

US-intelligence agencies sponsor research on Libra-like threats to dollar, while Libra appoints ex-US-sanctions-tsar

[May 9, 2020 | Despite criticism from lawmakers and regulators in Europe and the US, social media group Facebook is pushing ahead with its plans for a new global crypto currency called Libra. While the intelligence community in the US is investigating the dangers for world dominance of the dollar and for national security of projects like Libra, the Libra Association is showing itself as an ally by appointing the former financial-sanctions-tsar of the US-government its first CEO.](#)

The Libra Association is a joint project of Facebook and several dozens of other large companies from the financial and digital sectors including Uber and Kiva. In Europe, central bank representatives and politicians criticize the Libra Project because they see it as an attack on governments' control over the money system. "We will not allow a private world currency, the currency monopoly must remain in the hands of the states," Federal Finance Minister Olaf Scholz recently thundered.

In the US, the concerns of regulators and politicians focus on the question of whether the new currency could provide a loophole for illegal financial transactions to escape the ever-closer supervision in traditional banking. Last year, US Treasury Secretary Stephen Mnuchin described Libra as a threat to national security. The Office of the Director of National Intelligence explains in a recent call for research proposals that advocates of cryptocurrencies predict that a global crypto-currency, such as Libra, or a state-run digital currency, such as that already being tested by China, could end the supremacy of the dollar.

There are many advantages for U.S. national security to have the U.S. dollar as the world reserve currency. Any international transaction settled in US dollars, gives the U.S. jurisdiction over financial crimes associated with those transactions, to include support to terrorism and weapons-of mass destruction (WMD) proliferation. In addition, the U.S. is able to effectively level sanctions against or designate entities that violate international laws or treaties, or that have the potential to cause financial instability in global markets. The U.S. maintains international dominance in no small part due to its financial power and authorities. However, there are many threats to the U.S. dollar maintaining its status as the world reserve currency. Countries such as China and India have large growing economies that could compete with U.S. economic growth. Many cryptocurrency enthusiasts predict that either a global cryptocurrency or a national digital currency could undermine the U.S. dollar.

Relevance to the Intelligence Community:

Maintaining the U.S. dollar as the world reserve currency is vital for the national security community. It enables the U.S. to impose and enforce sanctions on entities that violate treaties or international law – results are essential to counter-proliferation and counter-terrorism activities. Sanctions are imposed when countries or their citizens develop or expand weapons programs that are considered dangerous to the international community. Having U.S. dollar transactions settle through the U.S. gives law enforcement jurisdiction to investigate, charge, and convict criminals of financial crimes such as money laundering, fraud, and terrorist financing. Since the U.S. dollar holds value through time, it is the safest currency in which to conduct international business transactions. This gives the U.S. global economic dominance. If the U.S. dollar loses its status, these national security advantages disappear, leaving the U.S. vulnerable. This project could allow the national security community to prepare for and defeat scenarios that could prevent this economic crisis.

Source: Office of the Director of National Intelligence: "[Evaluating the Impact of U.S. Dollar Losing its Status as World Reserve Currency](#)",

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The recent choice of the Libra Association for their first CEO, Stuart Levey, should dispel such worries with regard to Libra - and even turn the project into a potential ally of the US government with regard to preserving and expanding the role of the dollar. The [press statement](#) reads:

Mr. Levey is currently serving as Chief Legal Officer of HSBC, one of the world's leading financial institutions with a presence in 64 countries and territories. Prior to joining HSBC, Mr. Levey served as the first Under Secretary of the Treasury for Terrorism and Financial Intelligence during the Bush and Obama Administrations. During his tenure, Mr. Levey was instrumental in setting U.S. and international policy to combat illicit finance. During his tenure, Mr. Levey led financial strategies to counter threats to U.S. national security and protect the integrity of the financial system. He oversaw the implementation and enforcement of U.S. sanctions by the Office of Foreign Assets Control (OFAC), and he was responsible for the implementation and enforcement of all U.S. civil anti-money laundering and counter terrorist financing laws by the Financial Crimes Enforcement Network (FinCEN).

The US government should also be pleased that the Libra Association decided in April to start with separate Libra-Coins, with values tied to and backed by large national currencies like dollar, euro and yen. Originally the plan was to emit only one digital coin, backed by and tied to a basket of currencies. The new choice makes it possible for the dollar to compete with and push back other currencies rather than seeing a potential competitor to the dollar rise up.