regulatory measures should be focused on stablecoins pegged to the US dollar, since these are the ones that risk international price-stability, integrity and sovereignty, as documented above.

9.2 The opportunity

Throughout history, technical advancement has fundamentally changed the way things are done. To give a few examples, the icebox was superseded by the refrigerator, and the postal letter by e-mail. However, there is a subtle difference between these two: the former switch meant a new technical platform enabling the rise of brand-new industries and products (e.g. ice cream) which were not possible before. The latter, in contrast, merely involved a heightening of a given process' efficiency.

Regarding the paradigm-shift represented by blockchain and big data, both elements are present. One of the new functions enabled by this new technology is a new type of more-stable exchange rates. After all, the current monetary system with the USD at its center is almost fifty years old, and has not undergone any significant change over that time. This sets it apart from all other technological systems around us and would imply that real change using new technology is long overdue.

The advantages of more-stable, market-based GSU rates for international transactions are indisputable. They enable reduced risk, and thus reduced cost, for any cross-border transaction. The reduced risk/cost enabled via innovation through free market mechanisms is an opportunity that cannot be ignored and requires no greater regulation. Rather, it presents a unique chance for the G19 to adopt an advantageous new paradigm which offers significant benefits to each individual economy.

Section 9 is our reply to the FSB document questions:

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

6. Do you agree with the analysis of the vulnerabilities arising from various stablecoin functions and activities (see Annex 2)? What, if any, amendments or alterations would you propose?

10 Regulation

We want to stress that the Global Stability Union is fully in favor of protecting the integrity of financial systems and in promoting price stability. We are well aware and in support of FATF recommendations to prevent misuse of virtual assets for money laundering, terrorist financing, the financing of proliferation, etc.

Here, we call to attention the Bank for International Settlements stand that cryptocoins are not money[27]. Also, the International Accounting Standards Board (IASB), which is the independent accounting standard-setting body of the IFRS Foundation, has determined cryptocurrencies to be non-monetary intangible assets[28], classification IAS38[29].

In line with these classifications, all regulation towards the protection of financial systems has been placed in the interface where crypto-currencies and fiat money meet, i.e. at on-line exchanges. This is also where the FATF focuses its recommendations.

To suggest the extension of financial regulation into a technical framework is like suggesting that the law for the operation of the National Postal Service should also regulate e-mails. Just because banks use e-mails in their daily business, that does not mean that e-mails become subject to regulation by financial authorities.

The FSB document advocates differentiating between stablecoins and "global stablecoins" and regulating more heavily the latter. Yet the Vice Chairman of United States Federal Reserve, operating as FSB Chairman, actively neglects to provide any case, market description, analysis or comparison between stablecoins to justify this difference.

The manipulative nature of this document can be seen (among other places) in question no. 7:
"Do you have comments on the potential regulatory authorities and tools and international standards applicable to GSC activities presented in Annex 2?"
The question itself presupposes that there can be such things as "global stablecoins," different from mere stablecoins, and thus seeks to cut off necessary discussion of the point that the FSB tries to push through unexamined.

It is imperative to stress the importance of fully understanding the potential benefits to be achieved from this new technology, not only in order to realize what is at stake with these new developments, but also simply in order to be able to make decisions on an informed and fully disclosed basis. If one does not understand all the technical aspects, one cannot be qualified to regulate.

There is no basis for distinguishing between stablecoins and "global stablecoins" as suggested.

[27] Link to speech BIS General Manager Mr. Austin Carstens
[28] Link to International Accounting Standard Board (IASB)
[29] Link to Deloitte

Section 10 is our reply to the FSB document questions:

7. *Do you have comments on the potential regulatory authorities and tools and …*
international standards applicable to GSC activities presented in Annex 2?
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?
9a. Are domestic regulatory, supervisory and oversight issues appropriately identified?
9b. Are cross-border regulatory, supervisory and oversight issues appropriately identified?
9c. Do the recommendations adequately anticipate and address potential developments and future innovation in this sector?

11 Conclusion

The suggested differentiation between stablecoins and “global stablecoins” in support of separate regulations is unfounded and nonsensical.

- Any stablecoin is by definition and function global;
- Any stablecoin has *de facto* the same potential reach, potential adoption and potential to achieve volume. Any difference in achieving any of these will be the result of commercial parameters;
- All stablecoins are based on the same technology.

At no point does the FSB document provide basic information on the stablecoin market. How irregular, then, to nonetheless see it issue strong suggestions for that market’s segmentation and regulation. Further, the document completely:

- Fails to provide basic analysis of the market for stablecoins: growth, structure, usage, etc.;
- Fails to provide basic information and analysis of any representative list of stablecoins;
- Fails to provide comparisons between stablecoins and those it suggests are to be regulated differently as “global stablecoins.”

The FSB document propose an extensive list of elements for potential use to distinguish one type of stablecoin from the other, without providing any relevant context.

The FSB document addresses cross-border aspects without even mentioning how USD-backed stablecoin are now actively penetrating different markets.

The FSB document is structured and edited in a manipulative format, which will leave many readers without any real choice as to the matter of whether there *should* be different regulation for stablecoins and the suggested “global stablecoins.”

The suggested differentiation between stablecoins and global stablecoins is incorrect and impractical. The FSB document is faulty, insufficient and misleading.

12 Action Point: Where Do We Go From Here?

Which time is the right time to address a matter of such complex character? Was it a year ago, or later? With the publication of the FSB paper, the Global Stability Union is presented with no alternative but to reply. The FSB paper has determined the time for action, and that is now.

A constellation of circumstances over the past 12 months has formed to chart a clear path forward. Not only did we make our blockchain-based solution operational, but no less than Mark Carney called for the global monetary system to replace the dollar with a global electronic currency to transition away from the current USD reliance. Then FED Chairman Powell provided clarification about the "unsustainability" of the US budget deficit – even before the coronavirus crisis caused US debt to burgeon beyond what even he could imagine – to add urgency to Carney's declaration.

Such issues of international financial stability are at the core of the FSB's mandate. It is that institution's responsibility to detect risks and consider all possible solutions to shore that up. By now all political considerations need to be discarded, as the problem is obvious and purely one of economic stability. We understand the difficulties involved for each of the G19, and others, in moving forward in a matter of such complexity; Mark Carney himself had to wait until after he had completed his term as FSB Chairman before he felt he could urge bankers along that new course. Meanwhile, his successor there, Donald Trump's political appointee, is pushing for regulations in support of greater US supremacy.

In contrast, the Global Stability Union can present a solution - namely the Global Stability Unit (GSU) - within a strict non-political framework: We look only at the numbers. What is more, that is now developed as a turn-key solution, since the fundamental mathematical mechanism has been turned into fully documented and tested practical systems.

Fabricating such a superior alternative is clearly beyond the capabilities of multinational institutions such as the FSB, because of the inevitable political pressures. Across-the-board consensus for proceeding is impossible to achieve. Fortunately, such consensus is not necessary. Rather, the GSU easily accommodates safe, gradual implementation as individual sovereign states can try it out and thereby construct a parallel system block-by-block. We invite G19 member-states, plus any FSB observers, to visit the GSU.io website (also the GSU organizational website), evaluate the data, analyses and demos available there, to download the apps (available in most world languages) - and then to get in contact with us.

This is our recommendation on the matter of "stablecoins" vs. "global stablecoins."

Let's forge a better international financial future - Together.

Sections 1 and 12 are our reply to the FSB document question:

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